

## **OPENING COMMENTS**

The Australian Industry Group appreciates this opportunity to appear before this Committee into what we regard as a very important policy area.

Ai Group is a leading business organisation with members in a wide range of sectors across the economy. This includes manufacturing, construction, transport and logistics and a range of business and consumer services. We have members from the ICT, defence, food processing, health products and services, aviation, fast food and the automotive sectors for example.

Ai Group has played a very constructive role in the community debate on climate change policy.

- We made submissions to the Shergold Review commissioned by the former Government.
- We welcomed the Shergold Report and we welcomed the former Government's policy announcements in the middle of 2007.
- We supported the current Government's ratification of the Kyoto Protocol in December 2007; and,
- We participated actively in the current Government's consultations both before and after the Green Paper and in the development of the Government's position towards the end of 2008.

We continue to play a constructive role in developing an effective and practical approach to climate policy.

Ai Group accepts the general conclusion of the UK Government's Stern Report that the costs of not acting exceed the costs of acting to address climate change.

To be effective, action to address climate change needs to be global: effective action will need to include all major emitters if the accumulation of greenhouse gases in the earth's atmosphere is to be slowed and then reversed.

Action taken by Australia alone will not have a material direct impact on global emissions or on the threat of global climate change.

We recognise that Australia is not alone in proposing to take action to address climate change and we also recognise that many countries are not

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Ai Group's submission to the Senate Inquiry is available at [www.aigroup.com.au](http://www.aigroup.com.au) under "Policy and Representation" – "Submissions".

currently planning to take action. These include many that host businesses in direct competition with Australian operations.

The challenge is to build a global agreement so that all major emitters are included and Australian businesses and Australian standards of living are not threatened by the actions that Australia takes.

To this end Ai Group supports Australia taking action that:

- Achieves its constraints on emissions at as low a cost as possible by using a market-based approach to reducing emissions;
- Proceed at a sensible pace that allows businesses, households and regions time to adjust to carbon constraints;
- Avoids the threat of carbon leakage by ensuring the continued competitiveness of Australia's trade exposed industries and the jobs and the regions they support;
- Contributes to the development of a genuine global agreement by demonstrating to other countries that emissions reductions can be achieved without inflicting damage on the domestic economy; and,
- Is capable of being ramped up to achieve more substantial emissions reductions as all major emitters are brought into a global agreement.

As indicated in our submission to this Committee, Ai Group supports the proposal to place an emissions trading scheme at the centre of national efforts to reduce greenhouse gas emissions.

- We continue to advocate a strengthening of measures to address what Professor Garnaut called the "diabolical dilemma" and the "dreadful problem" posed by imposing costs on businesses in Australia that are not also faced by competitors in other countries.
- These include the proposal to allocate permits to emissions intensive trade exposed businesses and the Climate Change Action Fund which is intended in large part to assist in informing and encouraging actions by households and business to reduce direct emissions and to improve energy efficiency.

- We support measures that will underwrite a continuity of energy supply as the generation sector transitions to the new regulatory framework.
- We have supported a delay in the start date to the middle of 2012: in view of the onerous administrative timetable and the benefits of taking more time to get it right, and in view of the adverse impacts of the global crisis on the ability of business to plan for and provide for the considerable costs that will be imposed by the CPRS.
- We support passage of the legislation in 2009 to provide business with the degree of certainty that is needed for medium and longer-term investments.

I will close our opening comments by re-emphasising that Ai Group is determined to continue to play a constructive role in the development of an effective and practical approach to climate change policy in Australia.

Our members want to see an approach that proceeds without a damaging disruption to business and employment prior to the emergence of an effective global agreement and one that lays the foundation for more substantial emissions reductions as major emitters join in a global effort to address the threat of climate change.