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Media release

For comment, please contact

Frank Muller (02) 9365 5523 or 0409 314 813

Hugh Saddler (02) 6260 6444 or 0407 624 304

Tax Break to End Kyoto Impasse

A radical new proposal to pay rebates to export industries adversely affected by greenhouse gas emission taxes is proposed in a new paper from the Australia Institute.

The rebate would offset any increased production costs in energy intensive export industries such as aluminium arising from a carbon tax or emissions trading system according to Institute Executive Director Dr Clive Hamilton.

Drawing on an innovative numerical analysis, the paper concludes that only a handful of industries would be affected.

Releasing the paper today, Dr Hamilton said border adjustments of the kind proposed would preserve the international competitiveness of energy-intensive exporters whilst maintaining the carbon price signal with the domestic economy.

“This removes the main argument used by its opponents against ratifying the Kyoto Protocol”, Dr Hamilton said.

“Supporters of the Australian Government’s anti-Kyoto stance have seriously exaggerated the damage that could be done to our international competitiveness by ratifying the Protocol. The impact on competitiveness is much smaller than is often claimed.

“However, some energy-intensive export industries would face increased costs. The border adjustments proposed in this paper would offset any impact on competitiveness.”

The report notes that border tax adjustments are a common feature of tax systems, including Australia’s goods and services tax.

“Assessed against a range of criteria - including effectiveness in offsetting competitiveness effects, maintaining environmental integrity, minimising economic costs, and administrative simplicity - border adjustment is the most promising policy option for breaking the impasse over ratification of Kyoto,” Dr Hamilton said.

The new Institute paper - *Competitiveness and Carbon Pricing: Border adjustments for greenhouse policies* - is written by Dr Hugh Saddler and Clara Cuevas of Energy Strategies Pty Ltd and Frank Muller, Adjunct Professor, Institute of Environmental Studies at the University of NSW.

To obtain a copy of the paper please contact Frank Muller on 0409 314 813 or Clive Hamilton on 0413 993 223.