

Introduction

The most appropriate response to climate change is a globally consistent approach, which would include a common price signal for greenhouse gas emissions. Such an approach, however, is not likely to emerge within the long-term investment horizon of industry.

AIGN's climate change policy principles (Box opposite) establish a sound framework for Australian policy development. In summary, in the international context, these principles envisage a global agreement that imposes on the Australian community costs that are comparable to the costs expected to be borne in countries with similar wealth.

In the domestic context, the principles envisage Australian policy measures that:

1. Are national — there is no place for state based mitigation policies
2. Are developed and implemented transparently to engender community support
3. Are stable, predictable and avoid complexity to help minimise investment uncertainty
4. Establish a long-term price signal across the whole economy
5. Do not expose Australian export and import competing industry to costs not face by these industries in other countries
6. Compensate those, including low income earners and non-trade industry, that carry a disproportionate share of the cost burden
7. Effectively address market failures not addressed by an emissions price signal
8. Promote public and private investment in first-of-a-kind low emission technologies
9. Do not discriminate against early movers and new entrants
10. Encourage the community to invest in adaptation strategies.

Adopting policies that meet these principles should deliver least-cost, environmentally effective and equitable outcomes for Australia.

AIGN Climate Change Policy Principles

Australia should make an equitable contribution, in accordance with its differentiated responsibilities and respective capability¹, to global action to reduce greenhouse gas emissions and to adapt to impacts of climate change.

Australia should engage the international community in pursuing identified and beneficial environmental outcomes through greenhouse gas emissions reduction action which:

- allows for differentiated national approaches
- promotes international cooperation
- minimises the costs and distributes the burden equitably across the international community
- is comprehensive in its coverage of countries, greenhouse gases, sources and sinks
- recognises the economic and social circumstances and aspirations of all societies
- is underpinned by streamlined, efficient and effective administrative, reporting and compliance arrangements.

In this global context, Australia should develop a strategic national approach to responding to climate change which:

- is consistent with the principles of sustainable development
- is consistent with other national policies including on economic growth, population growth, international trade, energy supply and demand, and environmental and social responsibility
- takes a long term perspective
- maintains the competitiveness of Australian export and import competing industries
- distributes the cost burden equitably across the community;
- adopts a consultative approach to the development of new policies
- is consistent and effectively coordinated across all jurisdictions throughout Australia.

Australia's future greenhouse policy measures should:

- be consistent with the strategic national approach
- be trade and investment neutral, in a way that does not expose Australian industry to costs its competitors do not face
- not discriminate against new entrants to Australian industry nor disadvantage "early movers" in Australian industry who have previously implemented greenhouse gas abatement measures
- take account of the differing sectoral circumstances
- be based as far as is practicable on market measures
- address all greenhouse gases
- address all emission sources and sinks
- balance, in a cost-effective way, abatement and adaptation strategies – both of which should be based on sound science and risk management.

1. Australia's contribution to the global climate change effort as set out here reflects the principle in Article 3.1 of the United Nations Framework Convention on Climate Change. Differentiated responsibilities and respective capabilities could take account of such matters as a country's economic growth and structure, population growth, energy production and use etc.