
The proposed Carbon Pricing Scheme

Minerals Week 2011

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Coming to a consensus!

US state to dump emissions program

TRENTON: New Jersey is dropping out of the northeast US program to reduce greenhouse gas emissions. Republican Governor Chris Christie has announced, calling the pact a failure at cutting pollution and a burden to taxpayers.

Industry chiefs call for \$10-a-tonne carbon tax

SID MAHER
ANNABEL HEPWORTH

THE Business Council of Australia has called for a \$10-a-tonne starting price for the carbon tax and demanded all trade-exposed industries be fully exempt in the absence of similar action from

pared with previous models because the emissions reduction target is not set until the expiration of the fixed-price period of three to five years. There is also scope for the price to change if the fixed-price period is extended.

It says the \$10-a-tonne price should rise only modestly over time to reduce the need for con-

The submission came as the government, the Greens and rural independents Tony Windsor and Rob Oakeshott prepared for a weekend of detailed negotiations on the shape of the package.

But as business leaders in Perth warned that the carbon tax was the wrong way to reduce emissions, in the US New Jersey with-

let," Mr Barnett told The Australian Deutsche Bank Business Leaders Forum.

Mr Barnett said that although "we all agree we need to reduce emissions", the debate should be about how to do that best.

Shell's Australian head Ann Pickard said: "Good policy is to move in the direction of a carbon

issue. It's the implementation and we just don't understand the logic behind some of this," he told the forum.

"If I felt this thing was going to reduce emissions and make a difference to the world, I would put Woodside so strongly behind the thing I don't get that feeling yet."

The BCA argues that Kevin Rudd's carbon reduction

Coal still part of the energy plan, says Gillard

There is a better way

- **Australia not “lagging others”**
Australia’s reduction in emissions is superior to EU and US
- **Global action has stalled**
US scheme defeated for 4th time; Canada waiting on US; Japan postponed; EU still granting 98% free permits
- **Australia is walking the plank**
The CPRS is completely out of step with all current and proposed schemes with its design driven by revenue raising not carbon reduction
- **The CPRS will destroy jobs**
The CPRS will fail to safeguard export competitiveness leading to lower investment, job losses and reduced exports

.....there is a better way to reduce emissions!

Some inconvenient truths

- **The world will follow our lead?**

Australia contributes 1.5% of world emissions, the US 18% and the EU 13%

- **Revenue raising or carbon reduction?**

The CPRS will raise more revenue in its first month than the US scheme in 2 years and more in its first 3 months than the EU scheme in 5 years

- **The CPRS will protect Australian jobs?**

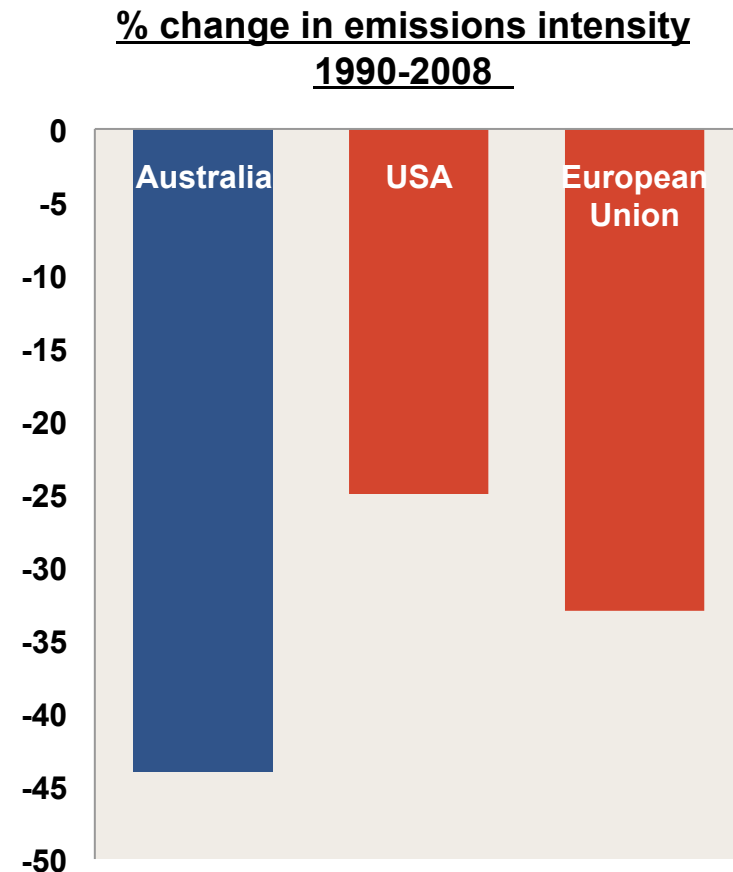
The CPRS will destroy 126,000 jobs across all trade exposed industries

