

# Watermark

Conference of Leaders of Religious Institutes (NSW)

**Green**

**~~Greed~~ is good**

## This Issue:

### Page 1

Introduction

### Page 2

CPRS explained

### Page 3

Explanation continued

### Page 4

Conclusion

Web Links and Ways to  
Help

## Introduction

Climate change is now an issue discussed almost daily. Individuals, communities, organisations, and our Government are debating and deliberating over how to tackle the biggest threat facing us in the 21<sup>st</sup> century. Surveys show that Australians are concerned about climate change but also, understandably, confused about how our leaders are addressing this problem.

For some time we have been encouraged to fit our lights with energy efficient bulbs, switch off unused appliances, and reduce our carbon footprint at an individual level. While these measures are necessary and very important, bigger changes need to happen to reduce Australia's contribution to global warming and climate change.

Australia has an immense fossil fuel industry and is one of the world's biggest exporters of coal. The energy we use every day to power our computers and televisions, light our homes, and refrigerate our food, comes, for most Australians, from burning coal.

Fossil fuel industries are the largest contributors to Australia's carbon emissions. The emissions that these industries produce cannot be reduced through the same simple measures that we use in our homes. They require a bigger, broader scheme to fundamentally change the way they operate.

This is where Government legislation such as the proposed Emissions Trading Scheme (ETS) – now known as the Carbon Pollution Reduction Scheme (CPRS) – comes in. By forcing industries to actually *pay* for their pollution, schemes such as the CPRS are designed to encourage industries to both reduce their emissions and to switch their power to cleaner, sustainable energy sources.

In almost every issue of *Watermark* published over the past year, we have given a brief update on the status of the ETS or CPRS. Now, as our parliamentarians decide whether or not to pass the CPRS bill, we take an in-depth look at the CPRS. In this issue of *Watermark*, we aim to give you a clear understanding of how the scheme works and different perspectives on its effectiveness.

# Carbon Pollution Reduction Scheme

## What is it?

The CPRS is a scheme proposed by the Federal Government as a strategy for reducing Australia's greenhouse gas (GHG) emissions. The Emissions Trading Scheme, as the CPRS was formerly known, is perhaps a clearer description of what the scheme involves. It is a market-based system of buying and trading emissions, through the purchase of permits that give the owner the right to produce a certain amount of emissions.

The CPRS is the Government's main, but not only, tool for reducing Australia's emissions to meet international obligations. It is also the means through which the Government plans to achieve a 5-15% reduction from Australia's 2000 emissions levels by 2020. Furthermore, if a "comprehensive international agreement" is reached at the Copenhagen climate meetings due to take place in December, the Federal Government has pledged to increase this target to 25%.

The CPRS can also be called a 'cap and trade' scheme because each year a cap, or limit, is set on the number of permits traded. This is the key reason for the scheme's success. By setting a cap on permits, the Government effectively limits how many GHG emissions are released that year.

## CPRS – the basics...

- § A limit (cap) is set on the number of GHG emissions to be released that year
- § The Government allocates or auctions permits that allow emissions up to the cap set for that year
- § Each permit allows for the emission of one tonne of GHGs
- § Companies buy the permits needed for that year on the 'carbon market'. If it is more cost-effective for a company to reduce their emissions they will do so, rather than buying permits
- § The emissions of each liable company are monitored by a Government body
- § At the end of each year companies must surrender the permits needed to cover however much they emitted in that year

- § If a company emits more than its permits allow there are financial penalties and it must 'make good' the next year by making up whatever it failed to cover in the previous year.
- § Each subsequent year, the Government reduces the cap, so that fewer permits are issued and fewer emissions are produced.

## Who is liable?

The proposed CPRS is designed to cover 75% of Australia's emissions. The remaining 25% will be targeted through other measures, such as carbon sequestration or re-forestation.

The CPRS targets the six GHGs recognised in the Kyoto Protocol, which are: carbon dioxide, methane, nitrous oxide, sulphur hexafluoride, hydrofluorocarbons and perfluorocarbons. Under the CPRS, industries responsible for producing these gases will be required to pay for permits to do so.

Stationary energy (i.e. energy produced or consumed for purposes other than transport) is one of the biggest contributors to Australia's emissions levels. Any stationary energy facility that annually produces 25,000 tonnes of CO<sub>2</sub> or more will be liable under the CPRS. This includes coal-fired power plants and other industrial processes that require large amounts of energy, such as aluminium smelting.

The transport sector will also be covered in the CPRS, but agriculture will remain unaffected until further consideration takes place in 2013.

## How do you get a permit?

The permits that enable companies to produce emissions can either be allocated or auctioned. Most environmental groups have called for a full auctioning of permits, as this would ensure that every industry paid for its pollution. Indeed, for the CPRS scheme to work effectively, permits should be auctioned so that competition between bidding companies is stimulated, and prices rise to reflect demand.

Ross Garnaut, in his Climate Change Review, published in 2008, recommended that over 90% of permits be auctioned, allowing some compensation for industries exposed to high levels of uncertainty. Currently, the Government's proposed scheme is structured so that some permits will be auctioned, but some of Australia's most heavily polluting industries will receive the majority of their permits free of charge. This is intended to reduce initial costs for emissions-heavy industries and ease them into the new market. The Government proposed this method for fear of local industries sending jobs off-shore in order to avoid the cost of purchasing emissions permits (this is known as 'carbon leakage'). Some praise the Government's decision as a way of protecting Australian jobs, while others feel that handing out free permits undermines the effectiveness of the trading scheme and gives the dirtiest industries a free-ticket to keep polluting.

