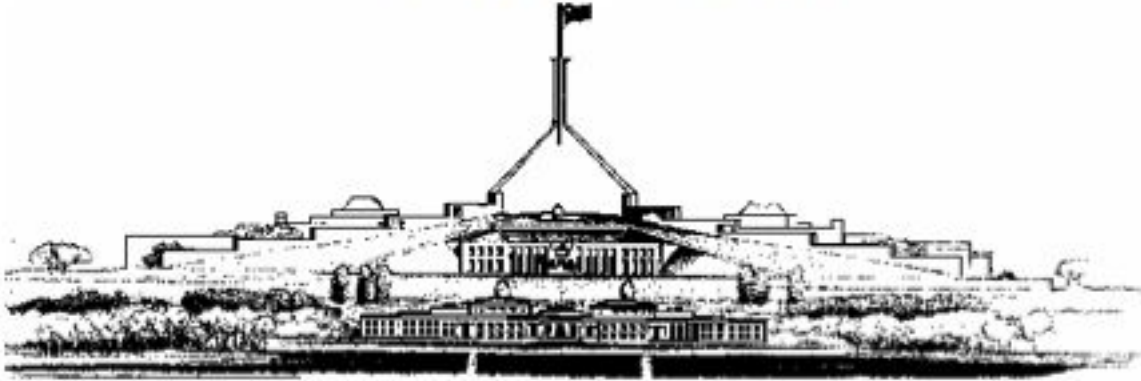




COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



**THE SENATE**

**PROOF**

**CARBON POLLUTION REDUCTION  
SCHEME BILL 2009 [NO. 2]**

**CARBON POLLUTION REDUCTION  
SCHEME (CONSEQUENTIAL  
AMENDMENTS) BILL 2009 [NO. 2]**

**AUSTRALIAN CLIMATE  
CHANGE REGULATORY  
AUTHORITY BILL 2009 [NO. 2]**

**CARBON POLLUTION REDUCTION  
SCHEME (CHARGES—  
CUSTOMS) BILL 2009 [NO. 2]**

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**CARBON POLLUTION REDUCTION  
SCHEME (CHARGES—  
EXCISE) BILL 2009 [NO. 2]**

**CARBON POLLUTION REDUCTION  
SCHEME (CHARGES—  
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**CARBON POLLUTION  
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**CARBON POLLUTION  
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CREDITS) (CONSEQUENTIAL  
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**EXCISE TARIFF AMENDMENT  
(CARBON POLLUTION REDUCTION  
SCHEME) BILL 2009 [NO. 2]**

**CUSTOMS TARIFF AMENDMENT  
(CARBON POLLUTION REDUCTION  
SCHEME) BILL 2009 [NO. 2]**

**CARBON POLLUTION REDUCTION  
SCHEME AMENDMENT (HOUSEHOLD  
ASSISTANCE) BILL 2009 [NO. 2]**

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# **SPEECH**

**Thursday, 19 November 2009**

BY AUTHORITY OF THE SENATE

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## SPEECH

**Date** Thursday, 19 November 2009  
**Page** 34  
**Questioner**  
**Speaker** Eggleston, Sen Alan

**Source** Senate  
**Proof** Yes  
**Responder**  
**Question No.**

**Senator EGGLESTON** (Western Australia) (12.17 pm)—Recently, at the Lowy Institute in Sydney, Prime minister Rudd described me as a ‘conservative climate change sceptic’ quoting my comments in the previous debate on this legislation in which I said there were two schools of thought about climate change: the greenhouse gas school and the geologists who pointed to the fact that climate change and change in sea levels has occurred over the eons of the earth’s history. It gives me a great sense of pride to have been so criticised by Kevin Rudd, because my point of view shows that I have an open and questioning mind, which is I think very important in politics, where all too often an uncritical herd instinct takes over judgement at the expense of common sense. This may be helpful to political leaders such as Mr Rudd, but I am proud to say that it is not my way, and I do question how open Mr Rudd’s mind possibly is on this subject.

Last night the Canadian government announced that it has decided to defer its greenhouse legislation until the rest of the world reaches an agreement on climate change and the USA decides how it will tackle emissions. One can only hope that sanity will prevail in Australia and the Rudd government will withdraw this legislation until at least the outcome of the Copenhagen conference is known.

