



MEDIA RELEASE

AUSTRALIAN INDUSTRY GREENHOUSE NETWORK

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Mid-year Budget Forecasts Undermine Australia's Copenhagen Negotiations

“Treasury’s mid-year budget forecasts for CPRS revenue condemn Australians to paying four times more than Europeans for the same global emissions outcome”, Michael Hitchens, CEO of the Australian Industry Greenhouse Network (AIGN) said today.

A key element of the Australian Government’s negotiating position in the lead up to Copenhagen has been the concept of ‘comparable effort’ with other advanced economies. Treasury modelling warned the Government in October last year that negotiation of a straight-line declining allocation to -5% of 2000 emissions for the period 2013 to 2020 would lead to a loss of Gross National Product¹ three to four times greater than the losses that the USA and the EU are prepared to accept. Yet this is the same national allocation that Treasury uses in its mid-year budget forecasts released earlier this week.

“Either the Government has discarded its negotiation of comparable effort and decided that Australians should pay much more than Europeans and Americans to secure a deal in Copenhagen, or Treasury has underestimated CPRS revenue by at least \$15 billion by excluding 500 million permits from its estimates”, Mr Hitchens said.

“What is more, the Treasury CPRS revenue forecasts reveal the intention of the Government to waste over \$20 billion over the next ten years to subsidise the use of cars at the expense of public transport,” Mr Hitchens said. This is not only bad climate change policy, but also bad energy policy. The Treasury forecast shows that the Government will be spending over \$2.5 billion a year by 2020 subsidising petrol prices. At the same time, electricity prices for urban trains are likely to be 30% to 40% higher by 2020 under the CPRS and the RET.

Confirming the Treasury warnings from last year, today Access Economics released a report, entitled Road to Copenhagen: Economic ‘comparable effort’ modelling of Australia’s national allocation, undertaken for the Australian Industry Greenhouse Network.

“The Access Economics report finds that the Government would impose on Australians an annual welfare loss of US\$785 per capita by 2020. Whereas Americans are prepared to shoulder US\$349 per capita and Europeans just US\$186 per capita per annum in GNP losses by 2020 for a partial deal in Copenhagen”, Mr Hitchens said.

The report finds that an additional allocation to Australia of 505 million permits to 2020 would reduce the loss of GNP by over US\$20 billion.

Access Economics reports that the Government has nominated national allocations ranging from -5% to -15% of year 2000 emissions, and perhaps -25% under very strict conditions, that Australia is prepared to accept for the year 2020 as part of a global effort. Until the release of the Treasury mid-year budget forecasts, however, the Government had not indicated what Australia’s allocation budget over the period 2013 to 2020 should be, other than to advocate a ‘comparable effort’ with other advanced countries, a strategy that is now in jeopardy.

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¹ Gross National Product is the measure used by economists to estimate welfare impacts of policy changes.