- **The CPRS will protect our export dependent economy?**

Only 16% of Australian exporters will receive assistance compared to 73% under the EU scheme

Australia is not “lagging the world”

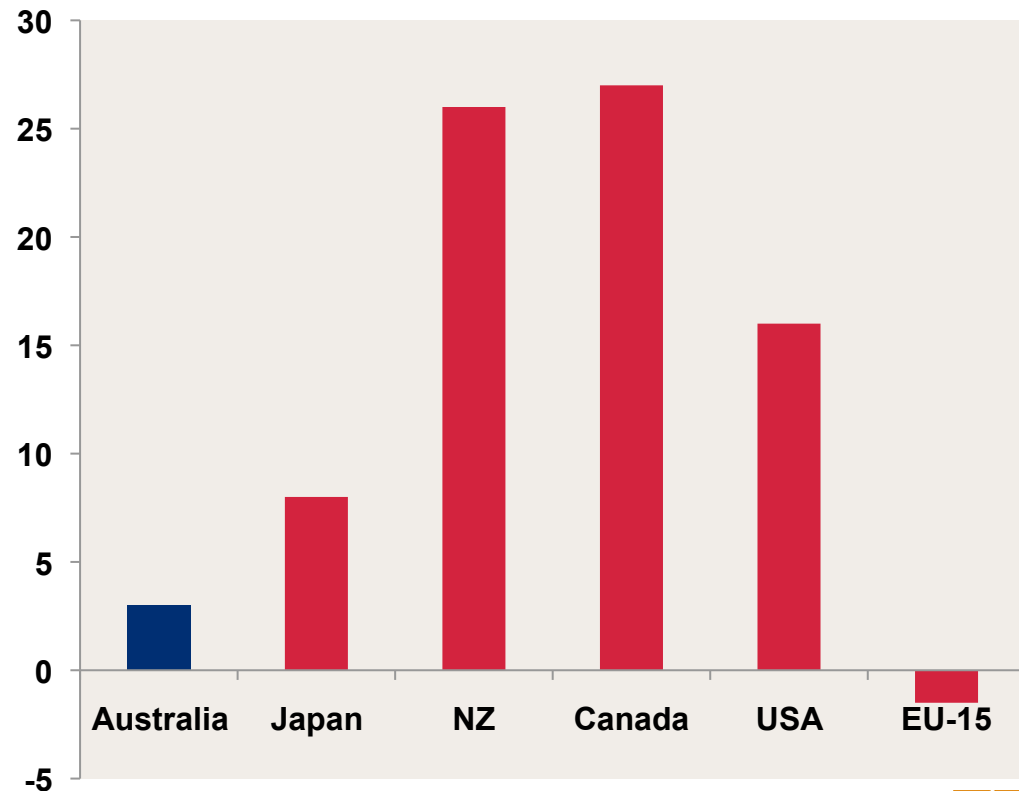
- PM asserts that Australia is one of the “world’s worst polluters” on a per capita basis
- The correct measure of emissions intensity is CO2 emissions per GDP \$ **not** emissions per capita
- Australia shows a far superior performance to both the US and EU with a 44% reduction from 1990 to 2008
- Based on current targets a further 45% improvement will be achieved by 2020



Australia one of few to meet Kyoto targets

- Australia's target was to limit 2008-12 emissions to 108% of 1990 levels
- Actual level achieved was 103% coming in 5% under target
- This reduction is despite its economy and population growing much faster than other developed nations

% Change in CO2 emissions since 1990



International action has stalled..

- **United States**
 - At national level, cap and trade scheme rejected for 4th time in 7 years. Regional schemes struggling.
- **Canada**
 - No action (on cap and trade) until the US acts.
- **Japan**
 - Emissions trading scheme delayed till 2013.
- **European Union**
 - 98% of permits allocated free of charge since scheme started in 2005.