According to evidence given to four Senate inquiries this legislation for a CPRS will have a serious adverse impact on the Australian economy. The Rudd/Wong CPRS is an unnecessarily grandiose scheme that will impose huge costs on the Australia economy, particularly on the agricultural and mining sectors, which are in fact the twin pillars of not only the Western Australian economy but also that of Australia as a whole. In evidence to the Senate committees the Minerals Council of Australia predicted that there would be 124,000 direct and indirect job losses as a result of passage of this legislation. It said that it would have a severe impact on agriculture, not only on production but also on processing of agricultural products. As well, the Senate committees were informed that in regional Australia in general the costs of living would increase because the cost of transport and power would increase were this legislation to be passed. Perhaps most importantly the Senate committees were told that the CPRS would reduce Australian competitiveness, and so reduce our export income, and would result in loss of emissions

intensive industries to other countries—such as cement and aluminium smelters—if this legislation were to be passed. Furthermore, the Senate committees were advised of the likelihood of suspension of new projects such as gas developments in north-west. For example, Don Voelte, the CEO of Woodside, was quoted as warning that his company would look to other countries, such as Indonesia, Qatar and Africa, to establish new projects rather than bear the burden of the extra costs and reduced profits the CPRS would mean to his company.

Last week I attended an Institute of Public Affairs seminar in Melbourne on the economic impact of climate change, where the impressive list of speakers included Dr Alan Moran, Dr Alex Robson, Dr Brian Fisher as well as Professor Richard Toll and Lord Monckton, by videoconference. The seminar was informed that while there will be a negative impact on the Australian economy the two states that would be most economically impacted on by the CPRS would be Queensland and Western Australia, my home state. These two states are the drivers of the Australian economy and provide the ongoing wealth which most of the rest of the country lives on. Queensland will be adversely affected because the coal industry will face closure and Queenslanders will have to pay more for electricity because cheap coal will no longer be available to be used as a source of power. Similarly, in WA, resource projects will be under threat because the impact of CPRS taxes will make many projects uncompetitive. It was also said that WA would be forced to cease using gas for power production because of the impact of the CPRS.

The CPRS is an emissions trading scheme. It is predicated on the assumption that our major trading partners, the top four of whom—China, Japan, South Korea and India—are in the Asian region, will go ahead and establish emissions trading schemes and that Australia will be able to trade carbon credits with these countries. However, a month ago I attended a forum on renewable energy in Beijing where I found that none of our major regional trading partners are likely to establish an ETS, although they are committed to large renewable energy programs. This view has since been confirmed by the Deputy Leader of the Liberal Party, Julie Bishop, who recently visited our major regional trading partners in Asia and stated on ABC

TV's *Lateline* program on Monday night that none were likely to establish ETS programs.

The fact that none of our regional trading partners are likely to establish emissions trading schemes has serious implications for Australia because it means that there will not be any major countries with whom to trade off the massive additional taxes which the CPRS will impose on the Australian economy and industry. In fact, the Australian people will have to bear the cost of the CPRS, which it is variously estimated will range from an additional \$50 billion to \$87 billion per annum and which will add to the cost of living of average Australians, leading to job losses across the board as many industries become nonviable. It will particularly impact on members of lower-income groups, who will find themselves paying more for consumer goods. Household power bills as well as the cost of transport will also rise.

I think that sometimes we Australians are rather naïve and think that because of our rich resources, Australia is a lucky country and we do not need to protect our advantages as assiduously as other countries do. However, when the Senate Standing Committee on Economics was looking into the CPRS issue, Mitch Hooke, the CEO of the Minerals Council of Australia, said when asked about the impact of the CPRS on the Australian economy:

Australia has to be very careful that it does not get carried away ... about our comparative advantage in ... natural resources.

He said Australia:

... is increasing sovereign risk associated with investment conditions—

with this CPRS—

and you do not need to be a Philadelphia lawyer or an economist to know that they will move their activities to where they do not have those costs. That is known as carbon leakage.

According to the Institute of Public Affairs, neither Treasury nor Professor Garnaut modelled a scenario in which there were no regional trading partners for Australia to trade carbon credits with. In other words, the situation we face today, where none of our four major trading partners have emissions trading schemes or any plans to introduce them, has not been modelled because it was perhaps rather naively assumed that countries such as China would come on board, as Professor Garnaut says, and establish emissions trading schemes some time around 2015. This means that the actual cost to the Australian economy of the Rudd/Wong CPRS is not known. Surely it is totally unacceptable that this should be the case. Senator

Wong says that industry wants certainty, and I am sure that they do—

**Senator Nash**—Certain disaster!

**Senator EGGLESTON**—Certain disaster, as Senator Nash says. I am sure industry wants certainty about the costs which the CPRS will impose on it but which this government seems, very reluctant to reveal. At the very least, I would have thought that the government should require Treasury to model the scenario we now face, where none of our regional trading partners will establish emissions trading schemes, and advise the Australian people and Australian industry what the implications are for our national economy. Only this week, I was briefed by the proponents of a urea plant in the south-west of Western Australia, who stated that their plant would not be viable when the CPRS taxes were added into their calculations and that it is thus probable that this plant and the jobs it would create would be going to another country. One can only wonder how many other projects will be affected in this way and move offshore.

