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Mining and Energy

MINING & ENERGY

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National Emissions Trading Taskforce

Submission in response to Discussion Paper

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Introduction

The CFMEU Mining and Energy Division welcomes the opportunity for input into the work of the Taskforce and commends the Taskforce for the depth of research they have undertaken in developing the Discussion Paper and associated documents.

The CFMEU is a major union of working people in the industries of its title. In respect of mining it is the principal union in the coal mining industry, representing the majority of people employed. We also represent a large number of power station workers in NSW and Victoria.

There are currently 31,000 people employed in the black coal industry. Each direct job supports another 4-5 jobs due to the relatively high wages paid. When family member dependants are added there are easily more than 300,000 Australians directly or indirectly dependent on the coal mining industry for their livelihood and wellbeing. These people matter.

The union has sought to play a constructive role in the climate change issue since the early 1990s, and has recently reinvigorated that role with the release of a discussion paper (available on our website) that, *inter alia*, supports ratification of the Kyoto Protocol and the use of emissions trading as a major mechanism to achieve reductions in greenhouse gas emissions.

Therefore the union broadly supports the objectives of the Taskforce Discussion Paper and is keen to be a participant in the further work of the Taskforce.

What follows are some general observations and concerns.

The certainty of emissions trading systems

The Taskforce has adequately identified that businesses and the communities that rely on them require long term certainty in market structures if they are to make long term decisions about how to reduce emissions.

However it is a key problem that, at this point, there is no national government support for the proposed scheme and, further, that some State Governments have also indicated either a lack of support or major caveats.

It is a further major concern that governments internationally must undertake discussions on a “new Kyoto” or “post-Kyoto” international agreement that will take greenhouse gas commitments beyond 2012. A revised or new Kyoto may well include an international framework for emissions trading, or provide for national emissions trading schemes that operate within an international regime.

Whatever scheme might be adopted by State Governments in the near term is therefore unlikely to achieve the desired level of certainty as it may be subject to amendment to reflect national or internationally-agreed goals and mechanisms. Notwithstanding this, further work on the proposed scheme should continue so that there is a greater capacity to act once national or international support for emissions trading is advanced.

Achievable and long term emissions caps

Without specifically endorsing either of the caps proposed in the Discussion Paper, the union broadly supports the key concept of setting targets that are substantial and of a “stretching” nature, but which can be reasonably expected to be achieved with reasonable cost.

The union broadly supports the goal of a 60% reduction in Australia’s net emissions below 2000 levels by 2050, but in doing so sees it as a goal to be striven towards rather than a fixed commitment.

When there is reflection on the level of technological change that has occurred in the last 15 years (eg no one had mobile phones 15 years ago, while now almost everybody has one) it is clear that we can have no firm view today on how we will most effectively achieve emissions targets from 2030 to 2050.

What is clear is that there will have to be a great deal of “learning by doing”, and that over time the best methods and the costs of achieving emissions reduction will become better known. At the moment the modelling done in

respect of more stringent emissions targets (such as that done for the Business Roundtable on Climate Change) shows quite substantial penalties being imposed on the coal mining industry and on certain energy-intensive industries.

Give the potential, but unproven, role of some technologies, eg in the area of carbon capture and storage, it is not certain (and definitely not desirable) that Australia need impose heavy penalties on industries that it currently relies on for a substantial part of its economic and social well-being.

It is therefore more appropriate that we adopt more modest, but stretching, targets over a 2020-2030 time frame as suggested by the Taskforce.

Appropriate pricing signals to facilitate carbon capture and storage

The modelling and estimating work for the Discussion Paper has required the making of certain key assumptions about the likely cost and availability of certain technologies – notably carbon capture and storage. If these assumptions prove incorrect, or incorrect within the timeframes specified, then the outcomes will be different and painful economic restructuring required will be far greater.

IF the assumptions are correct, substantial amounts of CCS will be deployed beyond 2020 and the overall costs of the emissions trading scheme (in terms of the prices of permits) will be significant but not disastrous.

The union therefore shares the concerns expressed by the Queensland Premier, Mr Peter Beattie, on 12 July 2006, when he stated that we need to get low emissions technologies for coal working before we embark on an emissions trading scheme. There is a significant danger that, if CCS technologies are not sufficiently developed, they will be curtailed rather than facilitated by an emissions trading system. It is possible that an emissions trading system might simply cause a short term “dash for gas” in power generation that would squander Australia’s limited and relatively costly natural gas reserves.

Conversely, it is abundantly clear to all the people working on CCS technologies that the funding of demonstration and commercialisation will not occur in the absence of a reasonable price signal.

It is also certain that, in 2050 and beyond, coal and other fossil fuels will be the dominant source of energy worldwide. It is therefore essential that CCS technologies be facilitated (as part of a suite of technologies including substantial renewables) if major emissions cuts are to be achieved.

It is therefore imperative that further development of the proposed emissions trading scheme involve close consultation with the developers of CCS technologies to ensure that they can play the important role envisaged in the Discussion Paper.