### Will I have to pay for permits?

Given that we all consume energy and produce emissions, you may be wondering, 'will I have to pay for a permit to pollute?' The short answer is no, the CPRS is designed so that the companies at the top of the food chain are responsible for buying permits, for example, rather than each petrol station paying for permits, the company that produces and supplies them with fuel will be liable. However, these costs will inevitably trickle down to consumers and, yes, we will end up paying more for some goods and services. Like the larger companies themselves, we as individuals should look at these price rises as an incentive to both reduce our reliance on pollution-heavy resources, and to switch to a more sustainable form of living. Ultimately, prices will reflect not just the *material* cost but the *environmental* cost of our lifestyles.

It is also helpful to think not only about how the CPRS will affect you, but how you can affect the CPRS. At this stage you can be involved by lobbying your politicians before the bill is passed. If it is passed, individuals, while not obligated, will have the opportunity to purchase permits in the scheme. This is not so that individuals can justify their own emissions, but rather, so that they can retire the permits from the scheme.

This means that fewer permits will be available to those who intended to use them to pollute. Thus the cap remains the same, yet the emissions are reduced even further. This may seem quite complex, but the Government plans to create a website making it easier for individuals to pool their donations so that more permits can be purchased and then retired.

### Global links

The proposed CPRS is an Australian version of emissions trading schemes practiced around the world. As climate change is a global issue and emissions know no borders, it makes sense that Australia's carbon market should have international links. However, the scheme, as it is currently proposed, would allow companies to purchase an unlimited number of their permits in overseas markets. This could mean that a company operating and polluting in Australia could buy all of its permits from another country, and thus contribute to mitigation and adaptation schemes that wouldn't necessarily benefit Australia.

One of the key aspects of the CPRS is that it cannot act alone. In order for Australia to make real progress towards a sustainable future, the CPRS must be complemented by funding and investment into renewable energy technology. The Government plans to do this through some of the revenue generated by the selling of permits. If companies purchase their permits in foreign markets we may miss out on important technologies developed here. This is just one of the many complexities, loopholes and exceptions inherent in the scheme. As with any piece of legislation, it is hard to please all interested parties. It is our hope that the Government places sustainability and positive environmental change as the priority when making its decision.

The Senate is considering the CPRS bill this month, and we will find out shortly what the future holds for emissions reductions in Australia. As previously mentioned, the CPRS is one way, not the only way, for Australia to reduce its GHG emissions. If the bill is not passed, the Government will still have to meet its international obligations and stick to its 5-15% reduction targets for 2020.

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You can read past  
issues of  
*Watermark*  
on our website!

## The big question...Should the CPRS be passed?

This is an attempt to give a clear outline of the main aspects of the proposed CPRS, but the question remains, should the bill be passed?

It is the opinion of most environmental groups – an opinion shared by the CLRI(NSW) Social Justice Committee – that the CPRS has compromised the original environmental aims. Under pressure from powerful industrial representatives, the Government has promised huge compensations to high GHG producing companies and watered-down aspects of the legislation.

It is internationally acknowledged that a reduction in the concentration of GHGs in the atmosphere to 300-450ppm (parts per million) is required, and global temperature rise restricted to below 2 degrees. If the CPRS is passed in the form that it is currently proposed Australia will be doing too little, too late. The 2020 emissions reduction targets the Government has set (5-15% of 2000 levels) fall well below the 25-40% reductions suggested by the Intergovernmental Panel on Climate Change (IPCC) necessary to avoid catastrophic climate change. While these targets can be changed independently of the CPRS, certain aspects of the legislation (which require the Government to give industries a 15 year view of what the emissions caps may be) lock Australia into a certain range of emissions reductions, despite what new science may emerge.

Emissions trading puts a price on pollution and it encourages investment in renewable energy technology. It is also the best way of reducing emissions at the lowest cost to the economy. For Australia to have an emissions trading scheme in place would be a positive step towards sustainability, however not in the form that it is currently proposed.

The future is uncertain. If the bill is rejected the Government may call an election and perhaps re-introduce the bill to a more favourable Senate. Perhaps we are headed towards a double dissolution? What is clear amidst all of this uncertainty is that Australia needs to act soon to implement an effective emissions reduction system or we risk failing to meet our obligations and targets.

Hopefully leadership is shown at the climate meetings in Copenhagen this December, so that countries around the world can work together to address a problem that truly affects us all. In the meantime, don't forget that *you* have a place in these negotiations too. All of us have a role to play in making our voices heard and telling our Government and our world that we care about climate change.

CLRI(NSW) is currently forming a delegation to meet Minister Anthony Albanese to offer some ways to improve the scheme.

## Links and Ways to Help!

We gratefully acknowledge the help of the **Environmental Defender's Office (EDO)** in the compilation of this issue of *Watermark*. **Learn more about the CPRS at their website.**

<http://www.edo.org.au/edonsw/site/default.php>

**See the Edmund Rice Centre A Just Comment on the CPRS**

<http://www.erc.org.au>

**Read more about the Carbon Pollution Reduction Scheme**

<http://www.climatechange.gov.au/emissionstrading/index.html>

**Nature Conservation Council of NSW**

<http://www.nccnsw.org.au>

**Australian Conservation Foundation**

<http://www.acfonline.org.au>

**Climate Action Network Australia**

<http://www.cana.net.au>

**Members of Parliament contact details**

<http://www.aph.gov.au/whoswho/index.htm>

**CLRI(NSW) Website**

<http://www.clrinsw.org>

**A good place to start for facts about climate change**

<http://www.realclimate.org>

**How about writing a letter to your local member re CPRS?**