



The map of Australia is filled with a collage of images: a solar panel, a field of crops, a solar farm, a forest, a wind turbine, a large industrial building, an offshore oil rig, and a city skyline.



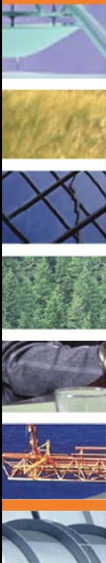
AIGN
AUSTRALIAN
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GREENHOUSE
NETWORK

Clean Energy Bills: The Good, the Bad and the Ugly

Michael Hitchens, Chief Executive Officer, September 2011



Good policy intent




The 'good' policy of pricing emissions rests on two worthy objectives set by the Government

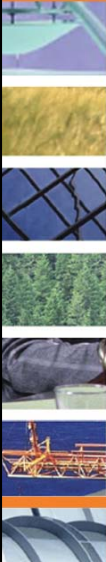
- Least-cost
- Mitigate investment uncertainty created by the policy process over the last several years

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2




Bad formulation: not least-cost



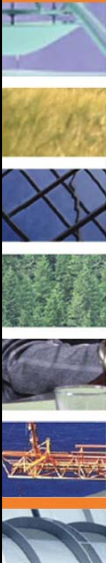
Fails the least-cost test on 5 counts

- \$23/t is 50% higher than the world price
 - plus price floors and ceilings
- The scheme covers under 65% of emissions
 - agriculture and motorists are 30% of emissions
- No plan to deal with the 237 inefficient measures
- Restriction on eligible international units
- Object of the draft CE Bill and default caps shift 100% of the Australian pledge onto the scheme

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Bad formulation: more uncertainty



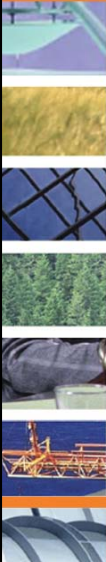
Increased uncertainty for

- Emission intensive trade-exposed industry
 - major competitors doing little and no global agreement soon
 - Minister may change the JCP at any time without a PC report
 - 3 PC reviews in 5 years, with prospect of new JCP design
- Electricity sector
 - brown coal generator buy-out deal unknown
 - the RET continues to crowd-out gas-fired
 - operation of the Clean Energy Finance Corporation
 - \$5-6 billion in asset value loss in NSW and Qld

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Ugly implementation



Objects of the Bill

- No statement of least-cost policy intent
- A commitment to 80% below 2000 emissions by 2050
 - "Finding an appropriately balanced outcome ... involves a very considered appraisal of the distributional economic impact of carbon pollution reductions..." Minister Combet, December 2010

The scheme caps


- Role of the scheme versus the uncovered sectors

JCP: the role of the Minister and PC

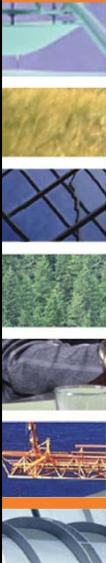
Climate Change Authority

- Needs the transparency of the PC

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AIGN submission



<http://www.aign.net.au/documents?PHPSESSID=258a9bfc2d1a6bdf55808b6b1d6ad95#submissions>

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The global 2°C challenge

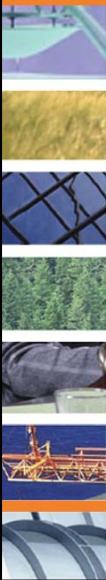
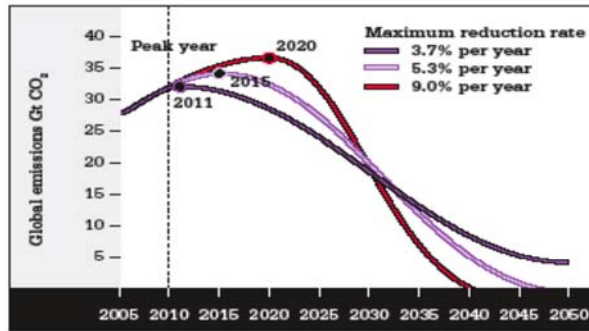


Figure 37. Three emission trajectories based on the budget approach and giving a 67% probability of meeting the 2 °C guardrail.



Source: WBGU (2009).

WBGU (German Advisory Council on Global Change)(2009). Solving the Climate Dilemma: The Budget Approach. Special Report. Berlin: WBGU Secretariat. Reprinted in the Climate Commission, THE CRITICAL DECADE: Climate science, risks and responses, 2011, page 56