

Thursday, 21 December 2006

NSW Greenhouse Office,
The Cabinet Office,
Level 11, Bligh House,
4-6 Bligh St
Sydney
NSW 2000

For the attention of: Secretariat,
National Emissions Trading Scheme

Submission to Secretariat concerning proposal for a National Emissions Trading Scheme

Hyder Consulting is grateful for an opportunity to provide a submission relating to this important initiative.

Hyder Consulting is an international engineering and environmental advisory firm. Hyder understands that the science, according to the IPCC Third Assessment Report, released in 2001, *inter alia*, provides compelling evidence that climate change represents a significant challenge to society. Further, Hyder understands that the Fourth Assessment Report of the IPCC, due to be released in early 2007, will confirm much of the current consensus on climate change.

As such, Hyder realises that there need to be measures put in place that engender significant greenhouse gas emissions reductions, both in the short- and long-terms.

While new technologies will be necessary to ensure continuation of long term abatement, Hyder suggests that there is an ability to significantly reduce emissions using existing technology.

In order to do this, it is important that regulatory structures facilitate private sector investment in new low emissions technology. Hyder asserts that, while funding for commercialisation is an important part of the new technology spectrum, Government should also provide market structures that enable technology deployment. Without such market structures, the deployment of new technology will be limited, and R&D will not be initiated into new technologies if no market is apparent from the outset.

An emissions trading scheme has been in place in NSW for some time, and in Europe since 2005, and further schemes are under development in the United States. While these schemes have their problems, greenhouse abatement activities are occurring, partially due to the opportunity cost of carbon.

It is important to point out that greenhouse gas emissions trading exists and is a multi billion dollar industry globally, and that entities in all countries other than Australia and the United States can participate in emissions trading due to their ratification of the Kyoto Protocol. While the proposed NETS is likely to sit apart from the global architecture due to the Australian Government non-ratification of Kyoto, Hyder would welcome moves to engage with external carbon markets.

Hyder believes that the absence of a carbon price in Australia is indicative of what economists would call a market failure, and that the damage done by greenhouse gas emissions needs to be

reflected in prices for efficient and effective abatement to take place. Thus Hyder interprets a carbon price as being a market rectification, rather than a distortion.

In this way, Hyder welcomes the objective of the Secretariat to develop a scheme which provides a price for greenhouse gas emissions across all states. While some stakeholders may be adversely affected by such a change, Hyder understands that the measures proposed and discussed in the NETS proposal go some way to making these adjustments more manageable. Hyder recognises the significant difficulties involved in this exercise due to the competing interests of stakeholders. As the implementation of a NETS is to overcome market failure for a public good, Hyder supports the efforts by the States to engage the Commonwealth Government in the process so that some arbitration might be possible

In summary, Hyder Consulting welcomes the initiative of the Secretariat, and urges all stakeholders to proactively engage so that an architecture might result in efficient and effective reductions in greenhouse gas emissions in Australia.

Yours sincerely

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