

6 THE NATION

Power bills to double to pay carbon costs

Matthew Warren
Environment writer

MAJOR Australian greenhouse gas emitters believe that emissions-trading costs of about \$65 a tonne of carbon are inevitable, forcing household electricity bills to rise by almost 100 per cent.

The new director of the Australian Industry Greenhouse Network, Mike Hitchens, told *The Australian* business should look to evolving carbon markets in Europe to estimate the future cost of emissions trading.

"We all need to understand that linking to other emissions-trading schemes outside of Australia is inevitable, whether done formally or informally," Mr Hitchens said.

"That means that it's the world price of permits we need to incorporate into analysis about the impacts on the Australian economy, not simply the implications of setting our own targets.

"The price of emissions in Australia will very likely be set in Europe. Australia is a price taker for commodities in all other global markets, and we will be a price taker in this global market as well."

The European Commission has estimated a future price of

about \$65 per tonne of carbon, with European banks predicting a price of between \$60 and \$80.

The National Generators Forum said a price of more than \$40 per tonne would eliminate the need for the Government's 20 per cent Mandatory Renewable Energy Target (MRET), while a price at \$80 per tonne would effectively double the price of retail electricity in Australia.

Ross Garnaut, who is heading an independent review of emissions-trading schemes for the Rudd Government, declined to comment yesterday, although he will be addressing the issue of international integration of emissions-trading schemes later this month at a climate change conference in Adelaide.

Treasury has enlisted the assistance of Australian Bureau of Agricultural and Resource Economics and Reserve Bank economist Warwick McKibbin in modelling the economic impacts of different carbon prices to guide price-setting when the design of a domestic scheme is finalised later this year.

Professor McKibbin said he could not speculate on the potential price of emissions in Australia, but said the risk of being forced to adopt higher world prices for carbon would be ad-

dressed if the Government implemented his hybrid trading model.

He said his model framed a national emissions-trading scheme more like a currency than a commodity, allowing countries to set and manage their own price for emissions just as currencies trade at different values rather than creating a single world price.

"We argue you don't want to trade your permits internationally except in specific circumstances, for the same reason you want to have independent monetary policies," Professor McKibbin said.

"It just seems to me better to have a series of national systems that are co-ordinated. You can always map it on to a global trading system by having the same price if you want to."

Earlier this week, Professor Garnaut suggested the Government consider setting a budget for total greenhouse emissions until 2050 and then let the market determine the rate at which it wanted to make cuts.

A working group to discuss how the NSW Government's Greenhouse Gas Abatement Scheme would be incorporated into a national regime will meet for the first time in Sydney today.

Opinion — Page 12