

**SUBMISSION to the  
GARNAUT REVIEW SECRETARIAT  
on the  
EMISSIONS TRADING SCHEME DISCUSSION PAPER  
by  
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**WOLLONGONG CLIMATE ACTION NETWORK**

**SUMMARY**

I commend the Garnaut Review Secretariat on its strong stance, its strong proposed scheme and recommended strong emissions reduction targets.

**TARGET AND TRAJECTORIES**

A key part of the success of the scheme both environmentally and economically is firm adherence to a set of trajectories which are known in advance. One can imagine that various lobby groups and political donors might seek to persuade future governments to relax or abandon trajectories. One can imagine insider trading based on knowledge of impending trajectory change.

What legislative or constitutional means can be put in place to ensure that the process of changing trajectories is open and resistant to political expediency?

**COVERAGE**

International air travel is an important emissions source. The emissions trading scheme should cover international travel by Australians, otherwise domestic tourism will be disadvantaged with respect to international tourism – which creates more emissions than domestic tourism.

Geographic extent of coverage needs to be defined. “Australia” should extend out to the continental shelf. Otherwise power station operators could pipe their emissions out to sea.

**POINT OF OBLIGATION**

Points of obligation need to be defined before the auctioning process so that people understand who in the chain needs to buy the permits and what their monitoring requirements will be.

You indicate on page 17 that monitoring and reporting of emissions is to be done by participants. The issue of monitoring and compliance cost and time will need to be addressed to help small business. Some emitters will be large enough to do their own monitoring. Small emitters will need to rely on outside monitoring bodies.

The scheme needs to have a system for defining and accrediting acceptable monitoring methods and monitoring bodies – otherwise the system will be rorted. The scheme needs to have overall auditing by the government, and a method of reconciling emissions data from participants with overall emissions data collected by the government. The recent recycling data debacle is an example of what can happen unless reconciliations are done properly.

Points of emission may be deliberate or accidental or deliberately accidental. Carbon capture and storage (CCS) has been mooted as a major part of the solution – but large scale CCS use presents major monitoring issues, the failure of which could wreck Australia’s whole emission reduction objective. For CCS, possible “points of emission” exist as leaks at the power station, the compressors, the pipes (which could be thousands of kilometers long), the pumps, and the final gas repository.. Unscrupulous operators could pump CO2 into repositories which have not been shown to be leakproof. Unscrupulous operators could “allow” leaks in their pumping and piping – which would save their pumping and repository costs. The ETS must specifically require the ongoing monitoring of all CO2 repositories and all parts of the CCS chain.

#### COMPLIANCE

Permits should only be sold to entities whom the government has a legal power to penalize for breaches.

We can’t afford “Pine Gaps” (international entities polluting in Australia outside Australian law).

State governments need to be legally bound, same as anyone else.

#### TRADE AFFECTED ENERGY INTENSIVE INDUSTRIES & INTERNATIONAL TRADE AGREEMENTS

ALL of Australia’s industry will be disadvantaged to some extent , compared with international trading partners who impose no cost on emissions.

The extent of the disadvantage with any particular trading partner will depend on that partners emissions and trade policy

A possible problem with providing assistance to TEIIs is that it could be ad hoc, and it could tend to favour large businesses with lobbying power, while small exporters like farmers were not compensated. In addition to, or partly instead of, providing specific assistance to specific industries, I think we should consider, as part of the scheme, providing overall compensation to Australian industries exposed to the international market. This compensation could depend on the particular trading partners emissions

policy. It could be based as far as possible on an open set of rules to avoid the semblance and reality of rorting.

One way to do this is by the measures ( a bit out of fashion these days) of tariffs and export subsidies which would depend on trading partners emissions policies and imputed carbon content of our competitors products.

Whether the compensation is by ad hoc arrangements with TEIIs, or by an overall compensation scheme , it could well be painted by the free market ideologues of the world as “distorting international free trade” – and we may be restricted by existing treaties in what we can do.

The secretariat should address the issue of our international trade treaties and what to do about them.

#### CONCLUSION

I hope you will consider these comments. Please feel free to contact me.

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