

Industry in Disarray Over Greenhouse Policy

The promise of big profits from greenhouse gas emissions trading is luring farmers into farm forestry before the international rules governing trading and 'carbon sinks' have been determined.

At the same time, the rights to carbon stored in Australia's public forests are being sold off cheaply to Japanese interests before Australian firms have grasped the implications of last November's Kyoto climate change agreement.

These observations were made by Dr Clive Hamilton, Executive Director of The Australia Institute and greenhouse policy expert, on the release of two new Australia Institute reports. The reports – entitled *The Kyoto Protocol: Implications for Australia and the world* (Background Paper No. 15) and *The Evolution of the Global Market for Greenhouse Gas Emission Allowances* (Background Paper No. 16) – provide the first detailed analysis of the implications of the Kyoto Protocol for Australian industry.

The Kyoto Protocol imposes restrictions on 'forest sinks' and many details are still to be resolved at the next climate change conference in Buenos Aires in November. To be eligible to generate emissions credits, plantations will be required to satisfy strict rules set down and enforced by an international body. It is unlikely that farm woodlots will qualify yet farmers are being urged to invest now.

Australia's biggest industry groups are privately expressing concern to the Federal Government that cheap opportunities to reduce emissions are being sold off to overseas interests. This follows a delegation by State Forests of NSW to Japan to sell the carbon storage rights to NSW publicly owned plantations.

"Policy development in this vital area has stalled since Kyoto, yet rapid changes globally are redefining the commercial environment for Australian industry", said Dr Hamilton.

The new papers show that the 'Australian deal' at Kyoto will mean that Australia's fossil emissions will be able to increase by at least 25% by 2012, much more than the 8% nominally agreed. Commenting Dr Hamilton said: "While the rest of the industrialised world will be shifting away from fossil fuels, Australia will become more dependent on them. The Kyoto agreement may be a poisoned chalice for Australia."

A senior Federal official recently conceded that it would be difficult for Australia to sell its surplus emission credits internationally because other nations would realise that they had been "dudged" by Australia at Kyoto, and may decide to exact retribution.

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