



# Media Release

## Senator Mathias Cormann

### *CHAIR OF THE FUEL & ENERGY SENATE SELECT COMMITTEE*

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#### **Rudd Government intent on avoiding ETS scrutiny!**

The Rudd Government is desperate to avoid the tougher scrutiny of a Coalition dominated Senate Committee by setting up a competing inquiry into the ETS in the House of Representatives, Senate Fuel and Energy Committee Chair Mathias Cormann said.

“After weeks of sneering by Government Ministers when called upon to conduct a further review of the economic impact of its proposed CPRS, we now witness one of the most significant Government back-flips ever,” Senator Cormann said.

“This back down by the Government is as significant as it was inevitable,” he said.

“The Government’s proposed design for an emissions trading scheme was manifestly flawed and their approach to reducing global emissions is now in complete limbo.

“The Government must have finally realised that its proposed CPRS would not have helped reduce global emissions and was economically irresponsible.

“The Senate inquiry into the CPRS has been going for some time, and we have heard a lot of evidence about the inadequacy of the Treasury modelling.

“The report by Dr Brian Fisher received by the Committee last week also made it very clear that a lot more work needed to be done to assess the economic impact of the Government’s proposed scheme, particularly in the current circumstances.

“I urge the Government to have a very close look at the recommendations made by Dr Fisher in his report to the Senate Fuel and Energy Committee, which has been inquiring into the Government’s proposed Carbon Pollution Reduction Scheme since June last year,” Senator Cormann said.

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Encl. Recommendations made by Dr Brian Fisher in his report to the Senate Fuel and Energy Committee “*A Peer Review of the Treasury Modelling of the Economic Impacts of Reducing Emissions*” Released - 2 February 2009.

## **Recommendations made by Dr Fisher based on the analysis in his report include:**

- that given indications of the worst global economic crisis in more than half a century, Treasury provide stakeholders with updated GDP forecasts from the IMF, OECD and Consensus Economics so that these can be compared with those used in the climate change modelling;
- that full model documentation and databases together with any additional scenario implementation code be released so that stakeholders can better understand the full implications of the Treasury modelling;
- that ETS governance arrangements incorporate a review process to confirm that the Treasury modelling results were reasonably accurate. This process should specify the way that any unintended consequences in ETS performance can be quickly corrected;
- that further analysis be done on the short- and medium-term impact of an ETS on the electricity generation sector and other emissions intensive industries that may be subject to significant structural adjustment particularly as it affects regional Australia and that such modelling be done using tools that take into account the lumpy nature of investment and the likely timing of the retirement of large capital assets;
- that additional sensitivity analysis be conducted around at least one policy scenario involving slow, fragmented and partial global action in the medium to long term;
- that additional sensitivity analysis also be conducted around less optimal international permit trading assumptions and the availability of Clean Development Mechanism (CDM) certificates;
- that a formal review follow the UN Conference of the Parties in Copenhagen in late 2009 to take stock of the likely configuration of global climate action in the next decade and Australia's actions in that context (this would mirror the review mechanism agreed by European Union leaders at their summit in December 2008);
- that Australia undertake a significant, pre-emptive diplomatic effort in Europe and the United States in order to counter the possible imposition of border barriers in the likely event that global action on climate change is slow, partial and fragmented;
- that the Productivity Commission formally review the Government's proposed ETS against its Best Practice Regulation Guidelines.