

Heather Ridout – Chief Executive Australian Industry Group

Submitted version of opinion piece in AFR 30 July 2009

Last week's statement on climate change policy by the Leader of the Opposition opens the way to improving current policy proposals. It's an opportunity welcomed by Australian industry.

The emissions trading scheme is a transforming policy. It's a policy that will change the direction of economic and industrial development in Australia as we play our part in a global effort to limit the accumulation of greenhouse gases in the atmosphere.

The opportunity created by the Opposition raises the question of what changes should be made to the Government's current policy proposals. Notwithstanding the efforts the Government has made, and is continuing to make, to take businesses' views on board, a number of changes could improve the CPRS. A number of these are consistent with issues raised in the Opposition's statement. There is as well an important omission from the statement that also needs to be addressed and that is the issue of over-regulation.

The CPRS should be strengthened to ensure it does not disadvantage Australian industry in global markets. It can't be said often enough: there is no environmental benefit if extra costs imposed domestically simply result in a shift of activity, jobs and emissions from Australia to other parts of the world.

To this end, there should be an extension of measures for trade exposed businesses. This requires some further work on the arrangements for emission intensive trade exposed (EITE) businesses including, for example, the coal and steel industries. This further work could include the Opposition's proposal to draw from the US's Waxman Markey provisions maintaining EITE measures until similar costs are imposed on a large proportion of global competitors.

Measures for trade exposed businesses also should be extended to less emissions-intensive businesses in industries such as food processing, plastics, chemicals and metals fabrication. This could be achieved by an allocation of permits beyond currently proposed thresholds and/or by an increase in investment allowances and other programs under the auspices of the Climate Change Action Fund (CCAF).

The importance of the CCAF should not be underestimated. It's not a program that has attracted a lot of attention but its focus on informing small and medium-sized businesses and accelerating their abatement efforts is critical to the success of the CPRS. Ai Group's own research¹ in this area has shown that there is a clear need to better inform and prepare business for the

¹ Ai Group and KPMG, *Gearing Up: Business Readiness for Climate Change*, July 2009.

CPRS. The governance arrangements for the Fund do, however, need to be finalised and the program should be implemented promptly.

Business also needs greater confidence in the security of electricity supply. Although the Government has proposed some measures, there remain real concerns among electricity users that energy supply may be disrupted unless current proposals are improved upon.

In these areas the Opposition has indicated an awareness of the issues and has put forward suggestions useful to developing workable solutions.

In contrast, neither in the Opposition's statement nor in the Government's efforts is anywhere nearly enough attention given to addressing the explosion of green tape which is imposing unnecessary and counter-productive burdens on business.

Again, our own research has identified that almost 70% of businesses expect to allocate extra resources to compliance with emissions and energy efficiency regulation over the next three years. This comes on top of the 40% of businesses reporting increases over the past three years in costs of complying with these areas of regulation.

These findings accord fully with the recent Productivity Commission report in which it counted 244 existing or prospective measures relating to emissions reduction administered by 56 different agencies across the federation.

This proliferation of overlapping and duplicating measures is a clear failure of policy. It is a failure made all the worse because it has festered while report after report has called for a sensible approach to climate change regulation. The Productivity Commission has weighed into the area several times; we have had the Wilkins Report and the report of NSW's IPART.

We clearly need a major rationalisation of existing measures and effective gate-keeping to stem the tide of new measures. This requires a nationally-led plan put in place ahead of the CPRS with clearly defined targets and timelines aimed at getting rid of unnecessary and productivity-damaging climate change regulatory arrangements.

In short, business welcomes the opportunity presented by the Opposition's statement on climate policy. Along with the critical areas of strengthening the measures for trade exposed businesses and ensuring a continuity of electricity supply, both sides should ensure that best practice regulation occupies a prominent place in discussions.