



Media Release

Senator Mathias Cormann

CHAIR OF THE FUEL & ENERGY SENATE SELECT COMMITTEE

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The CPRS: Economic cost without environmental benefit

The economy will suffer with no benefit to the environment if the Government pushes ahead with its proposed CPRS.

That is the conclusion reached by the Senate Select Committee on Fuel and Energy after an inquiry into the proposed scheme that lasted nearly a year.

"The CPRS will put even more pressure on our economy, damage our international trade competitiveness, cost jobs, put our future energy security at risk and hurt regional Australia," Committee Chairman Mathias Cormann said.

"All that without helping to achieve the real objective – a reduction in global greenhouse gas emissions, and at a time when the economy is already under pressure," Senator Cormann said.

The Committee is deeply concerned that the government was not able to demonstrate how and by how much the proposed CPRS would contribute to a reduction in global greenhouse gas emissions (rather than a reduction, merely, in domestic emissions).

"In fact by its own admission, no targets have been set by the government as to how the proposed CPRS would contribute to a reduction in global greenhouse gas emissions," Senator Cormann said.

"That lack of global focus is the reason for a series of design flaws in the scheme, with the unbelievable consequence that global emissions may well go up instead of come down as a result of the Rudd government's proposed CPRS," he said.

"The government with its scheme has underestimated the fact that without an appropriate global agreement, a reduction in emissions in Australia as a result of the CPRS, could well make things worse environmentally by increasing overall emissions globally while costing jobs in Australia.

"They have completely ignored the fact that increasing emissions domestically may well at times be the best way to reduce overall emissions in the world, while creating jobs in Australia.

"And they have not addressed the disincentive for exporters committed to the development and implementation of cutting edge low emissions technology. Unlike more polluting overseas competitors they will face the additional cost of a price on carbon, which even based on world best practice emission levels, will make it harder for them to compete and hence to attract investment.

"Furthermore, the Committee is concerned that the Government continues to fly blind when it comes to the short and medium term impact of its proposed scheme on the economy, jobs and regional Australia.

"The Treasury modelling conducted at the direction of the government was completely inadequate and more focused on achieving a political objective for the government rather than guide sound public policy development.

"The Committee was extremely concerned that contrary to public assertions of a commitment to accountability and transparency the Government has been deliberately unhelpful to the Committee in its deliberations.

"To this day, information properly demanded from government by the Senate about its economic modelling has been kept secret by the Rudd government.

"Our Committee has thoroughly assessed the government's proposed scheme through all of its various iterations and has formed the view that it should not be supported," Senator Cormann said.

"The detailed argument is contained in our report, which also includes 18 recommendations about where the Committee thinks we should go from here," he said.

"Finally, the Committee does not believe that the further changes to the proposed CPRS announced by the Prime Minister on 4 May 2009 adequately address the fundamental flaws of the scheme identified during our inquiry.

"Specifically, the Committee is of the view that even after the changes announced by the Prime Minister:

- The proposed CPRS will be ineffective in reducing global emissions;
- The government has not addressed the concerns raised about the short and medium term impact of the CPRS on the economy and jobs;
- Australia's trade exposed industries will continue to be disadvantaged compared to their competitors (unlike in the much cited European emissions trading scheme);
- Many other flaws explored in some detail in the Committee's report have not been addressed.

"In short, we think the government should reconsider its proposed approach to how Australia can best contribute to a reduction in global greenhouse gas emissions.

"This is entirely consistent with the inquiry proposed by Treasurer Wayne Swan only two months ago, before being cancelled one week later.

"Before being asked to make significant sacrifices, Australians deserve to know whether their sacrifice will actually make a difference," Senator Cormann said. "At this stage they don't".

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Senator David Bushby

Senator Mitch Fifield

Senator Barnaby Joyce

Senator Ian MacDonald

COMMITTEE RECOMMENDATIONS:

Recommendation 1

The committee recommends that the government reconsider its proposed approach to how Australia can best contribute to a reduction in global greenhouse gas emissions.

