

Australia sets carbon price to fight climate change

July 10 2011, by Madeleine Coorey



File photo shows a coal-fired power station in the Hunter Valley, near Sydney. Australia has said carbon pollution would be taxed at Aus\$23 (US\$24.74) per tonne to help battle climate change, in one of the nation's biggest economic reforms in years.

Australia Sunday announced plans to tax carbon pollution at Aus\$23 (US\$24.74) per tonne to help battle climate change, as it moves towards an emissions trading scheme similar to that of Europe.

Prime Minister Julia Gillard said there would be a fixed price on [carbon pollution](#), blamed for global warming, from next year before a full [emissions trading scheme](#) was introduced in 2015.

"As a nation, we need to put a price on [carbon](#) and create a clean energy future," she told a news conference in Canberra.

Under the scheme to begin on July 1, 2012, about 500 of Australia's top polluters will pay a fixed price, starting at Aus\$23 per tonne, for their [carbon dioxide emissions](#) for the first three years.

The mechanism would then shift into an [emissions trading](#) scheme, with a floating price set by the market. The government will set a floor price and an upper limit for at least the first three years to avoid price shocks.

Tony Wood, of the independent economics-focused think-tank the Grattan Institute at Melbourne University, said Australia's plans were an "emissions trading scheme (ETS) on training wheels".

"I think it is fundamentally an ETS and it's therefore very similar to the European scheme, the New Zealand scheme," he said, adding that if it was introduced, Australia's scheme would be the biggest outside Europe.

"This would be the only other really significant one," he said.

Gillard, whose leadership is hovering at record lows in opinion polls, said the reform would create [economic incentives](#) for the biggest polluters to reduce their emissions of [greenhouse gases](#).

At the same time, the government will establish a \$10 billion Clean Energy Finance Corporation to fund innovative projects in renewable energy.

Much of the revenue raised from the [tax](#) in the first three years will provide for higher family payments, pension boosts and income tax cuts to offset the increased cost of living as businesses factor the carbon price into the cost of their goods and services.

The package includes some \$9.2 billion over three years for trade-exposed industries such as aluminium, zinc and steel manufacturing.



The odds for the price on carbon tax is displayed on the board of a betting agency in Melbourne, on July 8. Major mining companies such as BHP Billiton, Rio Tinto and Xstrata are expected to be hit by the Australian government's carbon tax, liable for a combined Aus\$380 million under a conservative price of Aus\$20 a tonne, according to modelling by the Australian Financial Review.

The issue of a carbon tax has been hotly debated in Australia, among the world's worst per capita polluters due to its reliance on coal-fired power and mining exports.

But Gillard said there had been an "avalanche" of science on global warming, and the tax would reduce Australia's carbon emissions by about 160 million tonnes by 2020 -- the equivalent of taking 45 million cars off the road.

"This has been a difficult debate that has brought us to this moment," she said. "But we are here now and now is the time to get this done."

The prime minister has the numbers in parliament to pass the legislation but her popularity has been sinking in opinion polls since she announced plans for the tax earlier this year.

The conservative opposition has led the attack, saying the tax, which does not include agriculture, will hurt industry and send jobs offshore as well as increase the cost of living.

[Climate Change](#) Minister Greg Combet said the coal industry, would be helped to reduce pollution and maintain jobs.

Professor of taxation law at the Law School at the University of Sydney Michael Dirkis said the reform was the biggest for Australia since the introduction of the Goods and Services Tax more than a decade ago.

"The potential impact across all the whole of the Australian business... and the community at large is potentially quite large," he said.

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