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News release

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Kyoto Repudiation to Cost Australia up to \$2 billion on China LNG Deal

The Federal Government's refusal to ratify the Kyoto Protocol may mean Australia will miss out on emission credits worth up to \$2 billion from the recently signed China LNG contract, according to the Australia Institute.

Under the Clean Development Mechanism of the Kyoto Protocol, businesses from industrialised countries can generate emission credits from investments that reduce greenhouse gas emissions in developing countries. These emission credits will be tradable on the international market once the Kyoto Protocol enters into force.

According to Environment Minister David Kemp the 25-year contract to supply LNG from the Northwest Shelf will reduce China's greenhouse gas emissions by 7 million tonnes of carbon dioxide annually.

ABARE has estimated that the international price for an emission credit will be A\$50 per tonne of carbon dioxide. At this price, the emission credits generated by the China LNG deal would be worth \$350 million a year, or an undiscounted total of \$9 billion.

However, ABARE is well known for exaggerating the costs of emission reductions and a more likely price for emission credits is in the region of A\$10 a tonne. At this price, emission credits from the China LNG contract would be worth closer to \$2 billion over the life of the project.

European Union officials have recently confirmed that emission credits generated by Australian companies will not be saleable in countries that have ratified. Japan and the EU have now ratified the Protocol and it is expected to enter into force in the next few months.

Press reports indicate that in response to the Government's repudiation of the Kyoto Protocol several Australian firms are making plans to move offshore. On August 22, Envirostar Energy Ltd notified the Australian Stock Exchange that it would move offshore in order to be able to realize CDM emission credits from its investments in China. After receiving advice that Australian non-ratification makes its emission credits unsaleable, Envirostar is now seeking compensation from the Federal Government.

"While the Government has frequently talked up the costs to Australian business of ratification of the Kyoto Protocol, the real issue now is the costs to Australian business of the Government's refusal to ratify," said Institute Executive Director Dr Clive Hamilton.