



Australian Government



Foreword

CARBON POLLUTION REDUCTION SCHEME **GREEN PAPER** JULY 2008

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Acting on Climate Change: Towards an Australian Carbon Pollution Reduction Scheme

Why we need to act

Carbon pollution is causing climate change, resulting in higher temperatures, more droughts, rising sea levels and more extreme weather.

The 12 hottest years in history have all been in the last 13 years and IPCC scenarios project temperature rises between 1 and 6.4 degrees over the next century relative to 1980–99.

Without action, scientists predict up to 20 per cent more drought months over most of Australia by 2030, more intense and damaging cyclones and rising sea levels with serious impacts on:

- coastal property in Australia
- low lying Asian mega cities
- the Pacific Islands.

With one of the hottest and driest continents on earth, Australia's economy and environment will be one of the hardest and fastest hit by climate change if we don't act now.

It threatens Australia's food production, agriculture, water supplies, as well as icons like the Great Barrier Reef, the Kakadu wetlands and the big tourism industries they support.

Today we are already beginning to feel the economic and environmental costs of inaction on climate change. But if we delay action any longer, these costs will be felt even more by not only our generation, but also our children and grandchildren.

How we should act

There is no single solution to winning the fight against climate change. But the economically responsible approach is to reduce Australia's carbon pollution while building long-term economic prosperity in a lower carbon economy.

The Government's climate change strategy is based on three pillars:

- reducing Australia's greenhouse gas emissions
- adapting to climate change that we cannot avoid
- helping to shape a global solution.

Reducing carbon pollution

Fundamental to the Government's climate change strategy is a Carbon Pollution Reduction Scheme. It is the best way to reduce carbon pollution while minimising the impact on business and households.

The Government's Carbon Pollution Reduction Scheme will, for the first time, place a limit, or cap, on the amount of carbon pollution industry can emit.

It will require affected businesses and industry to buy a 'pollution permit' for each tonne of carbon they contribute to the atmosphere, giving them a strong incentive to reduce pollution.

Because the carbon pollution reduction scheme will concentrate on the biggest polluters, it will place obligations on around 1000 Australian companies in total – those that produce more than 25000 tonnes of carbon pollution each year. This represents less than one per cent of Australian businesses – there are 7.6 million registered businesses in Australia, the vast bulk of whom will not have scheme obligations.

The Government will use every cent raised by the sale of pollution permits to help Australian households and businesses adjust to the scheme and invest in clean energy options.

Support for households and business

The Government recognises that there will be adjustment costs for Australian households arising from the Carbon Pollution Reduction Scheme.

The Government will cut fuel taxes on a cent for cent basis to offset the initial price impact on fuel associated with the introduction of the Carbon Pollution Reduction Scheme. The Government will periodically assess the adequacy of this measure for three years and adjust this offset accordingly. At the end of the three year period the Government will review this adjustment mechanism.

The Government is also offering a range of additional assistance measures, in particular for low and middle income households, to help with adjustment costs and improve household energy efficiency.

The Government also recognises that there will be adjustment costs for businesses as they move to a low carbon economy. That is why the green paper outlines programs to assist these businesses in the transition period. This assistance involves providing free permits to the most emissions intensive trade exposed activities, some direct assistance to coal-fired electricity generators, and the creation of two specific industry adjustment funds, the Climate Change Action Fund and the Electricity Sector Adjustment Scheme.

Adapting to climate change

Climate change from carbon pollution is already underway, so we must prepare ourselves for the inevitable changes already built into the climate system. This will involve far reaching impacts on our economy, community and our environment.

The Government is working with industry, state, territory and local governments and scientists to develop the tools to enable all Australians to better prepare for the changes ahead.

Acting with the rest of the world

Climate change is a global problem requiring a global solution. That's why the first act of the new Australian Government was to ratify the Kyoto Protocol.

Australia is heavily engaged in the next phase of international negotiations. We need to proceed with well-considered domestic action if our nation is to play a constructive role in shaping a global system where all countries play their proper role.

By adopting emissions trading, Australia will join other developed nations in the fight to reduce carbon pollution. Schemes are already operating in 27 European countries. Twenty-eight states and provinces in the US and Canada are introducing emissions trading to reduce carbon pollution, as is New Zealand. Japan is considering introducing a scheme. And in the US both Presidential candidates are committed to introducing schemes to reduce carbon pollution.

These schemes are a critical part of global leadership on climate change. Leadership from the developed world encourages other countries to join the global fight.

The Government will take account of the evolving state of international negotiations in determining the path we set to meet our target of reducing Australia's carbon pollution by 60 per cent below 2000 levels by 2050.

Acting responsibly, in our nation's long-term interests

Reducing carbon pollution requires a substantial transformation of our economy. Like all significant economic reforms, it will not be easy, and it will require hard decisions. But the longer these decisions are delayed, the harder they become.

The Australian economy is well placed to respond to climate change. The Government will ensure the Carbon Pollution Reduction Scheme and accompanying household and business support is consistent with our fiscal strategy and focus on expanding the productive capacity of the economy while restraining inflation.

The Government plans to commence the scheme in 2010. We recognise the need to ensure business is ready to implement the scheme by this time and will consult with the community and business over the coming months.

We urge everyone to participate in this consultation process – all Australians have a stake in tackling climate change, for ourselves and for those who follow us.



A handwritten signature in black ink, appearing to read 'Kevin Rudd'.

The Hon Kevin Rudd
Prime Minister



A handwritten signature in black ink, appearing to read 'Wayne Swan'.

The Hon Wayne Swan
Treasurer



A handwritten signature in black ink, appearing to read 'Penny Wong'.

Senator the Hon Penny Wong
Minister for Climate Change
and Water