Recommendation 2

The committee recommends that any Australian emissions trading scheme be designed such that it encourages:

- (a) economic activity and growth in Australia which helps reduce overall global greenhouse gas emissions, even if it means an increase in domestic emissions;
- (b) Australian businesses operating at world's best environmental practice in terms of their level of domestic emissions, rather than to disadvantage them compared to any less environmentally friendly overseas competitors.

Recommendation 3

The committee recommends that the government assess and more properly explain publicly the advantages and disadvantages of all the policy and design options aimed at reducing global greenhouse gas emissions that have been raised so far.

Recommendation 4

In particular, the committee recommends that before any Australian emissions trading scheme is implemented, the government demonstrates much more clearly than it has so far, how it will be:

- (a) environmentally effective – that is how it will help reduce global emissions;
- (b) economically responsible – that is it will not put more Australian jobs at risk for no environmental gain; and
- (c) mindful of Australia's energy needs into the future – that it will not put Australia's energy security at risk.

Recommendation 5

The committee recommends that the CPRS as currently designed not be proceeded with.

Recommendation 6

The committee recommends that the Commonwealth Government commit to design a more appropriate scheme for Australia, which will be more effective in helping to reduce emissions globally and which will be more economically responsible.

Recommendation 7

The committee recommends that the Senate not consider any legislation to give effect to the government's proposed CPRS until the government has fully complied with the relevant order of the Senate of 11 March 2009 and has released all of the information currently being kept secret.

Recommendation 8

The committee recommends that the government direct the Department of the Treasury to undertake and publish modelling of the impact of the proposed CPRS:

- (a) assuming little or no action by Australia's major competitors to reduce greenhouse gas emissions;
- (b) taking account of the economic conditions due to the global financial crisis;
- (c) on industry at a sectoral level, including the effective rates of compensation to industry;
- (d) on regional areas of Australia; and
- (e) in comparison with modelling of a variety of viable alternative policy scenarios aimed at Australia contributing to the reduction of greenhouse gas emissions.

Recommendation 9

The committee recommends that the CPRS EITE assistance measures:

- (a) be reviewed to consider providing assistance on a production basis;
- (b) be maintained at commencement levels until Australia's major competitors face comparable carbon costs; and
- (c) not exclude the coal mining industry.

Recommendation 10

The committee recommends that recognition should be given to those industries that contribute to a global reduction in emissions, such as LNG.

Recommendation 11

The committee recommends that the government conduct a thorough review of:

- (a) Australia's future energy needs and how the proposed CPRS will impact on future energy supply across Australia;
- (b) The necessary transitional arrangements for the energy supply industry, given the potentially significant impact of the CPRS on the economic viability of the energy industry's very capital intensive enterprises, and the impact on Australia's energy security should one or more of the electricity generators fail; and
- (c) The expected impact of the proposed CPRS on energy security in Western Australia given the unique circumstance of that state as it is not part of the National Electricity Grid.

Recommendation 12

The committee recommends that the government conduct a proper assessment of the impact of its proposed CPRS on levels of employment, to assess levels of employment as a 'modelling result' rather than including employment levels as a 'modelling assumption'.

Recommendation 13

The committee recommends that before legislation to introduce the proposed Carbon Pollution Reduction Scheme is passed, the government conduct a more comprehensive assessment of the impact of the proposed CPRS on individual states and regional economies to ensure the scheme, including compensation arrangements, is structured so that particular states and regions are not disproportionately and unfairly impacted.

Recommendation 14

The committee recommends that the government properly inform the community how the scheme will impact them and advise of actions they can take to reduce the cost impost of the scheme.

Recommendation 15

The committee recommends that the development of emission abatement or reduced emissions technologies be encouraged and facilitated, not constrained as they will be under the proposed CPRS. Consideration should be given by government to providing tangible recognition to businesses operating at world best practice levels.

Recommendation 16

The committee recommends that incentives be provided to encourage research and development of second generation biofuels.

Recommendation 17

The committee recommends that the Commonwealth and state governments remove restrictions on the mining and exporting of uranium.

Recommendation 18

The committee recommends that the Commonwealth Government explore the feasibility, advantages and disadvantages of producing nuclear power in Australia, as a means of reducing domestic emissions and providing energy security for Australia into the future.