

Early partial adoption of a cap and trade system.

Dear Prof. Garnaut,

As you know there have been some problems in the EU cap and trade approach due to over-allocations. It occurred to me that it might be advisable for Australia to ease into such a scheme gradually, between 2008 and 2012.

Consider a two stage process whereby emitters are auctioned permits, and rebated 99%. Any further permits allocated (at market price) would only have a 95% rebate. The permits would be short term. The significance of the rebate system is to get an effective trading scheme working sooner rather than later. Each year until 2012 the auction rebates and top-ups can be reduced. Firms would want to get the higher % rebate and would try to get their numbers right.

A second suggestion is for a Greenhouse emissions tax, like GST, for the added emissions of an enterprise, based on utility or fuel suppliers billings, and other suppliers invoices of the same sort. Those funds would be re-allocated to emission reduction projects or subsidies for strategic industries which would otherwise be severely impacted by cap and trade policies. Exporters would have their "GET" fully rebated up to the value of export earnings.

Regards,
Gerry Jensen