



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE

**CARBON POLLUTION
REDUCTION SCHEME BILL 2009**

**CARBON POLLUTION REDUCTION
SCHEME (CONSEQUENTIAL
AMENDMENTS) BILL 2009**

**AUSTRALIAN CLIMATE CHANGE
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Second Reading

SPEECH

Tuesday, 11 August 2009

BY AUTHORITY OF THE SENATE

SPEECH

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Questioner
Speaker Eggleston, Sen Alan

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Senator EGGLESTON (Western Australia) (6.17 pm)—I believe climate change is real. I come from the south-west of Western Australia. I grew up in Busselton, down on Geographe Bay. When I was a little boy, there were very wet winters in the south-west. During the wintertime, I would go to sleep at night listening to the patter of rain on the tin roof of my parents' house. It rained every night for months and months and months. But the south-west of Western Australia is an area where the evidence of climate change is now very real, because the rainfall in the south-west has dropped by about 25 per cent over the last 30 years. I have a brother who lives in Germany. He is very fond of skiing, but he could not go skiing last winter because there was no snow on the Bavarian Alps. And now we are hearing stories about icebergs off Auckland.

I think there is a change in the world's climate, but the issue is: what is its cause? Some scientists point to increased levels of carbon dioxide in the atmosphere as being the only cause. Others point to the geological record which shows that cyclical climate change has occurred over many, many thousands of years—over the millennia. Greenland is called Greenland because 400 years ago it was a green land. It is now covered in ice. I have read that 1,000 years ago there were vineyards in Sweden. People quite often refer to the fact that sea levels are rising, especially in the Pacific. But sea levels have risen and fallen over the centuries. The Pilbara, for example, was once a seabed. That great mining area has all the characteristics of an old seabed, including having seashells there. There was clearly once a land link between Indonesia and Australia. One only has to look at the dingo and then visit Indonesia to find that Indonesian dogs look remarkably like dingoes. They obviously walked across that land bridge centuries ago and became wild dogs in Australia.

There is no doubt at all that since the industrial revolution levels of carbon dioxide have risen in the world, but whether or not this is the sole cause or just a contributor to climate change is, I think, an unanswered question. The coalition have said that we should give the earth a chance; we should give it the benefit of the doubt. However, in this atmosphere of uncertainty, I believe the proposed Rudd-Wong emissions trading scheme is totally out of proportion to Australia's position in the world as a country which contributes only 1.4 per cent of global emissions and

which has a GNP representing just one per cent of the global economy. As I said, this scheme is totally out of proportion to whatever contribution we make to carbon dioxide emissions in the world and can only be described as grandiose. If implemented, this scheme will impose enormous costs on Australian industry, decrease Australia's international competitiveness, result in the loss of investment in new projects and see existing plants relocated to other countries. All of this will contribute to a massive loss of jobs and increase the cost of living for many Australians.

It may be that there is a need for Australia to play a role in reducing global carbon emissions but this proposal is out of proportion, as I have said, to what might be regarded as a reasonable contribution to this objective by a small country such as Australia. I think, as the coalition in general does, that the Carbon Pollution Reduction Scheme Bill 2009, the Rudd-Wong CPRS, should be reconsidered. Coalition senators believe a seriously flawed scheme will be worse for this country than no scheme at all, and it has to be said that is also the view of Professor Garnaut.

Mr Rudd promised before the election to introduce an ETS which would produce deep cuts in carbon dioxide emissions but would not disadvantage Australia's export- and import-competing industries. However, it is quite obvious that this immensely complex ETS will damage our export- and import-competing industries, it will cost thousands of jobs and it will stifle investment; yet it will not produce any meaningful reductions in carbon dioxide emissions around the world. In fact, emissions from high-emission domestic industries will not be diminished at all because instead of reducing their emissions these industries will be able to trade them off—for example, by buying a rainforest in Indonesia. How does that benefit Australia, you might ask, and how does that benefit the world? I really cannot see any benefit at all in a scheme like that if it does not actually reduce emissions in this country.

In the opinion of the coalition, the rush to introduce this scheme without knowing the outcome of the December 2009 global climate change summit in Copenhagen, without knowing what President Obama will do and without knowing the impact of the global financial meltdown on our real economy is a big step and should be reconsidered.

There were serious flaws in the process of developing the CPRS. For example, the Treasury was not permitted to model any alternative scenarios or methods. Instead of considering possible alternative models—of which there are many, as has been presented in evidence to the various Senate committees which have looked into the CPRS—and the appropriateness of these various models to Australian conditions, the government simply put in place a predetermined CPRS model. We had to take it or leave it; that was it. Nothing else was considered.

The design of the Rudd government scheme assumes, among other things, that our major competitors will move to put in place a major new tax on carbon emissions in their economies. However, again, evidence given to the four Senate inquiries into the CPRS was that it is considered extremely unlikely by very reputable observers that our major trading partners will in fact introduce an ETS at all. For example, Dr Alan Moran of the Institute of Public Affairs, in his submission to the Senate Economics Legislation Committee inquiry into the CPRS bills, said that he thought it was highly unlikely that China, Japan or Korea would introduce ETSs, and the idea that India will have an emissions trading scheme is just not taken seriously by anybody of any repute.

The Rudd scheme involves generating permit revenue of nearly \$13 billion a year, which is in effect a massive increase in taxation and will be a huge burden to the Australian economy. This will see a huge administration set up to churn these billions of dollars back through the economy, with the government picking who gets compensation and who does not.

