



**AUSTRALIAN INDUSTRY**  
GROUP

**Submission on the**  
**Treatment of electricity-intensive, trade-exposed**  
**industries under the expanded national**  
**Renewable Energy Target scheme**

**February 2009**

The Australian Industry Group (Ai Group) is Australia's leading industry organisation representing 10,000 employers in manufacturing, construction, automotive, telecommunications, information & technology, call centres, transport, labour hire and a growing range of industries.

Ai Group recognises the importance of developing a global response to climate change and has worked constructively with the Government in the development of the Carbon Pollution Reduction Scheme (CPRS).

Ai Group welcomes the opportunity to comment on the Australian Government's expanded national Renewable Energy Target (RET) scheme.

Ai Group is a member of the Australian Industry Greenhouse Network (AIGN) and supports the AIGN Submission on the RET. Our comments largely reinforce the AIGN submission. In addition we make specific comments on particular items.

### **Ai Group does not support the RET scheme**

As set out in the *Ai Group Submission to the expanded national Renewable Energy Target Scheme* (see attached), Ai Group does not support the RET scheme. Ai Group regards the policy as an ill-advised and risky proposal that will place an unnecessary financial strain on electricity-intensive businesses, and other users of electricity throughout Australia.

If the Government chooses to proceed with the implementation of the RET, Ai Group asks for total compensation to be given for all trade exposed industries. This should be designed in a way that does not impose extra costs on other businesses. This measure is necessary in light of the inability of trade exposed industries to pass on the increased operating costs resulting from the RET.

### **Ai Group is concerned with the cost of the RET**

Australia's export and import competing mining and manufacturing industries consume 37% of Australia's electricity production. AIGN estimates based on the MMA report<sup>1</sup> have found that the RET could reduce the international competitiveness of those industries by \$340 million in 2010 and \$700 million in 2020. These costs imposed by the RET do not exist for many of Australia's international competitors, and serve to considerably weaken Australian terms of trade. Furthermore in light of the CPRS, the RET stands to exacerbate the already increased level of financial pressure felt by Australian industry, and for no substantive additional environmental benefit.

The RET also entails significant costs to the Australian economy, including a reduction in GNP of around \$177 million per annum, amounting to a cost of

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<sup>1</sup> MMA, *Benefits and Costs of the Expanded Renewable Energy Target*, Report to the Department of Climate Change, January 2009.

around \$2 billion to \$3 billion<sup>2</sup> over the course of the scheme. As shown by the Productivity Commission<sup>3</sup>, these costs come with no additional contribution to abatement, and serve to seriously put in question the validity of the scheme.

### **Specific Recommendations**

Ai Group proposes that trade-exposed industries should receive total compensation for their RET liabilities. This should be financed from general taxation revenue.

Alternatively, trade-exposed industries could be exempt from RET liabilities, and the RET target reduced by the size of the exemption.

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<sup>2</sup> MMA, *Benefits and Costs of the Expanded Renewable Energy Target*, Report to the Department of Climate Change, January 2009, p. 44.

<sup>3</sup> Productivity Commission *What Role for Policies to Supplement an Emissions Trading Scheme?* Submission to the Garnaut Climate Change Review, May 2008, p. x.