

30th May 2013

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Dear Ms Harris

Caps and Targets Review – Issues Paper

Thank you for the opportunity to provide comments on the Climate Change Authority's Issues Paper on the Caps and Targets Review. The Australian Aluminium Council is a member of the Australian Industry Greenhouse Network (AIGN) and we support their more detailed submission. I particularly draw attention to the following points in the AIGN Submission:

Commonwealth Government's 2020 target policy

In the Issues Paper, the Authority notes Australia's undertaking under the United Nations Framework Convention on Climate Change to reduce emissions by 5 per cent, up to 15 per cent, or 25 per cent from 2000 levels by 2020 and includes in Box 3, the conditions around those undertakings.

These undertakings, and particular the conditions associated with shifting to more stringent targets, have been important in providing what little "certainty" has existed in emissions reduction policy for Australian businesses in recent years. We caution the Authority on recommending any target that is outside these stated conditions. Such a recommendation would work against the last vestiges of stability and certainty that exist in the policy – an outcome that would be at odds with the Authority's regard to "the need to reduce uncertainty and manage risks".

Additionally, a more stringent target would impose a greater impact on the Australian economy.

We note that the stated conditions for moving beyond a 5% reduction in emissions are yet to be met.

International action

When considering action announced by other jurisdictions in proposing an appropriate target for Australia, the Aluminium Council urges the Authority to take a rigorous approach to that assessment. It must go further than currently exists in the public debate and even what is included in Table 2 of the Issues Paper.

The consideration should include, as a minimum: the extent of policy implementation; the legal force of the policy; the measuring, reporting and verification supporting the policy; the economic cost of the policy; and, importantly for competitiveness impacts, the extent to which the policy constrains and adds costs to businesses.

Sharing global emissions budgets

The discussion in the Issues Paper seems to assume that the metric for sharing global emissions budgets will be some variant of emissions or emissions reductions. The Aluminium Council suggests that the task is really to develop an emissions budget for Australia that approximates what would exist if a truly global approach to emissions reductions was being implemented, at the rate of emissions reductions that is currently being observed.

That would seem to require considering the economic cost to Australia and ensuring that the targets in the near term do not impose a greater economic cost on Australia than that being imposed in other countries and particularly those with whom we trade.

An attempt to match our emissions levels or emissions reductions in an aspirational way and under a less than global system risks exposing an energy and emissions intensive economy such as Australia's to far higher costs.

Carbon "price" and "costs"

The Authority suggests, on page 29 of the Issues Paper, that "Australia's choice of target and caps may not have a significant impact on the carbon price". While this is true, particularly in the current design of allowing relatively free use of international permits, it tends to gloss over the difference between the carbon "price" – per permit for a tonne of emissions – and the cost to business and the economy.

The cost to the Australian economy and to Australian businesses will be much more strongly influenced by the choice of target and caps as it will control: the amount of emission rights that can be employed within the economy; the type and extent of structural changes that will be forced in the economy; and the ability of the Government to provide assistance to individuals and businesses who lose value or whose competitiveness is impacted by the inconsistent nature of the global response.

An informed discussion of the impact of setting targets and caps should explicitly raise, discuss and consider the magnitude and distribution of costs as well as the carbon price.

Thank you for the opportunity to provide comment on the Issues Paper. We would welcome the opportunity to answer questions regarding any matter raised in this submission. Please contact me if you would like to do so.

Yours sincerely



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