

MEDIA RELEASE

30 September 2008

GARNAUT RELEASES FRAMEWORK FOR LOW-EMISSIONS FUTURE

Professor Ross Garnaut today released the Final Report of his Climate Change Review, concluding that the costs of Australia playing its proportionate part in an effective global effort are manageable.

“There is a path to Australia being a low-emissions economy within around 40 years, consistently with continuing strong growth in material living standards,” said Professor Garnaut.

“The Review has recommended a necessary and sufficient mitigation policy package that will facilitate the effective, efficient and equitable transformation for Australia to a low-emissions economy.

“Without strong, effective and early action by all major economies, it is probable that Australians, over the 21st century and beyond, will experience disruption in their enjoyment of life and increasingly of their prosperity.

“The case for strong mitigation is a conservative one. Of all developed countries, Australia probably has the most to lose from inaction and the most to gain from global mitigation. Australia should throw its full weight behind securing an effective international agreement from 2013,” he said.

The report states that an international agreement for the post-Kyoto period from 2013 must include all the major economies if there is to be a chance of containing emissions to necessary levels. It suggests an allocation of the international mitigation effort that could be managed by developed and developing countries, without being a threat to rising standards of living.

“It is crucial that an agreement is practical. There is no value in an agreement that is not backed up by substance,” said Professor Garnaut.

“There are reasonable chances of a practical agreement adding up to 550ppm concentrations in the atmosphere. Australia’s fair share of such an agreement would be to reduce emissions from 2000 levels by 10 per cent by 2020 and 80 per cent by 2050. Australia should offer to play its full part in such an agreement.

“Australia should also offer to play its full part in an ambitious agreement. Its fair share of a 450ppm agreement would be to reduce emissions by 25 per cent from 2000 levels by 2020 and by 90 per cent by 2050,” said Professor Garnaut.

“Such an agreement, aimed at 450ppm would not be easy to reach. It would place constraints on emissions from both developed and developing countries that go beyond what is being discussed and, more importantly, planned, for any but a few countries.

“The achievement of the 550 mitigation task involves a major change in the structure of our economy. Australia’s total emissions entitlement would be up to 35 per cent below what they would have been in 2020 and 90 per cent by 2050,” he said.

Professor Garnaut said that the overall cost to the Australian economy of tackling climate change under both the 450ppm and 550ppm scenarios was manageable and in the order of 0.1-0.2 per cent of annual economic growth to 2020.

In the absence of a comprehensive global agreement that adds up and in the context of another limited, Kyoto-style agreement, the report recommends that Australia's first step between 2013-2020 should be along the linear path to a 60 per cent cut in emissions by 2050. This would be a five per cent reduction by 2020.

Any effort prior to an effective, comprehensive global agreement should be short, transitional and directed at achievement of a global agreement.

The report recommends that the emissions trading system – the centrepiece of Australia's mitigation policy – should be established at the earliest possible date, in 2010.

The report says that the integrity, efficiency and effectiveness of the emissions trading scheme will be helped by the following design features:

- establishment of an independent carbon bank with all the necessary powers to oversee the long-term stability of the scheme
- implementation of a transition period from scheme commencement in 2010 to the conclusion of the Kyoto period (end 2012) involving fixed price permits
- payments to trade-exposed, emissions-intensive industries (TEEIs) designed to address the failure of our trading partners to adopt similar policies to constrain emissions, rather than to compensate for Australia having an emissions trading scheme.
- all permits to be auctioned with about half the resulting revenue going into support households in the bottom half of the income distribution, and about 20 per cent for research, development and commercialisation to support low-emissions technologies.
- no ceilings or floors on the price of permits (beyond the transition period)
- intertemporal use of permits through 'hoarding' and 'lending' from 2013 onwards
- a judicious and calibrated approach to linking with international schemes
- strict compliance with appropriately punitive penalties and 'make good' provisions
- scheme coverage that is as broad as possible, within practical constraints
- the existing, non-indexed shortfall penalty in the Mandatory Renewable Energy Target to remain unchanged in the expanded scheme, as a way of phasing out the MRET over time.

"The cost to consumers of rising energy and petrol prices can be balanced through payments to households, while preserving price incentives to reduce emissions," said Professor Garnaut

The Garnaut Climate Change Review Final Report is available at www.garnautreview.org.au