



Office of the Minister for Climate Change and Water

Sister Jan Barnett
Conference of Leaders of Religious Institutes in NSW
PO Box 259
ROSEBERY NSW 1445

16 SEP 2009

Dear Sister Barnett

Thank you for your email of 19 August 2009 on behalf of the Conference of Leaders of Religious Institutes in NSW (CLRI), to the Minister for Climate Change and Water, Senator the Hon Penny Wong concerning climate change legislation. The Minister has asked me to respond on her behalf.

Tackling the challenge of climate change is one of the Australian Government's highest priorities. The Government has committed to ambitious emissions reduction targets and is implementing a comprehensive nationwide response to climate change: reducing emissions; adapting to unavoidable climate change; and helping to shape a global response. These actions will safeguard our environment, sustain our society, and support our economy for the years ahead.

The Government has recently passed new laws to deliver on its election commitment to ensure that 20 per cent of Australia's electricity comes from renewable sources by 2020. This means that in ten years time, the amount of electricity coming from sources like solar, wind and geothermal will be about equal to Australia's current household electricity use.

The Government is committed to reducing national emissions to 25 per cent below 2000 levels by 2020 in the context of a comprehensive global agreement capable of stabilising atmospheric concentrations of greenhouse gases at 450 parts per million carbon dioxide equivalent or lower. This recognises the finding of the *Garnaut Climate Change Review* that fair and effective global action that stabilises greenhouse gases at this level would be in our national interest.

These targets are backed by credible policy mechanisms, including the Carbon Pollution Reduction Scheme (CPRS), the expanded Renewable Energy Target, action on energy efficiency, and support for Australians making voluntary reductions in their greenhouse emissions.

The CPRS has been designed to be able to link with international carbon markets. Linking allows the import of emissions units from other schemes and/or export of emissions units from Australia. Linking allows Australian liable entities to access abatement that occurs overseas and extends the market for Australia's own abatement.

Linking the CPRS to an effective global carbon market will reduce global and Australian abatement costs by ensuring that the cheapest abatement opportunities are pursued first, regardless of where they occur in the world. It would be more costly and deliver no additional environmental gain for Australia to achieve its emissions reduction targets solely through domestic abatement.

Introducing a carbon price in Australia ahead of some other countries could risk carbon leakage occurring, whereby carbon-intensive activity in Australia relocates offshore and uses similar or worse emissions intensive fuels and technologies. If the CPRS failed to provide assistance, firms engaged in emissions-intensive trade-exposed (EITE) activities may choose to leave Australia or avoid expansion following the introduction of the CPRS.

Since the ultimate objective of the CPRS is to contribute to a reduction in global emissions, it makes sense to provide assistance to EITE activities to reduce the risk of carbon leakage.

In designing the EITE assistance program, the Government has balanced its support for emission-intensive, trade-exposed industries and other sectors including households and non-assisted industries. The Government has developed an EITE assistance program that is consistent, transparent, and will be equitably applied across activities in the economy.

The EITE assistance program has been carefully designed to ensure these industries retain significant incentives to reduce their emissions. A further reason for assisting firms engaged in EITE activities is that it will assist in smoothing the transition of the economy towards a low carbon future.

Measured, sensible action is required to lower our carbon pollution, secure our future prosperity and create the skilled jobs of the future. The Government remains committed to reducing Australia's greenhouse gas emissions in an economically responsible manner and creating a prosperous low pollution economy in which Australia's environment is protected and Australian society continues to flourish.

Thank you for bringing the concerns of the CLRI to the Minister's attention.

Yours sincerely

A handwritten signature in black ink, appearing to read "Don Frater". The signature is written in a cursive style with a large, stylized initial "D".

Don Frater
Chief of Staff