I would now like to say a few words about the impact on small- and medium-sized businesses. According to the Australian Chamber of Commerce and Industry, small- to medium-sized businesses will be adversely affected by the CPRS. As everyone knows, SMEs are the biggest employers in Australia, and any adverse economic impact on them has the potential to cost a lot of jobs across this country. According to the ACCI, the proposed CPRS transitional assistance package does not adequately protect the small- and medium-sized business group from the consequences of the CPRS, which I think is an unacceptable consequence of this legislation and is a matter which the Rudd government must surely rectify if it is to have any credibility when it comes to ameliorating the impact of this legislation on the people of Australia and if it has any concern for jobs in those small companies, which, as I have said, are the biggest employers in this country outside of government.

One must wonder about such an oversight. Surely the union-focused Labor government understand that small- and medium-sized enterprises really do employ more people than any other sector of this economy; but perhaps they do not. Perhaps that is why so much of the structure of this scheme has had such dire economic impacts—because this government really does not understand how the Australian economy functions and works.

I would like to make some comments about the western electricity market. Coalition senators were surprised that the Rudd government did not heed the request by Griffin Coal for amendments to correct a disadvantage that this legislation places on the western

electricity market by not permitting the price of carbon to flow through to the consumer, as is the case in the so-called national electricity market, which is actually the eastern states electricity market, and Western Australia is apparently not quite part of the national scene in the view of Treasury. The western electricity market is largely gas dependent in comparison to the so-called national electricity market, which is coal based. I would certainly urge the government to rectify this situation and adopt the amendments which Griffin Coal has put forward to correct this disadvantage to the people of Western Australia.

The complexities of the CPRS in international trading, as well as the impact it will have on the Australian domestic economy, raised the question for me personally of why the Labor Party is taking Australia down this CPRS emissions trading scheme road to ruin when a less costly, simpler and arguably more effective option for Australia would have been a carbon tax. The option of a carbon tax has been supported by significant figures such as Dick Warburton, who is Chairman of the Board of Taxation, as well as eminent economists such as Geoff Carmody and industry leaders such as Mitch Hooke from the Minerals Council of Australia.

Some advantages of a carbon tax include: a carbon tax would have been much simpler to implement, without the need for the creation of the enormous bureaucracy which will be required to administer the CPRS—to which Senator Minchin has referred; a carbon tax could have been administered through the Treasury and the existing tax system, just as the GST is; a carbon tax would have been easy to change when needed and could have been varied in the annual federal budget; and, as Dick Warburton said in an article in the *Australian Financial Review* on 21 October this year:

Far better, then, to take the carbon tax route, which is more transparent, more direct and, importantly, more flexible. Should the supporters be right, you can ramp up the tax, but should they be wrong, you can diminish or eliminate the tax.

Very simple. I find it a matter of considerable interest that the only industry group which has supported the Rudd-Wong CPRS is the Business Council of Australia, membership of which, according to a recent article in the *Australian*, is largely comprised of bankers, lawyers and others associated with the finance industry. This is a group that will benefit directly from the business of carbon trading and stand to earn huge commissions from such trading. Since that is their business, that outcome is to be expected; nevertheless, one would have thought that the Rudd government would have paid more attention to the interests of those representing the mainstream of the Australian economy, such as the Minerals Council of

Australia and other groups representing the poor and underprivileged—whom the ALP claim to represent the interests of—as well as industries such as those which are found in the rural sector, before setting up an emissions trading scheme which will have such adverse impacts on the Australian economy and the cost of living for ordinary people in this country.

This legislation has the potential to seriously weaken the Australian economy with dire long-term consequences, and I believe it should be rejected in its present form; or, preferably, consideration of it should be deferred until the outcome of the Copenhagen conference is known. Accordingly, I urge the Prime Minister to follow the responsible example of the Canadian government and defer this legislation while awaiting the outcome of the Copenhagen conference.