



Garnaut Climate Change Review Secretariat,
Level 2, 1 Treasury Place
East Melbourne, Victoria 3002

By Email: contactus@garnautreview.org.au

18 April /2008

Dear Professor Garnaut,

Emissions Trading Discussion Paper – March 2008

Thank you for the opportunity to provide comment on the above discussion paper.

Amcor is a large manufacturer with over 50 manufacturing sites in Australia. Most of the goods produced comprise packaging for food and beverage packaging and include: Packaging Paper and Carton Board, Aluminium Cans, Glass Wine Bottles, Cardboard Boxes and Cartons, Flexible Plastic Packaging.

Amcor is a major employer in Australia with over 5,000 employees and an annual turnover of around \$2 billion.

Amcor is also a significant energy user in Australia with approximately 1.1M tonnes/yr CO_{2-e} attributable to its energy use. Amcor's current outlay on energy supply to our Australian operations is over \$100 m/yr.

Over 72% of Amcor's greenhouse gas emissions relate to its recycled paper and glass wine bottle manufacturing facilities alone. A substantial portion of the output from these facilities is exported, contributing significantly to Australia's balance of payments.

Amcor understands the need for an Australian Emissions Trading Scheme to focus the efforts of all Australians on the need to reduce greenhouse gas emissions. Since 2000 Amcor has been actively managing its energy use and greenhouse gas emissions.

To date we have achieved CO_{2-e} emission reductions of around 10%.

However, Amcor is concerned about the impact of the ETS on its competitiveness in global markets; in particular our concerns relate to:

- The impact on energy prices in Australia
- TEEII status of recycled paper manufacturing.
- TEEII status of glass wine bottle manufacturing.
- Credit for early action for abatement already achieved under state based ETS.
- Lack of recognition of demand side abatement potential
- On-going duplication of other State and Federal Government schemes.
- Market distortions such as MRET
- Points of obligation

Trade Exposed Energy Intensive Industries (TEEIs)

Amcor accepts that there will be an increase in energy costs to account for the cost of CO_{2-e} emission permits and that in some of its operations which largely supply the domestic market, these costs will be able to be passed on to customers.

While many of these costs may be passed on through the supply chain many will not be able to be passed on as competitors from Asia are not subject to this cost impost. Most importantly, this is the case for the Amcor Paper or Glass businesses, both of which are energy intensive and trade exposed.

TEEII - Amcor Paper

Amcor Paper produces recycled packaging paper and carton board from recycled paper and cardboard; it is one of the largest paper recycling operations in Australia. It has paper mills in Victoria, NSW and Queensland. The business faces stiff competition from Asian paper manufacturers in particular.

The emissions associated with the energy required for Amcor to produce paper are around 0.9 tonnes CO_{2-e}/tonne of paper so there will be a significant increase in the cost of manufacture of paper due to introduction of an emissions trading scheme.

Amcor is committed to investing almost \$500M in a new paper mill to be located at Botany in Sydney. This plant will be significantly more efficient than the existing paper machines it replaces, however, it will still be at risk to the threat of imports of paper from countries with no emissions trading scheme.

TEEII - Amcor Glass

Likewise Amcor's Glass plant at Gawler in SA is also exposed to global competition. This plant manufactures wine bottles; the vast majority of which are filled with Australian wine and exported.

The emissions associated with the energy required for Amcor to manufacture wine bottles are around 0.6 tonnes CO_{2-e}/tonne of glass so there will also be a significant increase in

the cost of manufacture of glass bottles due to the introduction of an emissions trading scheme.

Amcor is considering an investment of over \$150M to expand this facility, but requires certainty in energy costs to do so.

The threat to this business is that if the cost of Amcor's wine bottles becomes uncompetitive in the global market place due to higher energy costs, including the impact of an emissions trading scheme, then there is potential for wine to be exported in bulk and bottled offshore into lower cost bottles made in countries with no emissions trading scheme.

Amcor therefore requests that you consider both the manufacture of paper and glass wine bottles as TEEIs. This classification should remain in place until all major trading partners are exposed to the same cost of carbon. The protection should take the form of a free permit allocation which Amcor would be able to use or sell as appropriate. These permits would need to be bankable for a period of 5 years.

