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## Dividing the pie

Using permit revenue for  
climate change solutions

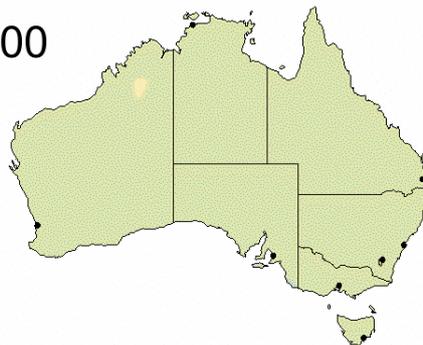
Owen Pascoe

CEEM Public Forum Sept 08



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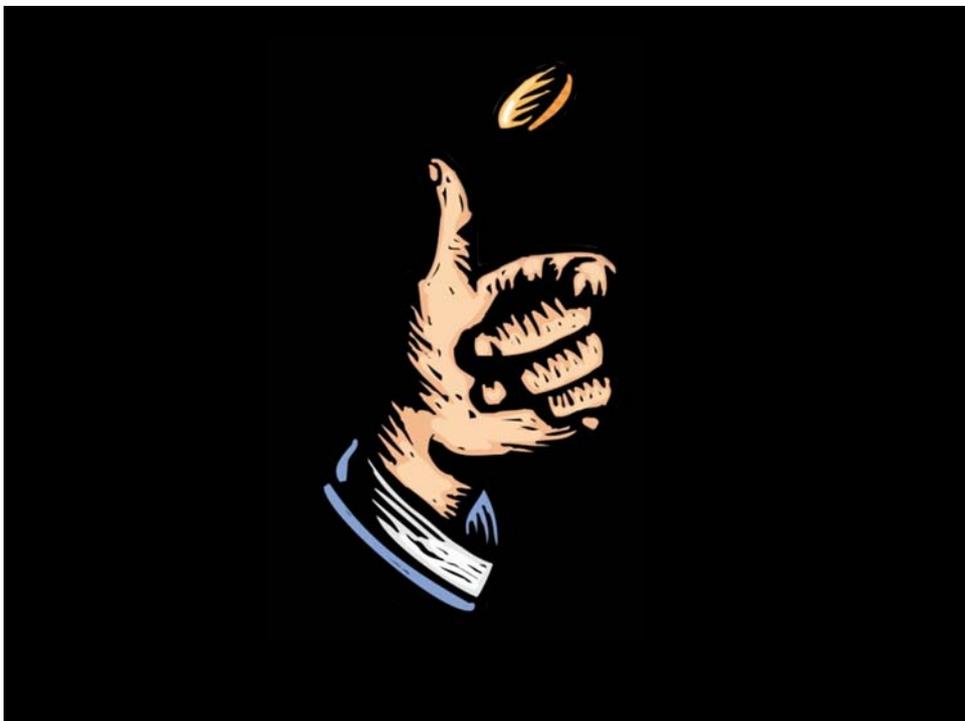
Temperature Change (°C)

CSIRO Mark 3.5 climate model  
IPCC SRES A1B emission scenario  
Change relative to 1980-1999 average



## Science and risk

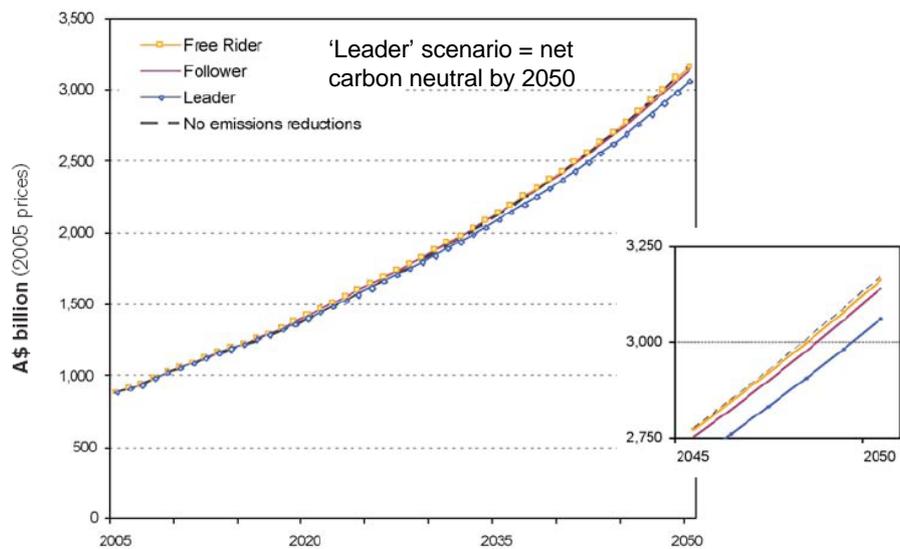
- Garnaut: Targets and Trajectories – Friday
- ACF aim: Keep warming as far below 2 degrees
- Strongest scenario modelled is 450ppm
- 52% chance to avoid 2 degrees

