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CHAMBER OF COMMERCE
AND INDUSTRY
WESTERN AUSTRALIA

CCI's Assessment of the Federal Government's Climate Change Policy

CCI Advocacy – July 2011

Making it easier to do business



Our assessment

CCI is opposed to the introduction of an economy-wide carbon price as it is contrary to the majority of its established core climate change principles.

After assessing the Federal Government's proposed carbon tax/pricing scheme against these core principles, CCI has several concerns about the scheme. They are:

- the international competitiveness of local firms may be compromised;
- the policy is not part of a global solution, with comparable action not being taken by our overseas competitors. There are also no strategies for the Federal Government to influence global action;
- the carbon tax will add to the cost of doing business and has the potential to discourage new investment;
- small businesses are ill-prepared for its introduction in less than a year; and
- the range of non market based programs will increase the size of government and distort decision making.

Carbon Tax Assessment

Core Principles		Assessment
Not diminish international competitiveness	?	CCI remains concerned that some industry sectors may be placed at an international competitive disadvantage. This could result in carbon leakage whereby investment and business activity moves offshore to avoid Australian carbon costs.
Part of a global solution	✘	None of Australia's trade competitors have an economy wide carbon tax or a price on carbon as recently reported by the Productivity Commission. There is no strategy for influencing other nations to take action on climate change
Market based	✓	The proposed carbon tax begins with a fixed carbon price until 30 June 2015, then transitioning to a market price for carbon.
Broad based	✘	Many sectors of the economy (fuel, agriculture) have been exempted. 500 companies will be required to directly pay for their emissions. It is not known who they are.
Revenue Neutral	✘	It is revenue negative, with the scheme to cost the budget \$4.3 billion over the forward estimates.
Effect change in behaviour	?	Based on the level of assistance for households, with the Government promising many will be financially better off, and the initial carbon price, it is unclear whether the proposed scheme will result in a change in behaviour.
Minimise Complexity	✘	Initial feedback from CCI members is that the proposed carbon tax is overly complex and will impose substantial compliance costs. Industry should be given more time to provide detailed feedback on the proposed legislation.
Be stable and predictable	✓	The three year fixed period, along with pricing floors and caps, provides industry with predictability and stability.
Provide adequate assistance and support to business	✘	Only 40 per cent of the total revenue is to help business transition. There is little in the way of education and training for business, particularly small and medium firms, which remain largely unprepared.
Single, consistent national approach	✘	There are no plans to remove existing inconsistent local, state and federal non complimentary climate change policies. In addition, the policy will increase bureaucracy and the size of government.
Adaptation must be part of the overall response	✘	There has been no consideration of infrastructure planning and construction, insurance and business continuity, agricultural effects, extreme weather events, health, human capital and social impacts.