Credit for Early Action and Demand Side Abatement

Amcor has abated over 100,000 tonnes of CO_{2e}/yr since our resource efficiency program commenced in 2000. We do not have accurate records of all the projects involved; however we do have accurate records of our abatement projects under the NSW GGAS Scheme.

Amcor has participated in the NSW GGAS scheme as a Large User since its inception in 2005. Since that time Amcor has invested significant capital and resources to reduce its GHG emissions in NSW.

Amcor currently has registered 6500 NGACS and 35000 LUACS under the NSW GGAS Scheme. This equates to 41,500 tonnes of CO_{2e}/yr of greenhouse gas abatement.

All of the projects that gave rise to this abatement have been accredited by the NSW GGAS Scheme Administrator and have received independent third party verification.

Amcor invested in these abatement projects on the understanding that the credits created under the NSW GGAS Scheme would be eligible for credit for early action under an Australian ETS.

In fact previous discussion papers issued by the Federal Government in relation to credit for early action indicated that this would be the case when an Australian ETS effectively replaced any state based ETS.

Amcor has taken a proactive view and committed to investing in abatement measures where they were economically viable, taking into account the avoided cost due to abatement.

If the ETS does not recognise these credits as early action credits and the NSW GGAS Scheme is subsumed into the ETS, as has been mooted, then this will be seen as putting early movers at a disadvantage to late adopters. Companies such as Amcor will be denied a revenue stream that was part of their original investment consideration.

Amcor therefore requests that Credit for Early Action be more closely examined and that any Demand Side Abatement certified under the NSW GGAS Scheme be accredited under an ETS.

Demand Side Abatement

Least cost abatement will be found in the demand side rather than the supply side of the energy industry.

Therefore encouragement should be given to encourage as much demand side abatement as possible.

Energy End Users should be able to receive demand side abatement certificates to trade or off-set their CO2 emissions liability in much the same way as we can under the NSW GGAS Scheme.

Therefore we suggest that the concept of Demand Side Abatement be considered as part of the ETS. This will encourage large energy users to continue to invest in Emission Reduction projects which may well have a lower abatement cost/tonne than other supply side measures.

Removal of Duplicate Programs and Market Distortions

There currently are a number of State and Federal Government schemes that companies such as Amcor are required to comply with; they add to our energy costs and they create a significant compliance burden.

These schemes include: MRET, GGAS, VRET, 13% GEC, EEO and EREP.

Moreover, several of these schemes, such as MRET and VRET will create market distortions as they are not least cost abatement measures and so will tend to drive electricity prices higher.

For example if the MRET is to be 20%, then this will require an investment in wind power of over 80% of the current average NEM load as wind power only has a capacity factor of 30% at best.

To ensure an efficient Emissions trading market and eliminate duplication of effort and at the same time reduce the burden on industry, existing State and Federal Government schemes should be abolished once ETS is operational.

Points of Obligation

Amcor's Paper and Glass manufacturing facilities have significant Scope 2 emissions. We note that unlike the NETT, you have not recommended an emissions threshold for direct involvement in the ETS. Amcor believes that for coverage certainty an emissions threshold should be set. This would allow large emitters to begin planning management strategies for their emissions.

As stated above, Amcor already has gained valuable experience in this area by registering as a Large Energy User under the NSW GGas Scheme. We have also benefited directly from the CO₂-e emission reductions made at our facilities in NSW.

We believe that having responsibility for securing and acquitting the required permits would encourage such facilities to become more efficient as there is potentially some upside to reducing emissions.

Large emitters with > 25kt/yr of CO₂-e should be allowed to manage their own emissions and compliance with the ETS.

We understand that you will not be meeting with any individual companies before you release your final report; however we would be keen to provide further information to you to assist you determining your final position on the ETS framework; in particular the treatment of TEEIs as they relate to our Paper and Glass operations.

Yours sincerely,



Ken Mackenzie
Managing Director & CEO
Amcor Ltd