

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



11 November 2005

Dear Working Group,

Thank you for the opportunity to provide input to the Working Group's development of an Australian emissions trading scheme.

Please find attached the CANA Position Paper on Emissions Trading, which was released in October 2005, following significant consultations between CANA's member organisations. It addresses the majority of the Working Group's "Questions for Stakeholders", and therefore forms the bulk of CANA's submission.

Please note that several CANA members that will also be making individual submissions to the Working Group, and that this CANA submission should in no way be considered as prejudicing those individual submissions.

In order to assist the Working Group, we thought it would be worthwhile to extract the following important points from the CANA Position Paper, (with a cross-reference to the most relevant sections of the Working Group's paper provided in brackets):

- While an emissions trading scheme would have benefits, such a scheme alone would be insufficient to meet Australia's international obligations under the Kyoto Protocol or to prevent dangerous climate change. An ETS, therefore, needs to be part of an overall policy response to reduce GHG emissions and fundamentally restructure Australia's energy and transportation sectors (Additional Questions).
- A cap and trade scheme is the only scheme design that will ensure environmental outcomes are achieved (Proposition 1). Offsets should be entirely excluded from the scheme, because they divert investment and resources, and are vulnerable to gaming and fraud (Propositions 6 and 8).
- Environmental outcomes must be the main determinant of the level of the cap (Proposition 3). An ETS must be consistent with achieving at least a 20% overall emissions cut relative to 1990 levels by 2020, and at least a 60% cut by 2050 using a progressively lowering cap. The setting of long term targets is the best means of provide certainty to the business and investment sectors.
- It is essential that permits are auctioned rather than allocated administratively (Propositions 9 and 10). So called "grandfathering", or allocation according to historic emissions, is the worst form of administrative allocation as it discourages early action and rewards polluters.

This points above should not be seen as downgrading the importance of any of the other points made in the CANA Position Paper, which we hope you will consider carefully in its entirety.

We look forward to further involvement in the Working Group's stakeholder consultation process.

Yours sincerely

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Coordinator