

# CARBON EXTRA

Independent news on climate change and carbon risk



Edition No. 1, August 15, 2008

## Protect petroleum industry rights, GHG storage inquiry urges

Petroleum industries' "pre-existing" rights should be preserved to minimise investors "sovereign risk" under Fed Govt laws regulating the undersea storage of CO<sub>2</sub> storage, a parliamentary [committee](#) recommended today. But the minister should be able to force the industry to negotiate with other players, said the report on the inquiry into the gov't's *Draft Offshore Petroleum Amendment (Greenhouse Gas Storage) Bill 2008* released this morning. Ctee chair Dick Adams said "one of the most contentious elements of the legislation" was the protection it gave to pre-existing petroleum title holders and managing their interactions with proponents of GHG storage. That "could frustrate the establishment of GHG storage activities", Adams said in his foreword to the report. Empowering the relevant minister to direct parties to negotiate in good faith and "direct an outcome" was the solution recommended. Still, the ctee assumed petroleum title holders would most likely carry out most GHG storage because they had the technical expertise. As such, they could hold combined petroleum exploration and GHG storage permits, the ctee said. The Fed Govt should also offer financial incentives to encourage investment in GHG storage given the significant cost involved, the ctee said.

## Aust corporates 'drag the chain'

Aust's biggest listed companies are not taking their climate change impact as seriously as their overseas counterparts, new research has found. A [study](#) conducted by London-based Ethical Research Investment Services (ERIS) analysed the climate change impact of 3,000 global companies listed in the FTSE 300 index. Parallel research by the Canberra-based Centre for Aust Ethical Research (CAER) [focused](#) on ASX 200 companies. ERIS found the activities of 35.6% of the FTSE firms had a high or very high impact on climate change. CAER found the figure was much higher for Aust's ASX 200 at 48%. Eighty-four percent of FTSE 300 companies had a corporate-wide commitment to tackling climate change (39%). But board remuneration was linked to climate change

strategies in only 14% of global corporates (4% in Aust). ERIS found just 25% of published long-term GHG reduction targets (9% in Aust) was "an important indicator of a company's true commitment to reducing their impacts". The research found 39% of the Aust companies disclosed GHG emissions data, but only 11% had the information verified externally."

## Target GHG industry support

Productivity Commission chair Gary Banks has questioned emissions intensive industries' claims they should be compensated for the impact of the proposed carbon pollution reduction scheme (CPRS). In an August 6 [speech](#) at the Uni of Qld, Banks led a wide-ranging discussion of policy rationales for industry support. He said there may be genuine reasons to consider compensation for unexpected gov't policy measures that "lead to a loss of pre-existing 'property rights'". But for the CPRS that justification was "being pushed to the limits". "[T]he prospect that gov't action might one day be taken to address GHG emissions is hardly news," he said, citing the commission's own inquiry in 1991 before the Rio Summit nearly 20 years ago. "Moreover, depending on how such compensation is paid, it could delay the adjustments in economic activity that the [CPRS] is designed to drive." Banks urged the Fed Govt to ensure its industry policy was "targeted at areas where market failures are likely to loom large" rather than trying to "pick green technology 'winners'". Some gov't measures may be needed to support strategic research, he said. Eg, if the carbon price failed to drive the technological innovation needed to tackle climate change. But he strongly opposed gov't support for commercialising existing "green" technologies like the gov't's \$500m green car fund and clean energy technologies through a mandatory renewable energy target. A market-based carbon price would make schemes like the MRET redundant and "simply very costly industry support vehicles". Banks said "the growing intersection of environmental policy and industry policy "has great political appeal, but can lead to confusion" about its objectives. "It is important to separate genuine rationales for gov't intervention from convenient environmental pretexts for supporting particular industries or activities," Banks warned.



