



May 4, 2009

Australia delays carbon trade, may toughen target

By Reuters

Australia's government put back its much-vaunted carbon-emissions trading scheme by a year today, bowing to industry demands for more relief amid a recession while opening the door to an even deeper long-term reduction.

Lacking the political backing to implement the world's most sweeping cap-and-trade scheme outside Europe, Prime Minister Kevin Rudd said the regime would be delayed until mid-2011, but he still aimed to push laws through parliament this year.

But the major opposition, Green opponents and a key independent senator immediately rejected Rudd's concessions as "flawed", making eventual success far from assured.

"Starting slower because of the global economic recession and finishing stronger, with the prospect of a bigger outcome for greenhouse gas reductions... we believe gets the balance right," Rudd told reporters.

The setback was not unexpected after months of hardening resistance to Rudd's plan, a cornerstone of his election platform. Some carbon industry players said the delay could help clear away uncertainty that had stymied early trade and clouded the outlook for corporate costs.

The new draft included several short-term concessions to big industry in Australia, one of the world's biggest emitters per capita: a low fixed carbon price capped for a year at A\$10 (\$7.36), with a transition to full market trading in July 2012; and increased eligibility for free emissions permits, including 95 percent for the heaviest export-oriented polluters.

But Rudd also left open the possibility of deeper reductions.

While maintaining his interim 2020 emissions reduction target at 5 to 15 percent below 2000 levels, he said the government could increase the cut to 25 percent if other rich nations agreed to similar reductions at Copenhagen - a measure aimed at appeasing Green party legislators who wanted tougher targets.

But his overture fell flat, with Greens negotiator Senator Christine Milne calling the delay "environmentally reckless", and party leader Bob Brown unveiling an ad campaign against Rudd's climate credentials, running ahead of elections late next year.

Key independent senator Nick Xenophon, one of two swing independent votes necessary to win passage, also rejected it as a "lame duck" when most Australian voters wanted climate action.

"The government's (scheme) is fundamentally flawed. Their model is unfixable and the changes announced today are simply window dressing."

Rudd is walking a difficult line, with business and conservatives pulling his centre-left Labor party towards a softer carbon regime, and environmentalists demanding he not undermine global climate talks in Copenhagen in December, when world governments will seek a successor to the Kyoto Protocol.

But Rudd's delay enables Australia to await the outcome of those talks before deciding whether to match tough world targets or opt for a softer target in the event of a global impasse.

US President Barack Obama's administration will likely be eyeing Australia's climate tactics as it prepares for its own

Senate battle over creating a "cap-and-trade" law that would slash emissions of carbon dioxide and other greenhouse gases.

Brown said he had written to Rudd with an offer to break the Australian Senate deadlock and support the legislation if amendments made it environmentally effective.

But the new plan still falls short of Green demands for an unconditional emissions cut of 25 percent below 1990 levels by 2020, with a commitment to move to a 40 percent cut if the climate talks in Copenhagen forge a new global climate pact.

Major emitting industries and conservatives had complained the original regime start date on July 1 next year would hamper an economic recovery from a recession tipped to see 1 million unemployed by next year.

The changes will help placate companies most exposed, like flag carrier Qantas Airlines (QAN.AX), OneSteel (OST.AX) and top steelmaker Bluescope (BSL.AX), whose chairman last week attacked the emissions plan as an economic "de-stimulus".

Australian electricity futures for later in 2010 fell 12 percent as the expected price of carbon was removed (NEMMCO).

Some participants in the nascent carbon market said the delay was welcome relief after months of deepening uncertainty.

"I'm a little surprised but I suppose the good thing is at least it gets resolved... The worst outcome is continued uncertainty about what is going to happen," said Gary Cox, vice president of commodities and energy at global brokers Newedge.



© 2009 Independent News and Media. Permission granted for up to 5 copies. All rights reserved.

You may forward this article or get additional permissions by typing http://license.icopyright.net/3.7463?icx_id=environment/climate-change/australia-delays-carbon-trade-may-toughen-target-1678709.html?service=PrintICopyright into any web browser.

Independent News and Media Limited and The Independent logos are registered trademarks of Independent News and Media Limited . The iCopyright logo is a registered trademark of iCopyright, Inc.