One of the alternatives to the Rudd-Wong CPRS is a carbon tax, which commentators such as Robert Gottlieb and Geoff Carmody, both renowned economists, feel would be more appropriate to Australia's needs and could be administered through the existing taxation bureaucracy. It would not involve the creation of the huge bureaucracy to administer the proposed permit and trading system that will be necessary under the CPRS. A carbon tax, many people feel, is a much simpler, more effective and more cost-effective way of Australia contributing in a real way to reducing carbon emissions around the world: by starting at home.

Providing certainty to business is one of the government's most repeated reasons for this legislation needing to be passed. However, businesses have said they do not want the certainty of not being able to compete—because Australian industry will not be able to compete if this scheme is introduced. They want a scheme which preserves their international competitive position in a competitive world, but that will be compromised if none of our trading partners, such as

China, Japan, India and Korea, establish emissions trading schemes so that trading can in fact occur. The only thing that will happen is that Australian industry will be saddled with a new, very high tax.

The government's argument that its emissions trading scheme needs to be rushed through parliament prior to the Copenhagen conference has been undermined by the Executive Secretary of the United Nations Framework Convention on Climate Change, Yvo de Boer, who has stated that the UN does not require countries to have legislation in place before the conference—which leads to the question: why is the Rudd government attempting to rush this legislation through the parliament before full consideration has been given to its impact?

One of the comments being made by Labor Party spokespersons is that the Howard government proposed an emissions trading scheme some years ago. That is true; it did. But the level of knowledge which the community now has about the implications of emissions trading compared to that at the time the Howard government proposed an ETS is substantially different, and I think one needs to consider the ETS in terms of contemporary knowledge, not what was known or thought to be known 10 years ago. Surely it is more important to have the right scheme in place rather than just any scheme for the sake of being able to claim to have a scheme.

The changes announced by the Rudd government on 4 May to vary the CPRS were no more than tinkering around the edges. There is still no credible demonstration that the government's scheme is the most cost-efficient way or effective way to reduce carbon emissions; there is still no forecast of the near-term, real impact of an ETS on jobs and economic growth; and Australia's trade-exposed industries will remain at a disadvantage compared to their competitors.

My colleague Mr Don Randall, the member for Canning, speaking in the House of Representatives on 3 June, referred to the impact the CPRS would have on the alumina—

Sitting suspended from 6.30 pm to 7.00 pm

Senator EGGLESTON—Before the break, I was saying that my House of Representatives colleague Mr Randall, the member for Canning, referred to the impact the CPRS would have on the alumina industry, which employs nearly 2,000 people in and around Wagerup and Pinjarra in his electorate. He said that Alcoa had informed him that the cost of buying permits for refining is \$25 million and the cost to Alcoa for all its operations, with the introduction of the CPRS, could be up to \$95 million. That is a cost Alcoa will

have to bear in full, making them less competitive in the international market. The cost cannot be passed on because the price is set by the London Metal Exchange.

In the *Australian Financial Review* of 5 May, Mr Don Voelte, CEO of Woodside, was reported as saying:

Even as amended, the CPRS risks halving the size of the export natural gas industry than it would otherwise be by 2030.

This is because fewer new developments would occur in the north of Western Australia. We have to remember that Australia has many competitors for investment in resources and resource projects. While the fact that Australia is a politically stable country with a reliable legal system gives us a competitive advantage, that advantage will not be so great if the cost of operating resource projects in Australia becomes too high. The developers will not hesitate to go elsewhere—the bottom line is what counts to industry.

In response to my question during the Carbon Pollution Reduction Scheme hearings on the impact the CPRS would have on investment in Australia, Mr Mitch Hooke, the CEO of the Minerals Council of Australia replied:

What Australia is doing, wittingly or unwittingly, is increasing the sovereign risk associated with those investment decisions. If we impose a tax or a price on carbon that, in effect, becomes a tax, because we do not have the technologies to adjust ...

It means our competitors who are not facing the same kinds of costs will inevitably have an advantage over us. The implication of this comment by Mr Hooke is clearly that Australian based operations will become uncompetitive and many will move offshore or close down, meaning in either case the loss of jobs for Australian workers.

I recently attended a presentation in Parliament House put on by the Friends of Mining, by an oil company, at which we were told the impact of the additional costs arising from the CPRS would mean that it would no longer be profitable to continue oil refining in Australia and that instead it would be cheaper to simply import oil from Singapore. In WA, this could mean the closure of the Kwinana oil refinery, with consequent losses of jobs in Medina and Rockingham. Other emissions intensive industries in the Kwinana industrial strip, such as fertiliser plants, could also close down due to the additional costs imposed by the Rudd-Wong CPRS making them relatively less profitable than importing products from Indonesia or other Asian countries. Cement production is another industry where this would be the case. It is anticipated that the introduction of the CPRS

could result in the cessation of cement production in Australia, requiring the importation of our cement from China.

According to the Australian Chamber of Commerce and Industry, CPRS induced increases in energy and transport costs will impact directly on the profitability of small- to medium-sized enterprises, resulting in lower employment across Australia in this sector. The government, of course, argues that any job losses will be compensated by the creation of green jobs elsewhere. However, at the hearings held by the Senate Economics Legislation Committee into the CPRS, Dr Ken Henry, the head of Treasury, said that, while indeed green jobs will be created, those holding them will have to accept a lower standard of living because wages will have to be lower to preserve employment levels.

These factors, in my estimation, add up to the conclusion that the Rudd-Wong CPRS proposal is seriously flawed and needs to be reconsidered in the interests of preserving employment in our society and not imposing unreasonable increases in costs on consumers through higher electricity charges which will flow through to increased costs for consumer goods. Any emissions trading scheme will undoubtedly have a profound and long-term impact on Australia, its citizens and our industries. This is a matter requiring cautious assessment before decisions are made and certainly the present haste can only be regarded as inappropriate and irresponsible.