## No GHG permit sales above the cap

Fed climate change dept head Martin Parkinson has roundly rejected calls for new investors in emissions intensive industries to be allowed to buy carbon emission permits above the cap set by the gov't's carbon pollution reduction scheme (CPRS). Cement Aust CEO Stuart Ritchie has told *CE* the biggest concern of emissions-intensive trade-exposed industries (EITEs) was "how the [emissions] cap will address new growth from investments in the economy ... we want new investors to be able to draw down permits from above the cap". In a [speech](#) last week, Parkinson repeated the gov't's position that the more support provided to EITEs the more other non-assisted industries would bear the cost of a carbon price. The gov't was aware of the risk of "carbon leakage" associated with restraining GHG emissions in the absence of a global agreement, but it had to strike a balance, he said. "[I]t is unrealistic to believe these tensions can be resolved by increasing the national cap for new investments in the EITE sector." Parkinson also warned the gov't to resist "the siren call of attempting to pick sectoral or technological winners", echoing Banks (see p1). Instead, the gov't needed to "focus on fostering a flexible, dynamic economy". That would allow resources including capital and labour to move between industries according to where the market could use them most productively, he said.

## E-tags could collect carbon tax

New motor vehicle technologies such as "etags" and global positioning systems could be an efficient way to apply a carbon price to fuel, says a discussion [paper](#) on the review of Aust's tax system released on August 6. The Fed Gov't's current fuel excise was not an effective means to meet social or enviro objectives, it said. "[F]uel excise rates do not substantially change the decision to drive in particular vehicles (to reduce road damage), in particular areas (to reduce noise pollution) or at particular times (to reduce congestion)," the paper said. "New technologies (such as 'etags' and global positioning systems) are increasing the viability of more efficient direct charging mechanisms," the paper said.

## Tax review will consider CPRS

The national review of Aust's tax system (*above*) would advise the Fed Gov't on how the tax system could be used to deliver promised assistance to help low-income households cope with rising energy prices expected to flow from its carbon pollution reduction scheme (CPRS). A review discussion paper released last week (*above*) said if the tax system was used to compensate

for a carbon price "it is likely to involve a reduction in existing inefficiencies to the extent that there is a reduction in (effective) marginal tax rates". A spokesperson for fed Treasurer Wayne Swan told *Carbon Extra* the review would "report in stages" although there was no date yet for the CPRS tax paper. To contribute to the final design of the CPRS the tax paper would have to be released well before Dec when CPRS draft legislation was due to be released. The tax review final report was due in late 2009, he said.

## The market alone can't cut GHGs

California's electricity use has "stopped dead" in its tracks since 1975 while across the US it has grown by 50%. That was partly because electricity generators had been subjected to state energy efficiency regulations under two powerful gov't authorities, Prof Michael Hanemann from Berkeley Uni told an audience at the ANU's Climate Change Law and Policy [Centre](#) this week. Hanemann was in Aust to argue emissions trading alone would not induce the behavioural change and technological innovation needed to cut GHG emissions. Traditional economic theory claimed a carbon price set by the market through emissions trading was a superior method to bring about the behaviour change, but it did not explain whether it was the cap or the price that changed behaviour, he said. That was the logic behind California's decision to adopt a mix of measures including a cap and trade emissions trading scheme and energy efficiency, vehicle emissions and other regulatory measures. California's experience in tackling air pollution also demonstrated the value of a "command and control" approach, but Hanemann warned against directly translating this to cutting GHG emissions. "CO<sub>2</sub> is very different to SO<sub>2</sub> and NO<sub>x</sub>. There is no low CO<sub>2</sub> coal ... There is no end of pipe treatment available right now," he said.

## COAG feed-in tariff paper missing?

Fed climate change minister Penny's Wong's promised options paper for a national feed-in tariff for renewable energy is either well overdue or being kept under wraps. Wong said on March 7 the COAG climate change working group she chaired would prepare "an options paper on a nationally consistent approach to feed-in tariffs for COAG by the end of June". This week neither the minister's office, fed climate change dept nor the COAG secretariat would tell *Carbon Extra* what had happened to the paper. All said COAG would "look at" the issue at its next meeting in Oct in Perth.

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Carbon Extra is published weekly by Thomson Legal & Regulatory Limited and is available by subscription only.

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