



## **BUSINESS COUNCIL OF AUSTRALIA**

### **GREENHOUSE GAS EMISSIONS REDUCTION POLICY PRINCIPLES**

#### Preamble

A prosperous Australian economy will be essential to dealing with the risks associated with climate change and the consequences of action taken to reduce greenhouse gas emissions and transform a high emission global economy to a low emission global economy.

#### International context

An effective, sustainable response to climate change is ultimately about moving from our current high-emission global economy, of which Australia is part, to a low-emission global economy. This is a complex transition which will impact all nations and the communities and business of these nations.

The most effective system to reduce emissions is one primarily based on a market solution. Market structures provide the basis for the identification of least-cost solutions and build in the incentives to innovate.

Australia can and should adopt an approach where, through diplomatic and other channels it contributes to the development of a global market response.

#### National context

The necessity of a globally based solution does not mean Australia cannot make a significant contribution to such a solution, or demonstrate leadership by formulating responses that can be used as a template or guide for other countries to adopt.

Australia's emissions reduction trajectories should be premised on both Australia's contributions to global emissions and the possible impacts on Australia in the absence of global action.

Given the scale of the required economic transition, a multifaceted approach in Australia is essential.

While a market-based mechanism for emissions reduction should be the primary vehicle, other supporting policies, investments and initiatives will be required to ensure the research and development necessary to identify technology solutions – including low-emissions technologies, improve energy efficiency, and build Australia's adaptation capabilities.

Australia should implement strategies nationally which:

- use a market-based cap and trade approach which ensures the abatement is that which is lowest cost;
- are national in design and in doing so replace state based approaches and other policies and programs introduced in the absence of a carbon price;
- prevent adverse impacts on the competitiveness of Australia's emissions-intensive, trade-exposed industries in the absence of a global carbon price;
- ensure the risk of carbon leakage, that is, the export of greenhouse gas emissions and related employment is prevented;
- facilitate the long-term and smooth transition of the electricity sector to low-emissions technologies;
- increase investment certainty to enterprises and investors;
- provide the basis for linkage to international action;
- spread the costs of the transition to a low-emissions economy, particularly as Australia acts ahead of other nations;
- are revenue neutral ie any revenue raised should be used to provide assistance to individuals and firms adversely affected by the policy measures and not be diverted into general revenue; and
- build an informed and resilient community able to contribute to the ongoing reduction in emissions.