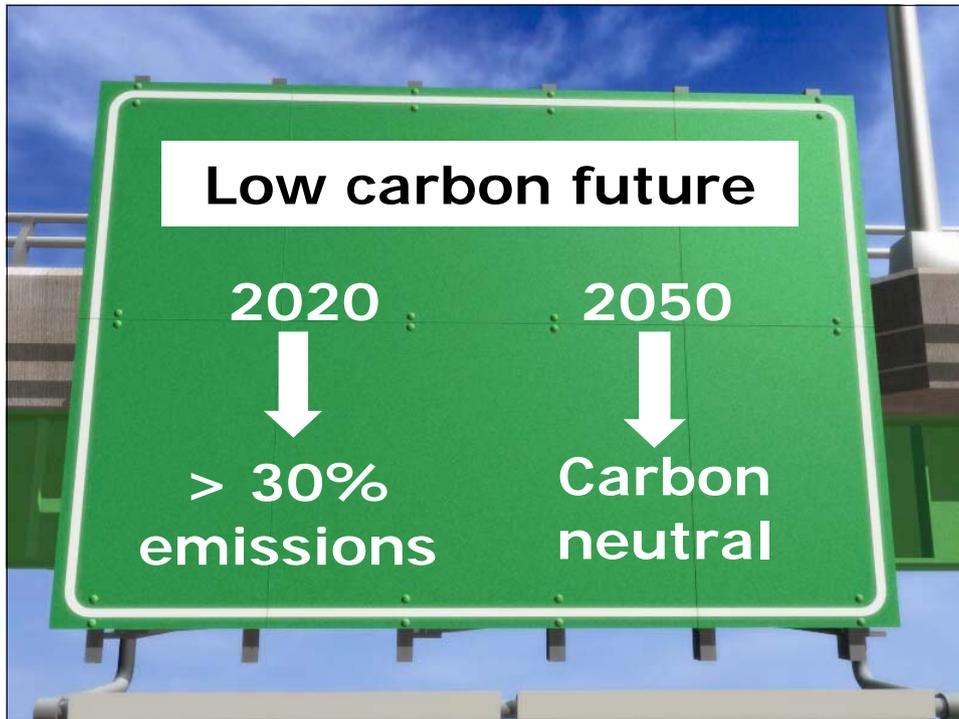


With just 2°C warming, 97% of Great Barrier Reef bleached



Net cost of response across economy will be small

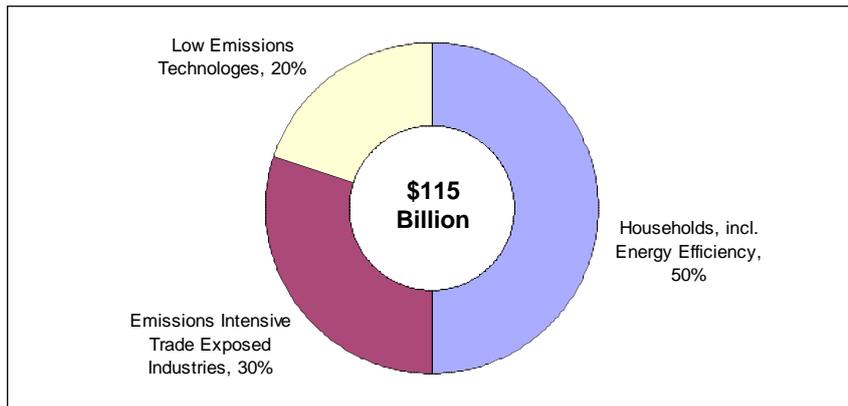




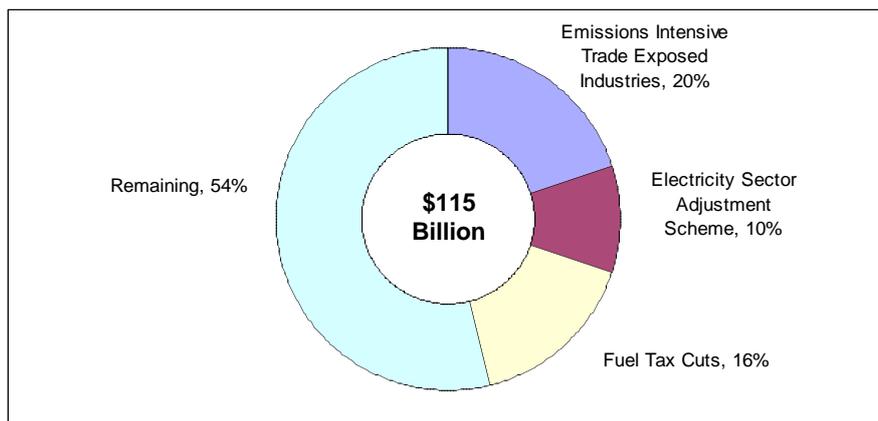
## The size of the pie

- Will depend on:
  - 2020 Target
  - Cost of reducing emissions in Australia
  - Therefore, price of permits at auction
- TCI modelling:
  - \$115 billion over 2010 to 2020
- Allocation of free permits must be viewed

