



Centre for Energy and  
Environmental Markets

UNSW  
THE UNIVERSITY OF NEW SOUTH WALES  
SYDNEY • AUSTRALIA



# Climate Change and the Hunter – Impacts of CPRS

Dr. Regina Betz

*Newcastle, CEDA, 17th September © CEEM, 2009*



# Impacts and aim of emissions trading

- Internalisation of costs of pollution to society (taking away the subsidy of polluters)
- Economy-wide price of carbon which will be included in all future investment decisions and lead to a restructuring of the economy (shielding specific sectors will make it more costly to achieve the reductions)
- Emissions-intensive goods will become more expensive and will be substituted by less emissions-intensive goods (it is not only about new technologies, it is also about substitution!)

Emissions trading should lead to structural change of our economy!



# Structural change...

- into an economy based on renewables and improved energy efficiency
- Structural changes are not without costs and the transition phase can be painful (different by region)
- To achieve industrial revolutions we need strong signals
- If we do not change we will lose international competitiveness: Australia's economy today is very vulnerable to a global carbon price (e.g. Unsustainable Energy Index, UEI)
- Big changes are possible history has demonstrated: German unification, slavery
- Adjustment policies are necessary and money is needed to finance those policies see Garnaut report



# Financing transition

- Annual revenue from auctioning permits is estimated to be around \$11-12bn if ALL permits are auctioned
- Enough money to finance transitional measures such as training in new jobs, redundancy entitlements...
- Risk: Massive lobbying for more free allocation of trade exposed energy intensive industries and coal sector in Canberra is reducing the amount available to finance transition
- Compensation funds should be directed to workers and communities rather than to corporations
- Free allocation has additional negative impacts on efficiency and equity
  - Incentives to reduce output are reduced by allocating on the basis of output
  - Electricity industry will pass on the costs to electricity consumers (independent of allocation method) having higher impact on low income households



# Impacts on Hunter/Wyong Region

Empirical evidence is overwhelming that investments in clean energy-technologies far outpaced the job creating potential of the fossil-fuel sector (e.g. Berkley, European Parliament)

- Jobs in coal-electricity generation industry in Australia around 32,000
- In Hunter/Wyong region 3,600: 1,300 (direct), 2,300 (indirect)
- Shift to green jobs in renewable industry and energy efficiency 7,500 (direct) up to 14,300 (including indirect),
- **NET EFFECT: 3,900 to 10,700 jobs for this region**



# Proposed changes for the CPRS

1. More stringent target in line with science
2. No price cap to ensure the target is achieved
3. No free allocation, full auctioning and using revenue for transition, equity and reducing other distortionary taxes
4. No fuel-tax adjustments
5. Limit of use for international permits to ensure change is happening within Australia

We need brave politicians who do ignore the lobbying of the current industry and believe in structural change of our economy and jobs which will lead to prosperity in the future



Centre for Energy and  
Environmental Markets

**UNSW**  
THE UNIVERSITY OF NEW SOUTH WALES  
SYDNEY • AUSTRALIA

*Many of our publications are available at:*

[www.ceem.unsw.edu.au](http://www.ceem.unsw.edu.au)