Industry protected under emissions trading: Wong

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CARBON-intensive industries, such as the petroleum sector, would not be at a competitive disadvantage when the Emissions Trading Scheme (ETS) comes into effect in 2010, Climate Change Minister Penny Wong said.

Climate Change Minister Penny Wong

The comments echo the debate in Europe before the design of the post-2012 EU ETS was decided last month, with some businesses warning a high carbon price would shift production overseas.

Speaking at the Australian Industry Group (Ai Group) event 'Climate Change: A Responsibility Agenda' in Melbourne yesterday, Wong said the government would take into account the impact of a carbon price on "emission-intensive trade exposed industries" that may consider shifting production to countries without a high carbon price.

"The introduction of a carbon price ahead of effective international action can lead to perverse incentives for such industries to relocate or source production offshore," she said.

"There is no point in imposing a carbon price domestically which results in emissions and production transferring internationally for no environmental gain."

Carbon intensive industries such as steel making and cement manufacturing are among the most exposed industries to an emissions trading scheme. A report released by the Investor Group on Climate Change (IGCC) in October based on the submissions of ASX100 companies to the Carbon Disclosure Project found Bluescope Steel and Onesteel will be the hardest hit by an ETS.

It found under an ETS with a modest carbon price of $10 per tonne, Bluescope Steel's emission costs would be about 17% of its earnings before tax, depreciation and amortisation (EBITDA).

In Europe, the industry group BusinessEurope lobbied against an increase in the auctioning of greenhouse gas permits under the next round of the EU ETS, as a high carbon price would force companies to relocate overseas.

In the final decision, the European Commission announced an increase in the auctioning of permits for the post-2012 trading period. However, certain carbon intensive industries would continue to get all their allowances for free if the Commission determines they are "at significant risk of carbon leakage", meaning they cannot remain competitive with countries with less stringent environmental laws.

Wong also said the scheme will have "maximal coverage of greenhouse gases and sectors, to the extent that this is practical".

"There is wide agreement that over 70% of our national emissions can be practically covered by emissions trading and we will proceed towards scheme design on this basis," she said.

She reaffirmed the government's pre-election promise to commit to a 60% reduction in national greenhouse emissions on 2000 levels by 2050 and indicated the government will set a 2020 emissions reduction target. "The government is also committed to setting a medium term target," she said.

The design of the ETS will be finalised by the end of the year so it can commence in 2010.

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