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Australia holds line on carbon scheme

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The Australian government says it stands by its promise to introduce an emissions trading scheme in July 2010, despite the global financial crisis and opposition from an array of big names in the global resources sector.

Prime minister Kevin Rudd says despite the current economic threat “the long-term economic cost to the economy, and to the entire global economy, of not acting on climate change remains formidable”. Rudd has sent his climate change minister, Penny Wong, to Europe on a mission to underscore the message and show support for international climate negotiations.

In an interview with the Financial Times, Wong said the economic case was against delaying action on cutting emissions. “If you accept that the world will eventually move to a global carbon constraint, nations that have put in place the means to manage that will be in the best position,” Wong said.

But as a heavily resource-reliant economy, the Rudd government was always going to come up against stiff resistance from the oil and gas, cement, aluminium and iron and steel industries. While the arguments won’t be new to European observers, the sheer size of these sectors in Australia’s medium-sized economy means they carry plenty of weight.

Multinationals Chevron and Woodside are the latest major resource companies to claim the scheme will cost jobs, render new projects uneconomic and move investment offshore. Chevron says its giant liquid natural gas project off the north-west coast is in danger of not going ahead under a carbon price.

Woodside’s CEO, Don Voelte, says the trading scheme would decimate jobs in Australia’s burgeoning gas industry, in which it too is heavily invested, and should be declared “dead in the water” in light of the global economic downturn underway.

Business lobbyists The Australian Industry Group say a range of businesses will be forced to relocate if the country’s carbon cap is not set to ensure a low carbon price in the early years.

Wong rejected calls for a watering down or delaying of the scheme in the name of “business certainty”. “Delay increases uncertainty at a time when we are seeking policy clarity to enable the transition [to emissions trading] to be made at the lowest cost,” she said.

The government remains committed at this stage to the scheme and is banking on a yet-to-finalised compensation formula for trade-exposed, energy-intensive industries

(TEEIs) using emission permit auction revenues. Mining giant Rio Tinto says the compensation arrangements so far floated won't be enough to protect TEEIs.

A consultants' report this week for the Australian Conservation Foundation found that big multinationals like Rio Tinto and Alcoa stand to share in more than a billion dollars a year in compensation to protect competitiveness.

The government is due to set its 2020 emissions target in December and finalise the details of the trading regime around that goal by early next year.