

Sustainable Business Practices is pleased to present a review of recent activities from government, business and research centres on issues relating to business sustainability.

The Prime Ministerial Task Group on Emissions Trading

Report released 1 June 2007

The release on Friday of the Report of the Prime Ministerial Task Group on Emissions Trading is one of the most significant events in the continuing efforts to address emissions of greenhouse gasses and the concomitant likely climate change.

The report accepts the scientific conclusions of IPCC AR4 that human activity is contributing to climate change and that without action there are likely to be adverse environmental, social and economic consequences. The risks presenting themselves need to be managed and require an economic solution.

Early action recommended

In considering all of the relevant issues the Task Group concluded that Australia should not wait for a comprehensive global agreement to be in place before setting an emissions reduction target and introducing a market based mechanism to price emissions and facilitate reductions.

Delaying the decision will place costs on Australia by increasing business uncertainty and delaying or losing investment. The Task Group noted growing evidence that investments are being deferred due to uncertainty about the future cost of combating climate change. The overriding goal of Australia's actions must be to achieve lower emissions at least cost.

Early adoption of an appropriate emissions constraint would enhance investment certainty and combined with existing Australian initiatives would position us to contribute further to the development of a broad-ranging international framework for emissions reductions.

Market based approach preferred as it delivers at least cost

In choosing a mechanism to achieve the required reduction the Task Group was clearly in support of a market based emissions trading scheme as the most efficient and effective way to manage risk and achieve necessary emission reduction goals.

The Task Group supported Australia setting a long term aspirational goal and an early commitment to moving its emissions trajectory onto a path to achieve this target.

Planning should be rigorous, transparency is critical and institutional and regulatory frameworks should be implemented with calm deliberation.

In setting a goal now the Task Group saw benefits for Australia particularly in relation to demonstrating Australia's willingness to help construct a post-Kyoto framework.

The Task Group concluded that a market based approach that delivers a price on carbon will achieve greenhouse gas abatement, commensurate with an emissions target, at least cost.

The Task Group acknowledges the global impact of greenhouse gas emissions noting in support of making the trading system as comprehensive as possible that a uniform carbon price across the economy can harness abatement opportunities wherever they are cheapest.

Pricing emissions ensures that these least cost abatement opportunities are both discovered and deployed. Sending a clear signal on the price of carbon ensures that investment is optimised, that high carbon intensity is not locked into the capital stock of the economy and that necessary behavioural changes to achieve success in a carbon constrained economy are promoted.

A cautious approach

The Task Group recommend a cautious approach to the adoption of targets, particularly short to medium-term targets. The terms of reference of the Task Group required that maintenance of Australia's competitive advantage arising from an abundance of low cost energy be preserved.

Given this criteria together with the need to maintain the competitive position of trade exposed industries, many of whom have a high emissions profile, the cautious approach is not surprising. Nevertheless the Task Group acknowledge for every industry or sector quarantined the burden on others is increased. Short term transitional measures should not lock in inefficient abatement choices.

Sustainable Business Update

Recommended features of a 'cap and trade' model

The Task Group's recommended 'cap and trade' model should have the following features:

- Long term aspirational emissions abatement target and pathways to achieve this
- An emissions trajectory that commences moderately, progressively stabilises and then results in deeper emissions over time
- Flexibility to enable periodic adjustment as required
- A predictable future carbon price to facilitate decision making
- Maximum coverage of all sources of emissions, sinks and greenhouse gases
- Initial exclusion of agriculture and land use
- A mix of free allocation of permits and auctioning of single year emission permits together with free allocations to support trade exposed industries
- A 'safety valve' fee to limit unanticipated costs to the economy
- Recognition of a wide range of carbon offset regimes
- Encouragement of early action to abate before the official start of the scheme
- Ability to link to other national and regional schemes
- Revenue from permits and fees to support development of low emission industries

The Task Group acknowledge the time scale necessary to establish the trading scheme noting that if action is commenced in 2007, emissions reporting and verification systems are finalised in 2008, then trading should be able to commence in late 2011 or 2012.

A single policy framework

To facilitate the objectives of the national scheme it was recommended that all other state and territory based trading schemes, legislation, mandatory targets etc. be phased out unless they were complementary to and supported the objectives of the National Scheme.

The full report is available at

www.pmc.gov.au/publications/emissions

References

- i International Herald Tribune, 24 May 2007
- ii The Age, 1 June 2007
- iii Australian Financial Review, 5 June 2007, p 12
- iv ABC News, 2 June 2007

We would be pleased to receive any feedback you may have.

Global initiatives on climate change

Japan and Germany

In the lead up to the G8 Summit in Heiligendamm, Germany, from June 6 – 8, the leaders of Japan and Germany pushed for deep cuts in greenhouse gas emissions by 50% by 2050, in order to avoid the earth warming by more than 2 degrees Celsius. "It is important that the G-8 develops a common understanding how climate change can be tackled and that agreements can be made for the period beyond 2012." ⁱ

USA

Australia is among 15 influential nations US President George W Bush wants to agree by the end of next year on a long-term goal to cut emissions, with an emphasis on new technologies. "The United States will work with other nations to establish a new framework on greenhouse gas emissions for when the Kyoto Protocol expires in 2012," Bush said in a speech laying out his agenda for the June 6-8 G8 summit in Germany. ⁱⁱ

China

China has released its first national plan on climate change and promised "to make significant achievements in controlling greenhouse gas emissions" but has declined to accept mandatory caps on emissions as unfair to countries still trying to catch up with the industrialised countries.

"The first and overriding priorities of developing countries are sustainable development and poverty eradication." ⁱⁱⁱ

States push for mandatory carbon emissions reporting

A meeting of the Environmental Protection and Heritage Council in Cairns on Saturday agreed to the public reporting by companies of their carbon emissions as part of the National Pollution Inventory, despite opposition from the Federal Government.

The deal will see companies emitting more than 25,000 tonnes of greenhouse gases each year having to disclose those emissions from July 1 next year. ^{iv}

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