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Garnaut stance threatens climate talks

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GLOBAL climate change negotiations will collapse in the same way the Doha trade talks failed last week if Ross Garnaut's view that there is no way forward without China and India is adopted, European emissions trading expert Liz Bossley has warned.

After reviewing the Australian Government's green paper and the Garnaut draft review, the London-based author of *Climate Change and Emissions Trading: What Every Business Needs to Know*, said Australia had avoided many of the pitfalls of the European Union experience in developing its emissions trading scheme, but had "managed to create a whole bunch of other traps all of your own".

A pivotal challenge for Australia would be the double bind of wanting to reduce global emissions from within an economy that has so much of its fortune tied to the high-emission coal-hungry growth of China, she said.

"In the long term, Australia's big problem is emissions-intensive trade-exposed industries," Ms Bossley said in an interview with *The Australian*.

"The fact that so much of the Australian economy is based on coal is a challenge and so much of your business is done with developing countries -- particularly China and India and Indonesia -- which are targets for being reined back by Kyoto.

"It's really not in Australia's interests for Chinese growth to be inhibited because you do so much of your business with them, but on the other hand you've got to compete on an international platform so there's a bit of ambivalence there about how best to treat China."

Ms Bossley, who has worked in energy markets for 30 years, is chief executive of a global energy markets consultancy, the Energy Advisory Group. She advised European businesses ahead of the introduction of the EU scheme.

She has been introduced as a consultant to the emissions trading scheme practice of Australian law firm Piper Alderman and is in Australia advising business on preparing for emissions trading.

Australian businesses are currently crafting responses to the federal Government's July green paper on a proposed emissions trading scheme, which is slated to start in the middle of 2010. Submissions are due by September 10, ahead of the release of a white paper later this year that will provide medium-term emissions targets, drawing on the Treasury modelling and the work of Ross Garnaut's *Climate Change Review*, which was released 10 days ahead of the green paper. Ms Bossley said her "big problem" with the Garnaut report was its recommendation on the international stance.

"Ross Garnaut seems to have bought into the idea that there is no way forward with Kyoto unless China and India, in particular, accept targets," she said.

"That's buying into that lack of realism that's holding the discussions back. We've just seen the World Trade talks collapse. We will see the Kyoto talks collapse unless we start thinking out of the box, because to bring the US in, to bring China in, to bring India in, and try to get them all capped is

just not going to happen. The longer we think that it might happen the more time we're going to waste in trying to find alternative solutions."

The Opposition and other commentators last week said the collapse of the Doha trade talks illuminated the difficulties of moving ahead with Kyoto talks.

Trade Minister Simon Crean yesterday conceded that the stalled Doha round indicated it would be "very difficult, but not impossible" to progress a global climate change agreement at the 2009 Copenhagen meeting.

Ms Bossley said that the indicative carbon price of \$20 a tonne -- the so-called "soft start" to the scheme -- would not create incentives for new clean technology. "The low-carbon technology that we really need to get going will not be incentivised at \$20 a tonne," she said.

"The whole point of doing this is to cut back on carbon emissions and if you have a choice of either buying allowances or abating your carbon, at \$20 a tonne there are not a lot of abatement options that will work."

Ms Bossley said the mid-2010 start date for the scheme was tight but achievable, but warned that establishing an auction system for Australian emissions units (AEUs) -- which under the green paper will be in place from day one -- could prove difficult.

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