..and beware exaggerated claims of action

- **China**

Copenhagen/Cancun 'offer' would see emissions rise by 496 per cent by 2020 (on 1990 levels).
- **India**

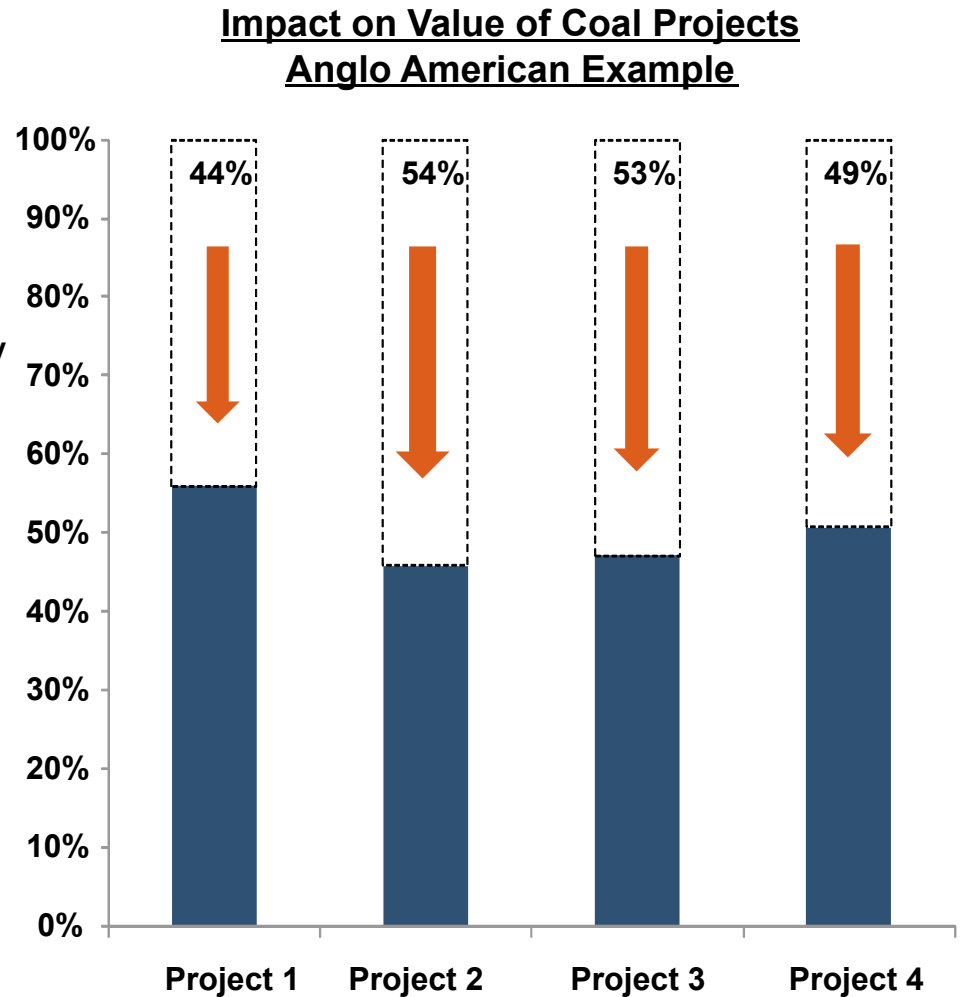
Copenhagen/Cancun 'offer' would see emissions rise by 350 per cent by 2020 (on 1990 levels).

In the absence of concerted global action Australia will go it alone with the CPRS

- Treasury modelling found that a CPRS-style scheme would produce ‘up to 10 years’ of ‘temporary unemployment,’ and ‘reduce growth in aggregate productivity’.
- Research for State Governments indicates 126,000 fewer jobs.
- In Minerals sector alone, 23,500 fewer jobs will be created by 2020.
- Minerals sector will pay \$25 to \$30 billion by 2020 - \$18 billion for **coal** sector, \$3 billion for **gold** sector, \$2 billion for **nickel** sector.
- Not a single Top 4 competitor/producer in any of the 13 major minerals commodities has a functioning carbon pricing scheme.

