

# Garnaut: the reaction

Business and industry give Ross Garnaut's draft proposals a cautious tick but say there are many issues still to be resolved. **Olga Galacho** and **Alice Coster** speak to the key players.

## ► BUSINESS

### Australian Chamber of Commerce and Industry chief executive Peter Anderson

Business supports key aspects in the draft review, such as the broad coverage of greenhouse gases and industries including transport, a soft start before international agreements have been finalised, and prioritising global and sectoral agreements.

ACCI fully supports proceeds from an ETS being fully allocated towards helping Australia adjust to a low-emissions future.

However, while ACCI supports the eventual full auctioning of permits, we remain concerned about the timeframe for its implementation.

While the draft Garnaut Review provides guidance and options on addressing climate change, business awaits detailed modelling.

### Australian Industry Group chief executive Heather Ridout

We welcome the Garnaut recommendation for an ETS with a broad coverage that includes fuel.

We also agree with the argument in the report that, until other countries impose equivalent costs on greenhouse gas emissions, Australia should adopt measures to ensure there is no loss of competitiveness on the part of Australia's trade-exposed emissions-intensive businesses.

Any action that simply results in an Australian business closing down its operations here and moving them to another country would be an exercise in futility.

This would cause serious damage to Australian industry and jobs while not in any way assisting in reducing global emissions.

The design of measures to protect trade-exposed emissions-intensive businesses needs to allow for the full complexity of the Australian economy and not simply be limited to a few large and well-publicised cases.

There are in fact numerous other energy intensive businesses that would also be affected.

## ► RENEWABLES

### Pacific Hydro chief executive Rob Grant

An emissions trading scheme as the centrepiece for Australia's response to curb carbon emissions is vital.

But the role of the expanded national renewable energy target ... is a critical complimentary measure.

Without the renewable energy target, the price under an ETS will have to be a lot higher to change investment patterns in the stationary energy sector.

Australia's wind energy potential is enormous and while wind energy will be one of many new technologies that will compete under renewable energy targets, it will be an important part of the mix.

### Australian Geothermal Association chief executive Susan Jeanes

It is extraordinarily useful that Prof Garnaut has recommended 20 per cent of the proceeds of selling emission permits to go towards assisting clean technologies.

He has estimated that \$3 billion is needed to commit Australia to a low-carbon economy through the commercialisation of low-emission energy. This will completely transform the Australian energy market.

We are also pleased that he urged a speeding up of changes to the way the electricity market is conducted in order to make it easier for renewable energy to connect to the grid.

## ► COAL-FIRED ELECTRICITY

### Verve Energy chief executive Shirley Int'Veld

In Western Australia we are particularly sensitive to any higher generation costs that may come from an emissions trading scheme. Soon we will be emerging from a 10-year electricity tariff freeze and we are expecting our power prices to go up 60 per cent over five years.

The Garnaut Review still leaves a lot of questions about how power generators will be treated, but if we are not given free permits, electricity will go up even more.

To make matters worse, since a recent pipeline explosion that shut down a third of our gas supplies, we are being asked to bring back into production two old coal-fired generators that were decommissioned 15 months ago and expand the capacity of a third one.

## ► GAS

### Australian Pipeline Industry Association chief executive Cheryl Cartwright

The report is a positive step and a very strong indication natural gas will be part of Australia's energy future in the medium term and in the longer term.

It is good to see there is an acknowledgment there will be an increase in demand for natural gas. But that doesn't tell us how much, where, when or how and also the impact of the cost of the ETS on the private sector.

The Government has to make the decision and the Government has to let us know what the scheme is going to look like and what the costs are going to be for the private sector.

## ► ENERGY EFFICIENCY

### Australasian Energy Performance Contracting Alliance chairman Peter Szental

Our economy has been built on wasting cheap energy. The Garnaut Review is the first step in recognising that this must change.

It is encouraging to note that 50 per cent of the revenue raised by the government from emissions permits will be used to encourage energy efficiency.

An emissions trading scheme cannot bring down emissions alone. The government needs to introduce complementary measures such as an energy efficiency target.

Most, if not all, of the growth in energy demand over next 20 to 30 years can be met through energy efficiency, that is reducing waste like leaving the lights on in a commercial building all night.

## ► INVESTMENT

### Investor Group on Climate Change executive director Joanne Saleeba

IGCC definitely supports Prof Garnaut's view that strong and early action on climate change is important and what is required.

Institutional investors across Australia with growing funds from superannuation are looking to take advantage of opportunities from climate change.

Leading investors and members of IGCC are already exploring opportunities that will be harnessed through climate change issues and emissions trading.

The report is positive as it indicates the desire, at least from the independent adviser, for strong action which is more likely to mobilise investment capital to deal with climate change.

## ► CARBON STORAGE

### CO2CRC chief executive Peter Cook

We are very encouraged Garnaut has identified the level of commitment we need from the public and private sectors into this area in Australia.

If you were to go forward with that level of commitment it would represent just about a quantum change in the amount of money we would be spending on this area, which is a very positive feature.

Prof Garnaut has also identified geosequestration as potentially one of the areas that Australia should focus on, which is appropriate.

Spending \$3 billion on research and development per annum is well ahead of what is being put in there at the moment and I think that would be a very powerful step in the right direction.

## ► OTHER SECTORS

### NSW Trucking Association chief executive Jill Lewis

Ultimately if we are going to have an ETS the more people the better.

But the transport industry is very, very keen for it not to cause too much of an imposition.

We are interested in it, we want to work with the government and we want to be environmentally sensitive.

But it's got to be something that is affordable and deliverable across the board.

If we are included into the ETS then the government seriously needs to be looking at the way that trucks are used on the road and look towards low-emission transport options.

We need to be and will be responsible for the environment as much as everybody else.

### Qantas chief risk officer Rob Kella

Qantas supports emissions trading provided reduction targets are realistic and schemes do not exacerbate competitive distortion between airlines, industries or regions, and compensation is granted at least initially for the high cost associated with a trading scheme.

Without compensation, the burden of an aggressive emissions trading scheme would place further financial impost on airlines already dealing with the spiralling cost of jet fuel.

### Victorian Farmers' Federation president Simon Ramsay

We don't wish to be included in the ETS.

We don't know what costs the agricultural industry would have to bear if we were in the ETS.

There is already agricultural sequestration taking place and we want that acknowledged.

No one yet knows the costs associated with an ETS.

There are a lot of unknowns that require significant investment by government into research and development, to do the measuring and recording of any greenhouse gas emission or trading scheme.

We strongly opposed any move for agriculture to be included in the ETS in 2010.

### A3P chief executive Neil Fisher

The plantation products and paper industry welcomes the Garnaut report's acknowledgement of the role that forests and wood products could play in an emissions trading scheme through offset measures. We are ready to play our part in an ETS through reforestation, or new forests, forest management, carbon stored in forest products being acknowledged, bioenergy included and measures to maintain the competitiveness of the pulp and paper sector.