## Garnaut Review



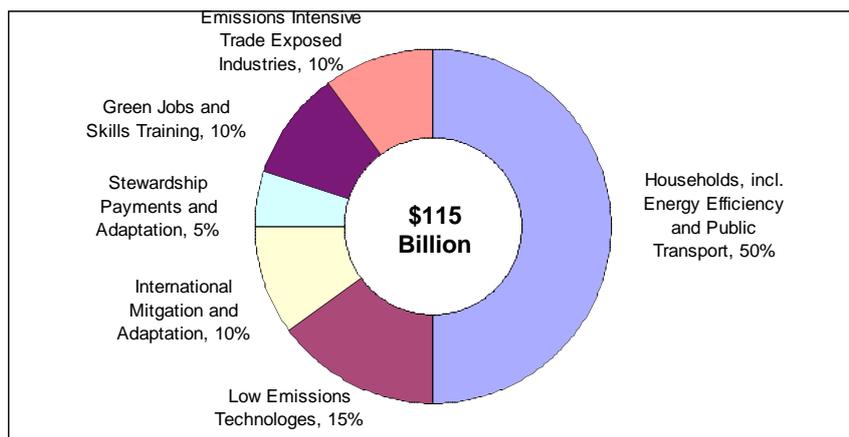
## Green Paper



## EU ETS Phase III

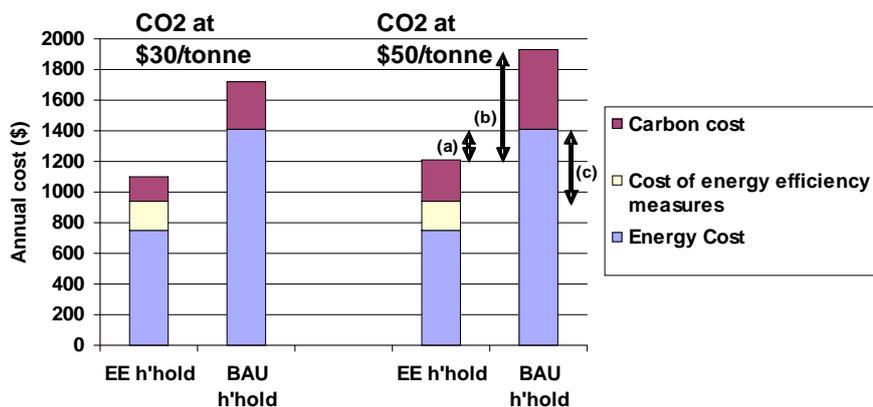
- In the EU:
  - Reduce emissions
  - Adaptation
  - R&D
  - Renewable Energy
  - CCS
  - Address social impacts
- Internationally:
  - Global Energy Efficiency Fund
  - Renewable Energy Fund
  - Avoid deforestation
  - Adaptation

## An alternative



- **Households, including energy efficiency and public transport**
  - 50 per cent
  - \$57.5 billion
- Fund mitigation that cannot be achieved by a carbon price alone.
- Create a smooth, equitable transition to a low carbon future.
- Redirect fuel tax offset to sustainable transport and targeted assistance

## Energy smart households will be better off



- **Low emissions technology**
  - 15 per cent
  - \$17.25 billion
- Support research, development and commercialisation

- **International mitigation and adaptation**
  - 10 per cent
  - \$11.5 billion
- Fund adaptation adequately and appropriately
- Fund Technology transfer
- Reduce emissions from deforestation in developing countries (REDD)
- Will not cover our full obligation
- Oxfam: Adaptation alone >\$1.5 billion annually



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- **Stewardship payments and climate change adaptation**
  - 5 per cent
  - \$5.75 billion
- Fund mitigation in sectors not covered by the scheme
- Fund ecosystem resilience to climate change
- Preferable to tradeable forestry credits
- Stopping native forest logging could reduce Australia's emissions by 24%



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- **Green jobs and skills training**
  - 10 per cent
  - \$11.5 billion
- Human resources are our greatest asset
- Create a smooth, equitable transition to a low carbon future
- By the end of 2010, at least 40,000 training opportunities for green skills

- **Emissions Intensive Trade Exposed Industries**
  - 10 per cent
  - \$11.5 billion
- Reduce allocation – opportunity cost is too high
- Funding must be linked to movement towards a low carbon future
- Industries with > 4% cost impacts account for around:
  - 2% of national production
  - 2% of employment
- Must examine what is best for the nation

**“The most **inappropriate response** would be to delude ourselves, taking small actions that create an appearance of action, but which **do not solve the problem.**”**

Professor Ross Garnaut, Draft Report  
July 4, 2008