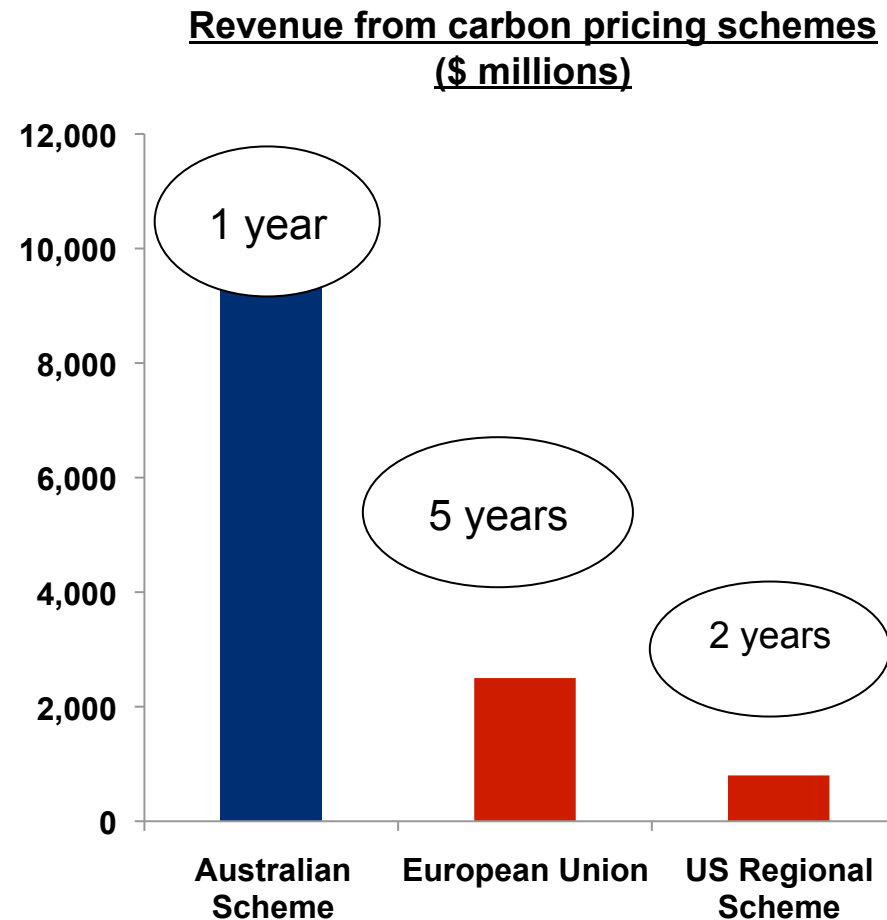
CPRS impact on coal mining

- Over 60% of coal mining emissions are fugitive in nature with no commercially available abatement technology
- No other scheme in the world plans to apply carbon pricing to fugitives but the CPRS will tax the industry \$10 billion by 2020 for fugitives alone
- The CPRS will
 - Reduce coal mining output by 33-35%
 - Reduce coal mine investment by 13% and
 - Create an average 45% drop in value for most coal projects
- The CPRS will eliminate 9040 coal mining jobs

