

19 December 2006

National Emissions Trading Taskforce Secretariat
The Cabinet Office
GPO Box 5341
SYDNEY NSW 2000

Dear Sir/Madam

I write to you regarding the National Emissions Trading Scheme Discussion Paper released in August 2006.

As NSW's largest business organisation, with 30,000 members and 120 affiliated chambers of commerce representing a further 11,000 businesses, ABL State Chamber is well placed to represent and lead businesses in the development of solutions to the climate change problem.

Any scheme which prices carbon should comply with the following five principles

1. Market based mechanisms which use price signals to indicate the environmental cost of carbon emissions allow the private sector to determine the most effective and efficient way to reduce emissions and where emissions are unavoidable, to ensure they are associated with the highest value activity
2. Market based mechanisms should be revenue neutral so that government revenue generated by carbon trading schemes is 'recycled' to fund adjustment to this major structural change and/or used to reduce taxation elsewhere
3. Early preparation and long lead times are required to reduce the effects of the transition to a carbon constrained economy
4. Policy options must be efficient and regulatory obligations must be minimised
5. To increase the efficiency and international acceptance of any climate change action, its endorsement and application must be led by the Federal Government.

ABL State Chamber believes that the proposed National Emissions Trading Scheme (NETS) proposal is, in principle, a positive step forward in developing solutions to climate change given

- general acceptance that human activity is accelerating global warming
- that early action to reduce carbon dioxide emissions is less costly and disruptive than late action
- that developed nations need to set an example for newly industrialising carbon emitters.

Central to this position, however, is that a scheme led by the Federal Government will be more effective than a scheme which may have less than universal State Government support. In conjunction with this, the Federal Government is best equipped to facilitate Australia's participation in an international carbon market should this opportunity arise.

In applying the principles outlined above, ABL SC is very much aware of the short-term costs business and consumers will bear implicit in a trading scheme. Accordingly, along with the gradual ramp up of any scheme, we strongly advocate the community through Government fund structural adjustment. The aim should be to facilitate adaptation by energy intensive businesses to higher energy costs. New technologies and production techniques as well as the re-assignment of financial and human resources may all be required.

The development of new technologies minimising carbon dioxide emissions and the industries that spin-off, demand management and other adaptation strategies are as much a part of the solution to reducing carbon dioxide emissions as a carbon trading regime. All require support by Government and industry.

As the largest business organisation in NSW we plan to develop a campaign that promotes the advantages of a comprehensive approach to climate change to all businesses, including those in energy-intensive industries.

To ensure substantial industry engagement in the detailed design of emissions trading mechanisms which minimise short term costs to the National and State economies we plan to convene roundtables during 2007.

If you would like further comment on any of these issues, please contact me at paul.orton@australianbusiness.com or (02) 9350 8165.

Yours sincerely

Paul Orton
General Manager
Policy & Membership