

# Council happenings . . .

with Mayor  
Glenn Wall

## Emissions Trading Scheme

There has been considerable publicity and discussion on a national Emissions Trading Scheme (ETS) for Australia. With all the publicity, it has become difficult to assess fact from fiction and to understand the various scenarios.

Emission Trading Schemes are being developed internationally as a market tool and economic incentive to reduce greenhouse gas emissions. The most common form of an ETS is called a 'cap and trade'. This is where Government places a cap on the total amount of emissions and provides allowances or credits up to the set cap. Corporations that need to increase their emissions must buy credits from those that pollute less. Over time, this cap is lowered, aiming towards a national emissions reduction target.

Prior to the November 2007 Federal election, the then Opposition in cooperation with the State and Territory Governments commissioned a study into the economics of climate change and its impact in Australia with recommendations. This is now known as the Garnaut Review.

At the same time, the National Emissions Trading Taskforce was created which specifically looked at the feasibility of an ETS in Australia.

As a consequence of the Federal election, the Kyoto Protocol was ratified by the Federal Government, paving the way for an ETS. The Kyoto Protocol is a binding set of quantitative emissions targets for industrialised countries with obligations under international law. Australia has to meet a target for emission cuts of between 5 and 15 per cent on 2000 levels by 2020. There are several flexible market mechanisms to aid this which include an ETS.

Australia has a long term target to reduce greenhouse gas emissions by 60 per cent on 2000 levels by 2050. In order to achieve this, a cap and trade ETS will be implemented in 2011 to meet this target.

The underlining legislation behind the ETS is the National Greenhouse and Energy Reporting (NGER) Act. The NGER Act aims to provide a single, national framework for reporting greenhouse gas emissions and abatement action by corporations.

Businesses that are required to report under the NGER Act will need to participate in the ETS. This is applicable to the larger businesses and unclear if Small – Medium Enterprises will need to report emissions or be required to purchase credits. However SMEs need to be mindful that their clients may be obliged to lower emissions and pass that requirement down from supplier to customer.

One may ask, well what's it all mean to me? This is a perplexing issue, particularly when the scientific world is still at loggerheads with regards to Global warming. Two points I would raise, and this is why it so critical that people become involved in the discussion and process, is that whilst agriculture will not be covered by the ETS until at least 2015, the climate change regime will cut profit margins on farms through higher input costs and Primary Producers need to be mindful that the delay in implementation regarding farming might simply defer the shock of adjusting to a carbon emission stimulated economy. With the ETS having been in operation for four years, emissions prices would have increased over the period.

I would also point out, that the outlook for domestic residential electricity pricing is one of alarm. Electricity prices have already increased quite markedly over the past few years; however other contributing factors that will cause further increase are that IPART will continue to recommend electricity price rises on a regular basis, as I advised previously. Also the ETS which is effectively a tax applied by the Federal Government on industry such as coal mines and the electricity industry will have a direct bearing. The other significant factor regarding the ETS is that it will increase the price of coal, and this will cause cost impacts as electricity generators undertake renewal of coal supply contracts. To this point, I can only urge people in the Community to understand the implications and voice an informed opinion to our Political Leaders.

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