



AUSTRALIAN INDUSTRY GROUP

# Climate policy and business

Impacts and uncertainty

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# Three policies... and two certainties

- **Policies**
  - Government – CPRS
  - Coalition – Emissions Reduction Fund
  - Greens – Transitional Carbon Price
- **Uncertainty**
  - CPRS delayed to 2013 at earliest
  - Coalition policy still embryonic
  - Political confusion
- **Certainty**
  - Climate policy is not going away
  - Energy prices are going up

# The CPRS in brief

- Cap
  - Large emitters will require permits
  - Permits will be issued annually
  - Permits issued will decline over time
- Trade
  - Permits can be bought and sold
  - Carbon price balances supply and demand
- Transitional assistance
  - Carbon price radically changes economy over time
  - Significant adjustments and transition costs are involved
  - Assistance for households and strongly affected businesses will help

# CPRS impacts on business

- NGERS compliance
- Direct liabilities
  - Only for larger facilities (25,000kt+ direct emissions)
- Indirect cost impacts
  - Electricity prices
  - Gas prices
  - Fuel prices

# CPRS assistance measures

- Renewable Energy Future Fund (\$652m)
- EITE (\$36.9b to 2020)
- ESAS (\$7.3b)
- Coal sector (\$1.5b)
- TECAP (\$1.1b)
- Fuel excise & credits (\$20b to 2020)
- Climate Change Action Fund (\$1.5b)
- Household assistance (\$48.6b to 2020)

# Coalition: Emissions Reduction Fund

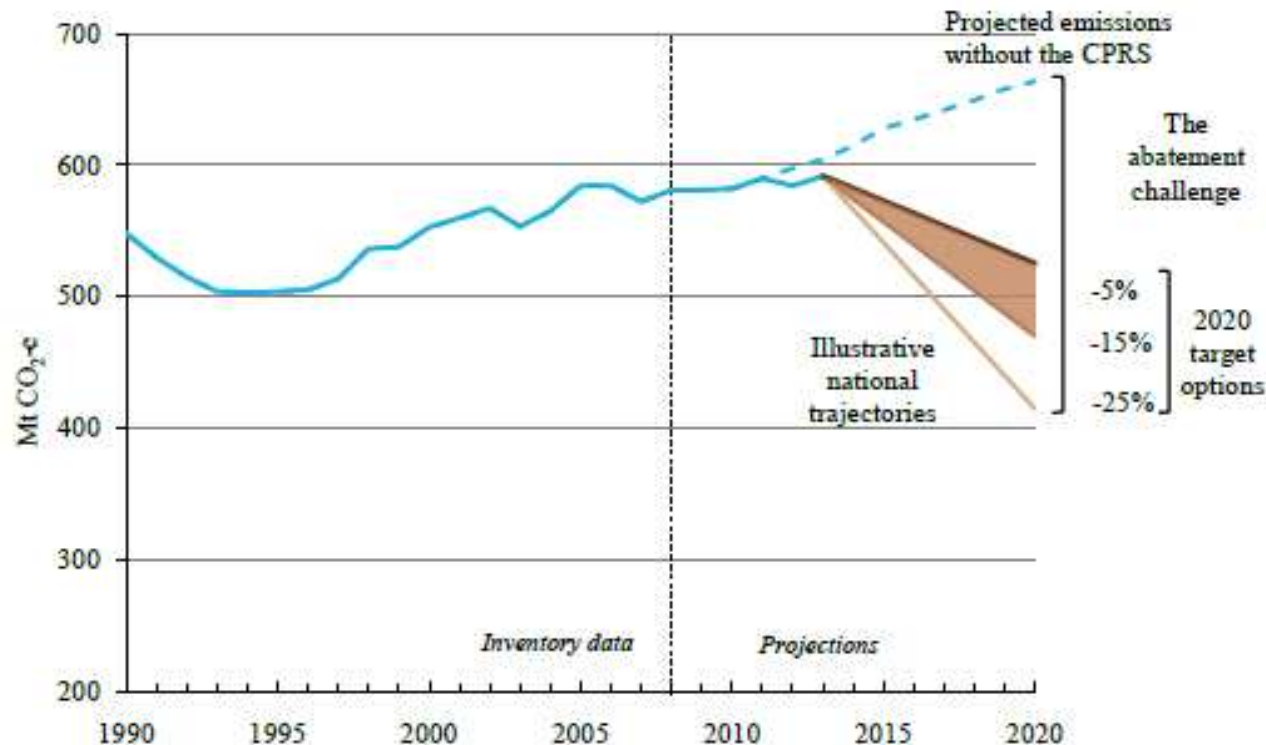
- Same targets
- Abatement purchased by Government
- Funding capped at \$2.55b over four years
- Mostly soil carbon
- Possible penalties for emissions above BAU by NGERS entities
- Coalition wants no price rises or imports

# Policy

- Government
- Opposition
- Greens

# Climate policy will return

- Australia has committed to a 5-25% reduction on 2000 emissions by 2020
- This will require major policy to achieve



# Energy prices will rise

- Electricity
  - Network charges, RET, fuel prices
- Gas
  - LNG drives price convergence
- Fuel
  - World demand & \$AUD

# What now?

- Political uncertainty may persist for a while
- Delay = bigger costs and higher risks for the unprepared
- Business must pursue efficiency
  - Continuous improvement
  - Plan major upgrades