



DRIMS Reference: 2247916
Your Reference:

11/Nov/2005

Emissions Trading Working Group Secretariat
The Cabinet Office
GPO Box 5341
SYDNEY NSW 2001

Dear Sir/Madam,

RE: Inter-jurisdictional Emissions Trading Working Group Background Paper

Thank you for the opportunity to comment on the Inter-jurisdictional Working Group on Emissions Trading background paper, dated 12th September 2005.

Consistent with the views presented previously on Kyoto Protocol Ratification, dated 30th January 2003, Woodside would only support an emissions trading scheme if it addressed the following contextual criteria:

1. Consistency with the obligations in the LNG Action Agenda, which was agreed with the Commonwealth and adopted by the State and Territory Governments in 2000; and
2. Drawing upon the recommendations of the Government-Business dialogue on Climate Change (Energy Intensive Manufacturing Working Group) of March 2003.

LNG Action Agenda

In accordance with the LNG Action Agenda, the Government agreed to only implement a mandatory domestic emissions trading scheme if the Kyoto Protocol is ratified by Australia and enters into force, and if there is an established international emissions trading scheme.

Other commitments under the LNG Action Agenda include:

- the promotion of cost effective greenhouse abatement measures;
- avoiding policies that are disincentives to future LNG/industry developments in Australia; and
- the principle of no-disadvantage to industry international competitiveness, early movers in abatement or new entrants to industry.

Woodside believes that trying to implement any sort of emissions trading scheme while a liquid international market does not yet exist would result in high costs to industry with a consequent loss of competitiveness.

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Government-Business dialogue on Climate Change

Woodside participated in the Energy Intensive Manufacturing Working Group report (which may be found at <http://www.greenhouse.gov.au/dialogue/pubs/manufacturing.pdf>) as part of the Business-Government dialogue on Climate Change in 2003, and recommends the following mixture of inter-dependent approaches be adopted when considering flexible and cost effective options to meet greenhouse targets:

1. Australia should seek opportunities for bilateral agreements with developed and developing nations that facilitate trade or technology solutions to lowering greenhouse emissions.
2. The Greenhouse Challenge program should be compulsory for larger companies with an opt-in provision for smaller companies.
3. Research and development should be promoted by fiscal measures such as an increased tax deduction for abatement R&D and by publicly funding demonstration projects for new technology.
4. Industry should be engaged early to assist in formulating strategies for adaptation.
5. A national approach needs to be agreed with the States and Territories to avoid inefficient outcomes from separate government greenhouse policies and initiatives. There is a need for a consultative, collaborative and transparent approach to policy development.

Woodside perceives a standalone Emissions Trading scheme, set in the context of the Government-Business dialogue, as only one of several ways to consider meeting greenhouse gas emission targets. Moreover, meeting emissions targets is only one of Australia's Climate Change objectives.

The outcomes of the Government-Business dialogue propose a policy framework that addresses several climate change considerations, including adaptation and positioning for future emissions reduction obligations.

Woodside therefore considers the introduction of and discussion around an emission trading scheme premature, and urges collaboration between State, Territory and Commonwealth governments to formulate an appropriate mix of policies and measures that place Australia on a sustainable downward greenhouse emissions trajectory.

Please do not hesitate to contact Steve Waller on 08 9348 6851 if you would like to discuss any of the above comments in further detail.

Yours faithfully

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BETSY DONAGHEY
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