

the CARBON POLLUTION REDUCTION SCHEME (CPRS)

The Rudd Government has announced an emissions reduction target of a mere 5% by 2020, with a 15% upper limit pending international negotiations. The government plans to achieve these emissions reductions through the introduction of a Carbon Pollution Reduction Scheme (CPRS). The introduction of the CPRS is scheduled for the 1st January 2010. Legislation is due to be tabled in parliament in May, and between now and then, a Exposure Draft will be on public exhibition.

Major problems:

1. The Target is a killer.

- If adopted globally, a 5-15% target guarantees the loss of the Great Barrier Reef. It would wipe out the homes of millions and drive perhaps 39% of terrestrial species to extinction.
- The Government's climate advisor says that a 5-15% reduction target by 2020 corresponds with a strategy to stabilise carbon dioxide in the atmosphere at 550 ppm (parts per million)¹.
- Professor Ross Garnaut found that even a strategy to stabilise CO₂ concentrations at 450 ppm would still leave us with a 54% chance of irreversible melting of the Greenland ice sheet, leading to an eventual rise in sea levels of 6-7 metres.
- Most frighteningly of all, failure on this scale would most likely precipitate the tipping point into runaway climate change, where the earth begins producing greenhouse gases of its own accord as natural systems are thrown into chaos.
- Once this happens, we will no longer be able to avert catastrophe.

2. There is no limit on international credits.

- The CPRS allows for firms to buy an unlimited amount of international credits to fulfil their pollution liability here in Australia (from Clean Development Mechanism (CDM) offset projects as defined within the Kyoto Protocol² and potentially other offset and carbon trading schemes)
- Companies will do this when international credits are cheaper than domestic permits or abatement measures.
- The price of carbon permits in Europe has fallen through the floor as a result of the economic downturn and Australia's carbon market could and will be flooded with cheap alternatives to reducing emissions domestically.
- There is a large risk that absolutely no domestic abatement will occur and there will be incentive to shift the Australian economy away from coal and other polluting industries and towards renewable energy production.
- In addition, not all offset projects actually reduce net emissions – some are investment projects, for example, and others have dubious benefits for communities and the planet.

3. There is a price cap on pollution permits.

- The CPRS White Paper proposed a price cap on pollution permits of \$40/tonne.
- An emissions trading scheme (ETS) like the CPRS depends on supply and demand determining the price of carbon. If an arbitrary maximum price is set, carbon will be sold too cheaply and defeat the purpose of the ETS.
- This price cap also means that if the market price of carbon were to rise above \$40/tonne, in order to push the price back down, the Government would loosen the scheme cap
- This may mean that taxpayers will then have to compensate for industry and buy the extra permits on the international market, but otherwise it means that the ETS has no effective emissions cap and is therefore completely useless.

¹ Pre-industrial levels of carbon dioxide in the earth's atmosphere were 280 ppm (parts per million). Since the industrial revolution, this has risen to 385ppm and is still rising.

² Offset credits are rewards for reductions in emissions measured against an assumed baseline (White Paper, p. 6-62).

- In addition, the \$40 price cap acts as the only punitive measure against firms who choose to emit more than the emissions permits that they have bought at an auction.

4. Forestry included in the CPRS.

- The White Paper proposed that the CPRS include on an opt-in basis forestry activities and reforestation, but not deforestation.
- Forestry should be excluded altogether, or else a strict limit should be placed on the number of permits that industrial emitters can purchase from forestry and reforestation.
- Burning fossil fuels adds fossilised carbon (previously stored safely underground) to the living carbon cycle.
- There is a constant interplay between carbon in the soils, oceans, forests and atmosphere permanently fossilised is no longer part of this cycle and its burning is Australia's biggest contribution to climate change.
- If forests die or burn (which is predicted to increase as climate change worsens) all the carbon that was temporarily stored in those forests is released.
- There is already too much carbon in the atmosphere. Forests must be used to draw down excess carbon and not 'justify' the continued burning of fossil fuels.

5. Pollution permits are defined as property rights rather than licenses/allowances

- If the government increased the emissions reduction target, taxpayers would be forced to compensate industry (again), leading to a significant burden on the Australian economy.
- There must be a legal mechanism inserted into the CPRS that would allow for targets to be increased in the future, and permits must not be defined as property rights but rather as licenses or allowances which can be withdrawn under emergency circumstances. .

6. Assistance to “Emissions Intensive Trade Exposed” (EITE) industries.

- Initially 25% of permits will be given to EITE Industries.
- The government expects this may rise to 45% by 2020, if EITE industries grow at the same rate as the rest of the economy.
- This is perverse, and defeats the purpose of creating a carbon market: to make polluting prohibitively expensive
- There is also \$3.9 billion being given to the coal industry ('strongly affected industries'), which will weaken the scheme in a similar way to the free permits to EITE industries.

7. The emissions floor.

- This means that any reductions in emissions that individuals make through their own initiative (such as installing solar panels, energy efficient lightbulbs, riding bikes instead of driving cars etc.) actually reduce demand for permits which drives down prices and enables polluting industries to buy more and cheaper permits.
- Households and individuals cannot decide to increase Australia's emissions reduction target through their own actions because no matter what individuals do, Australia will only reduce its emissions by 5% by 2020.
- If our emissions target was in line with what is required by the science (a minimum of 25-40% by 2020 over 1990 levels) this would not be so much of a problem.

All of these design flaws and concessions to the most polluting industries mean that it is highly likely that Australia will not even meet its pitifully low emissions reduction target of 5% by 2020.

What we must do:

Industry is currently putting pressure on the government to make the CPRS even worse. It is up to us to make sure that the current CPRS does not become legislation and put obstacles in the path of future Governments to deal with the climate crisis. We must make sure that the shameful target of 5-15% is not locked-in and leave open the possibility that Australia could commit to the necessary emissions reduction targets at the international climate talks in Copenhagen at the end of this year.