

17 April 2008

### **Submission to the Garnaut Review on the Proposed Emissions Trading Scheme (ETS)**

- While economic theory may suggest that putting a cap and a price on carbon emissions will be sufficient to produce the necessary reductions in greenhouse gas emissions, there is a need for back-up regulations to prevent counterproductive outcomes
- It is generally agreed that no new coal-fired power stations should be built without carbon capture and storage (see [http://pubs.giss.nasa.gov/docs/2007/2007\\_Hansen\\_etal\\_1.pdf](http://pubs.giss.nasa.gov/docs/2007/2007_Hansen_etal_1.pdf))
- Regulations should be put in place to prevent the construction of any more such power stations
- A major reason that counterproductive outcomes are possible is the current level of subsidy to the production and consumption of fossil fuels in Australia (estimated to be of the order of \$9-10 billion per annum - see [http://www.isf.uts.edu.au/publications/2006010079\\_06093\\_GreenpeaceSubsidies.pdf](http://www.isf.uts.edu.au/publications/2006010079_06093_GreenpeaceSubsidies.pdf))
- Unless these subsidies are rapidly phased out, the ETS will be subject to major distortions and will need regulation to overcome the distortions
- We haven't got time to risk another market failure and therefore we must prevent by regulation the construction of any new coal fired power stations that don't have full carbon capture and storage.

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