

## Transcript

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Compere: Fran Kelly

Item: Discussion regarding the Business Community's reaction to the re-negotiated terms of the proposed Emissions Trading Scheme.

Interviewee: Heather Ridout, Australian Industry Group.

FRAN KELLY: Well, the electricity sector don't sound very satisfied with all this, but one business group, the Australian Industry Group has said that, on balance, the Government's revamped climate deal is a, quote, definite improvement.

To get the Liberal Party onside the Federal Government doubled the amount of compensation on offer to the coal sector and, as we've been hearing, gave an extra \$4 billion to electricity generators. It's also excluded agriculture from the emissions trading scheme.

Heather Ridout is chief executive of the Australian Industry Group and she joins us from Canberra.

Heather, welcome to *Breakfast*.

HEATHER RIDOUT: Good morning, Fran.

FRAN KELLY: Heather, is this a better deal for business than the original ETS and are you happy?

HEATHER RIDOUT: Look, I think the Government with the support of the Opposition, encouragement of the Opposition has definitely, materially improved this scheme for business. So, they've put a lot more support in there for small / medium sized companies. They've put a lot more clarification around the whole issue for emissions intensive companies, regarding the GFC buffer, which is - it's a big support to them. Five per cent more permits, roughly.

I think, in the end, the agricultural issue's now been resolved. There's some more support for the food processing industry, which has been a real concern for us.

So, generally, I think the Government has gone a long way and they're probably not happy to have made as many concessions as they have, but it smacks of the fact that they really do want a scheme.

FRAN KELLY: Are you surprised to hear that Richard McIndoe representing the coal-fired electricity generators, who got an extra \$4 billion in this, they're still not happy, a long - in fact far from it?

HEATHER RIDOUT: Well, look I think, you know, the people in Yallourn and the Latrobe Valley, they do have a huge amount at stake in this, and it might sound an awful lot of money, but there's an awful lot of money tied up in those assets. And a lot of them really do have an awful lot of economic pressure on them with a whole lot of loans that have to be rolled over.

There's a lot of issues there, Fran, and they're not for the faint-hearted, and it sounds a lot of money, \$4 billion.

FRAN KELLY: Yes, but this is the crunch of climate change, isn't it? It's not going to come cost-free and we have to change the way we produce our electricity.

HEATHER RIDOUT: Look, it's a transforming issue this. This is going to change the way the economy runs. We're putting a price on something for the first time. It's like putting a price on the air we breath and it's very hard to factor into business models and that whole area is very stressed. So, I can understand that they're not happy.

The Government feel they've probably put a huge amount more there at their disposal. But in the end no-one's going to be happy because we're having to pay for something we haven't paid before. Whether it's business, whether it's households, it's tough, but it's the decision we're taking if we adopt a scheme such as this.

FRAN KELLY: It does seem as though no-one is happy. Environmentalists aren't happy either. They complain that this new deal means every whinger is a winner, and the end of the day all this does nothing, actually, to reduce Australia's greenhouse gas emissions. There's all these free permits given out and there's no incentive for them to - for polluting industries to stop and lower their gas emissions.

HEATHER RIDOUT: Look, I think that - I really reject that. I mean, we've now adopted a target - a unilateral target of negative five. If nothing happens in Copenhagen, and I've been saying for a long time I wasn't that confident about Copenhagen, it seems to be going to be borne out. If we - if the rest of the world gets on board, will it increase our target to negative 25? And then it'll grow if -as technology and other measures are put in place.

So, this is designed to do that, and that is a big ask. You know, one in six emissions will have to be taken out of the economy.

As well, Australia is not going to save the Barrier Reef, for example, through what we do, and we all know that, we need the rest of the world to come on board to make that happen. So, if we don't put something on the table, why should the rest of the world come in and help reduce emissions which will inevitably flow to Australia.

So, these are political decisions, they're tough decisions, but inevitably business is trying to find a way through this and to be constructive and give some support to it.

FRAN KELLY: ACCI, the Australian Chamber of Commerce and Industry, they're not happy either. They call this a political deal that does not tick the box in terms of good economic policy, or certainly, in terms of good small business policy. I wonder if you agree with that really, but are you - is your point really that any kind of emission trading scheme, even a flawed one and an expensive one, is still better than having none at all?

HEATHER RIDOUT: Look, I think with the small business sector the Government have put in place this issue, this \$1.1 billion dollars to help with electricity pricing and that's a very big amount of money which will flow to them. There's also the Climate Change Action Fund which will assist those companies that aren't eligible for free permits, and that has something like \$2.7 billion in it over five years.

So, there are areas there that are put in place to assist business. Our view is, if you go down this route of an emissions trading scheme, you are placing a cost on the economy that wasn't there before, so no-one is ever going to be happy with this.

I would say, also, that to some extent, I do agree with ACCI. This has been a political process where at the end, it has been hard for business to get a look-in. It's been exhaustive. It's a great pity, frankly, that an issue that is as important as this has come down to such a really tough and rough and tumble political outcome.

FRAN KELLY: Well, the rough and tumble continues. The Rudd Government, the PM, says this compromise deal is a deal for this week only. It expires if the Coalition doesn't support it by the end of Parliament on Thursday.

What's your view on that? Is your view this can be taken off the table now?

HEATHER RIDOUT: Well, I think the Government, from a business perspective, would be regarded as an Indian giver, if they put this deal on the table and then bets were off and we had to go back and negotiate again.

We've had this thing on our council agendas for three and a half years. Every single month this thing has been discussed. We've - now we have, as a group, have negotiated in good faith, as has the whole business community. Now, some may seek better outcomes, but we wouldn't want to go back to square one, and I frankly think the Government, if they've made this offer to the community, it should stay on the table as the starting point or wherever we're going to be for the next round of negotiations.

FRAN KELLY: And just finally, what's your tip for where we might be, given the noises coming out of the Coalition at the moment. Do you think this bill will get voted through this week?

HEATHER RIDOUT: Look, I think it's anyone's guess, Fran. I think it's - it'd be - it'll be very fractious for the Opposition if they vote for it. I think it'll be very destructive for them going forward, but at the same time, from a business perspective, it would be good to have the issue resolved so we get on with the job of trying to recover from the downturn and put in place emissions saving processes for the future.

FRAN KELLY: Heather Ridout, thanks very much for joining us on *Breakfast*.

HEATHER RIDOUT: Thanks very much, Fran.

FRAN KELLY: Heather Ridout is the chief executive of the Australian Industry Group.