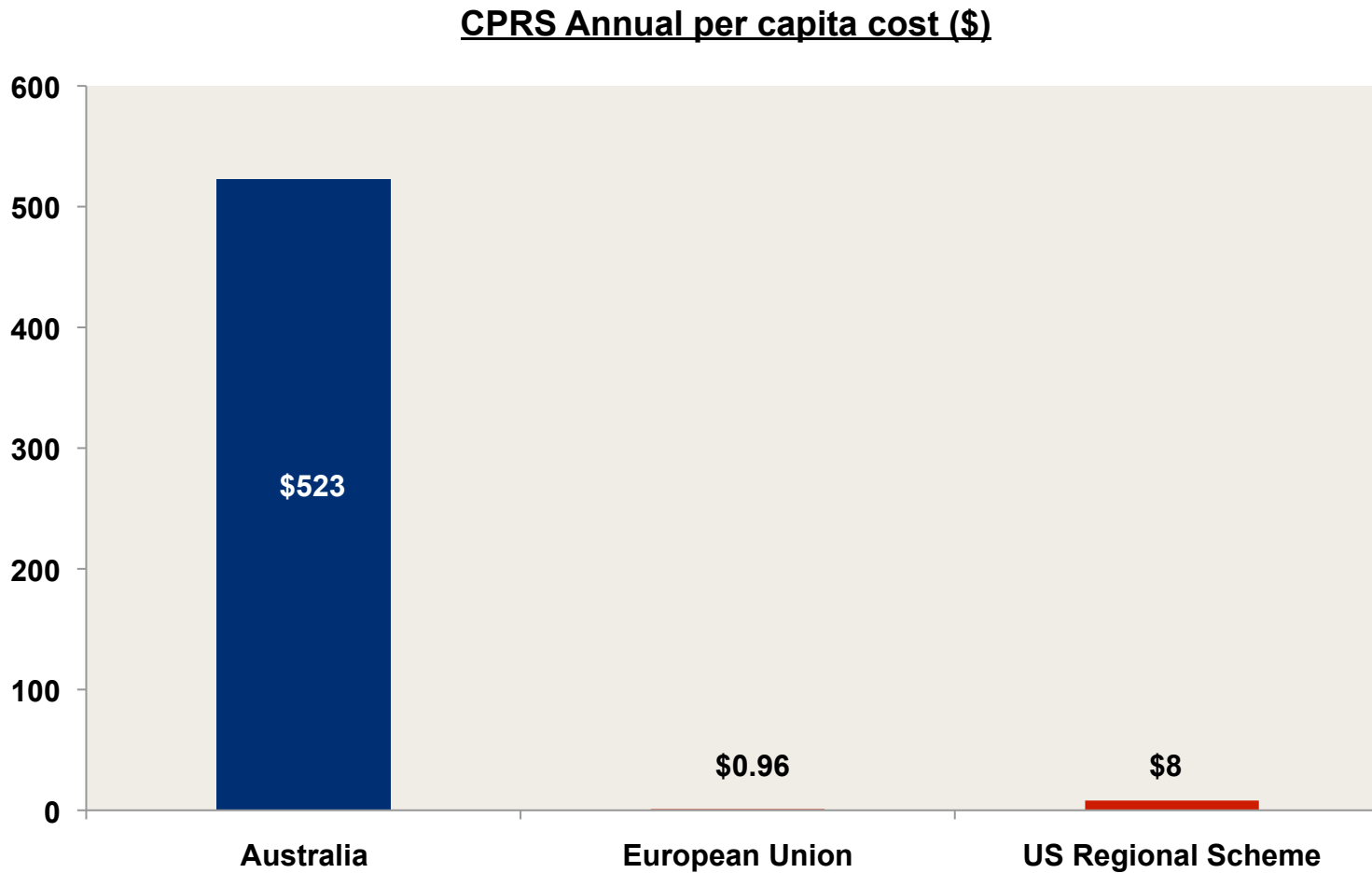


Australia is out of step with the CPRS

- European Union ETS – has raised \$A2.63 billion in tax revenue since 2005.
 - Australian scheme will raise **more tax than EU scheme in its first 3 months.**
- US Regional Greenhouse Gas Initiative (RGGI) involving 10 states with GDP 3 times that of Australia
 - Australian scheme will raise **more tax in its first month.**



The CPRS creates an extraordinary cost burden on Australians



The EU scheme adopts a phased approach to protect exports and jobs

	EU export assistance measures (after 2013)	Australia CPRS export assistance measures
Coverage of industry sectors for assistance	164 sectors.	40 'activities' by approx 60 firms.
Share of exports covered by trade competitiveness provisions.	73 per cent.	16 per cent.
Treatment of fugitive emissions from coal.	Exempt.	Face full carbon cost.
Assistance coverage for mining and manufacturing jobs.	42-52 per cent	8 per cent

Source: SFS Economics

A phased approach is a better way for Australia

- **Price signal**
Establishes carbon pricing framework with full initial safeguarding of exporters but reducing over time
- **Keep in step**
Allows Australia to keep in step with the rest of the world and align with existing or proposed global schemes
- **Abatement solutions**
Allows industry time and funding to develop abatement technology and transition to a low carbon economy
- **Protects jobs**
Will achieve long term emissions reduction without job losses
- **Safeguards our economy**
Will protect our export industries and our economy

Summary

- **Australia is walking the plank**
Global action has stalled, time is needed to “get it right”
- **Australia is out of step**
The CPRS is completely out of step with current and proposed schemes in the EU and US with its design driven by revenue raising not carbon reduction
- **CPRS will destroy jobs**
The CPRS will fail to safeguard export competitiveness leading to lower investment, job losses and reduced exports
- **CPRS will siphon funding for abatement technology**
The CPRS will divert industry funds from abatement technology development to treasury coffers
- **Lets find the right solution not the expedient solution**
The right solution is the phased approach adopted by all other countries which creates a smooth transition to a low-carbon economy