

Possible Designs for a National Greenhouse Gas Emissions Trading Scheme

Firstly, Midland Brick Company (MBC) would like to congratulate the State and Territory Governments on taking the first step in getting this trading scheme off the ground for Australia.

In regards to the Discussion Paper, there are a few questions that have been raised, and some suggestions that MBC would like considered in terms of the operation of this scheme. These questions and comments are mainly regarding positions that will be held in terms of non-electricity stationary generators, and the scheme implementation post-2015.

Questions

Federal Land

As a state/territory based scheme, would businesses on Federal land, eg airports, be considered part of the scheme? This question is looking further down the track, after 2015 and the inclusion of non-electricity stationary emitters such as brick works. This would also be a concern if transport is included in the future, would airports and the distribution centres associated with them be limited as to the carbon they could emit, or would jurisdictional issues arise, giving these parties a free ride?

New Generators

It was discussed at the presentations that new generators, and by extension, new stationary emitters would not be given free permits in compensation for increased costs. Would this 'new generator' category only consider completely new sites, or would it also apply to new plant on old sites? And if applied to new plant, would this be applicable to only completely new plant or replacement plant also?

From our understanding of the scheme, replacement plant would be a benefit to the operators of the site, as this would potentially mean a reduction in emissions, with retention of the old targets and permit allocations. However, what if a site were to expand? Even the introduction of new, lower emission technology would mean that emissions would be increased, until such time as old plant was retired or replaced.

Suggestions

Indirect Transport Offsets

Would it not be wise to allow offsets from any aspect of a business rather than just forestry applications? As a transport intensive industry, it would be more sensible for us to promote change in the haulage aspect of our company, reducing emissions there, rather than planting large areas of trees. This would allow for reduction of emissions at the source, rather than remediation of the problem after it has arisen. Also, this takes into account the issues raised regarding the suitability of plants as a permanent carbon sink.

If there was the possibility of internal offsets in this area, it would also bring the possibility of external transport companies being an offset for business. For instance, Truck A runs on diesel, while Truck B runs on LPG, emitting much lower levels of pollutants. Now, if Company C was able to gain offset credits by using the more environmentally acceptable Truck B, this would encourage a change in the transport industry toward lower emission levels without requiring direct legislation.

This would be a win-win situation for all involved, encouraging environmentally responsible transport, providing real offset methods, and reducing the legislative burden.

Allowing offsets similar to above, but individually assessed, would also seem another cost effective way to reduce emissions in the non-stationary emitters category. This would increase the indirect effect, reducing government costs and increasing the availability of emission reduction methods to industry. It is our understanding that this scheme operates under the premise that a reduction in one sector is equal to the same mass of reduction in another sector, so any documented and quantifiable offsets should logically be allowable.

Allocation of Revenue

In the report "The Economic Impacts of a National Emissions Trading Scheme", it is stated that the revenue from the auctioning of excess permits would be allocated back to the states in terms of populations. It would seem more logical that this allocation would be made in terms of emissions per capita.

This would seem a more equitable spread of funds in that they are being given to the areas most affected. For instance if Town A has the same population as Town B, but is in a lower pollution airshed, then Town B should get more funds to help ameliorate the predicted larger problem.

To ensure a fair spread of funds, this proposal may necessitate that the nation is split into airsheds rather than states/territories to represent the emission areas. This may be a matter better dealt with by the state/territory department entrusted with the distribution of the funds, but state emissions per capita should be considered by the Taskforce.

Penalties

When setting penalty levels, has the Taskforce considered having upper and lower bounds indexed against the cost of the permits? For instance, the penalty could have a lower bound of 100% of the permit price, but an upper bound of 150% of the permit price to cover the CO_{2e} emitted, allowing harsher penalties for multiple or more damaging instances of non-compliance.

In most cases, there would not be a direct remediation costs applicable, as the emissions in question are always gaseous. This would possibly make it difficult to prescribe a penalty level in terms of the severity of the incident, however if the amount estimated to have been released was then indexed to the annual emission rate, this could also be used to define the 'damage' quotient. From this, it would then be quite simple to relate the indexed fine amount to the indexed 'damage' quotient, providing an effective method of applying penalties. This could then also be aligned with a scaling factor derived from the number of incidents occurring from a site/business to ensure a financial incentive against multiple breaches.

Thank you for the opportunity to make this submission on such an important scheme, and MBC looks forward to learning your stance on the above issues.