

News release

August 30th, 1999

Contact Clive Hamilton (02) 6249 6221 or 0413 993 223

Stuart Gardiner (02) 9959 3509

Greenhouse Gas Revision To Deliver Massive Financial Bonus For Australia, says Institute

A last-minute concession won by Australian negotiators at the Kyoto Climate Change conference in December 1997 will mean an unexpected wealth transfer to Australia of \$3 billion, according to estimates released today by the policy research centre, The Australia Institute.

However, the size of the windfall is expected to anger other parties to the Kyoto Protocol already annoyed at the bargain Australia extracted after pleading special circumstances.

As a result, Australia is expected to come under greater scrutiny at world forums such as the WTO. "Australia is already paying the price of its 'victory' at Kyoto," said the Executive Director of The Australia Institute, Dr Clive Hamilton.

Under the Kyoto Protocol, