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Level 2, 410 Collins St. Melbourne ph: 03 9600 4744 ipa@ipa.org.au www.ipa.org.au

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FEDERAL GOVERNMENT'S ETS GREEN PAPER IS A RECIPE FOR RADICAL TRANSFORMATION OF ECONOMY

If implemented, the measures to curb Australia's carbon emissions foreshadowed in the federal government's Green Paper will bring about a radical transformation of the economy, according to the Institute of Public Affairs, Australia's leading free market think tank.

According to Dr Alan Moran, the Green Paper very substantially underestimates the cost to the Australian economy of an ETS (Emissions Trading Scheme).

"While the federal government attempts to portray the ETS as gradual and measured, the reality is that it will have dramatic and radical consequences.

"The Green Paper itself is confusing and contradictory. For example, the Green Paper suggests that Australia's emissions should be cut 60% by 2050. However this level of reduction would still leave Australia's emissions at twice the per capita level required to stabilize world emissions at current levels.

"The omission of petrol from the ETS for the first three years is a political fix. The Green Paper misunderstands the increase in the price of petrol necessary to substantially reduce petrol usage. It may be that a price of \$10 per litre will be needed to reduce emissions from petrol to the levels required.

"The Green Paper justifies the deferral of an ETS on petrol on the basis that petrol already bears special taxes - but this is true of the conventional electricity industry which faces competition from highly subsidised renewable energy sources.

"The Green Paper argues for compensation to industries with internationally traded products where the energy cost would, under the ETS increase by more than 3.5%. Therefore industries whose energy costs are raised by less than 3.5% will not be compensated and will find it profitable to relocate overseas.

"The government should recognise that since Australia only emits 1.5% of the world's CO₂, we cannot affect emissions by acting alone.

"An ETS should not be introduced in advance of other countries. The Australian economy is heavily dependent on coal based energy and we simply cannot afford to jettison coal as a source of our energy. While the Green Paper acknowledges this in foreshadowing on-going assistance to trade exposed industries in the absence of comparable carbon constraints in competitor countries, this would provide only limited shelter to industries facing serious cost increases," Dr Moran said

For Further Information

Dr Alan Moran

Institute of Public Affairs

0411 511 145