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The Cabinet Office
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By email: submissions@emissionstrading.net.au

Dear Sir/Madam

Thankyou for the opportunity to comment on the discussion paper: Possible Design for a National Greenhouse Gas Emissions Trading Scheme.

I commend the lead taken by the State and Territory Governments on this critical issue. While it may yet prove challenging to gain consensus on an environmentally effective and economically efficient ETS without federal leadership, your efforts will ultimately have brought forward this process by many years – years that would have otherwise be squandered by the Howard Government.

I would, however, like to express my concern about the inadequacy of the proposed emission reduction goals, both in terms of the longer-term 2050 target and the modelled abatement scenarios that are projected until 2030.

The discussion paper suggests that the goal of reducing emissions by 60% relative to 2000 levels by 2050 is underpinned by an acceptance that the atmospheric CO₂ concentration should ultimately be constrained to 550ppm, a target itself underpinned by an acceptance that the global temperature increase should be constrained to 2°C above pre-industrial levels. It is important to remember that three compounding sources of error are contained within these assumptions:

1. There is a strong scientific view that a 2°C rise in global temperature may be too much. Ongoing research into climate change impacts and positive feedback processes may soon bring about a political acceptance that a 2°C rise would exceed "dangerous anthropogenic interference", especially for vulnerable regions like Australia.
2. Constraining global CO₂ concentrations to 550ppm may not adequately mitigate the risk of exceeding a 2°C rise in global temperature.
3. For any given abatement target accepted by the industrialised nations as a group, it is unlikely that the burden would be shared equally. The long term emission abatement goals of a number of European nations are already underpinned by the idea of 'contraction and convergence' of per capita emissions. Since Australia currently has much higher per capita emissions than most industrialised nations, there is likely to be an expectation that by 2050 our emissions will have been reduced by a greater percentage.

The discussion paper did cite elements of a recent CSIRO consultancy¹ dealing with these issues, but a fuller consideration is warranted. While it is true that the proposed ETS design can flexibly adjust to emerging targets, commencing the scheme with an obviously overly-optimistic target would undermine participant confidence.

I am also concerned that the indicative scheme caps out till 2030 will postpone emissions reduction for too long, thus forcing drastic abatement in the 2030-2050 period. For example page xxi of the discussion paper states:

"Australia's emissions would have been **782** Mt in 2030 under business as usual. By comparison, emissions are 710 Mt and 695 Mt in 2030 in Scenarios 1 and 2, respectively. The stimulation of greater energy efficiency and offsets in Scenario 1a reduces emissions from 710 Mt to **691** Mt in 2030, relative to Scenario 1." (Emphasis added).

As summarised in the table below, it would appear that even the most stringent of the proposed caps would allow national emissions to increase by 24% by 2030. Even allowing for the notion of gradual emission reductions in the early years of the scheme, it is difficult to see how a 24% rise in emissions is on track to meet the required 60% reduction 20 years later.

2000	2030 - business as usual		2030 - lowest emission scenario (1a)	
558 ² (Mt)	782 (Mt)	40 (% increase)	691 (Mt)	24 (% increase)

Given this, it would appear that the next stage of development will require modelling a wider range of abatement scenarios, including a more complete assessment of the emission reduction potential of measures complementary to an ETS, such as energy efficiency regulations and a cessation of old-growth forest logging. A robust 'with-all-measures' projection is critical to assessing the emission abatement task that must ultimately be assigned to the ETS.

In conclusion, I would like to add a word of warning against the over-allocation of emission permits. The European emissions trading scheme teaches us that there will be considerable pressure from governments and industry sectors to settle on a lax emission cap. This pressure must be resisted; rather the emission cap must be based on a rigorous risk assessment of what is in Australia's long-term interest. It would be a reprehensible policy failure if the community were ever forced to buy back emission permits in the future.

Yours sincerely

Senator Christine Milne
Greens spokesperson in Climate Change and Energy.

¹ Preston BL, Jones RN, 2006, *Climate Change Impacts on Australia and the Benefits of Early Action to Reduce Global Greenhouse Gas Emissions*, Consultancy Report for the Australian Business Roundtable on Climate Change, CSIRO Marine and Atmospheric Research, Victoria.

² <http://www.greenhouse.gov.au/inventory/2004/pubs/inventory2004.pdf> (page 29).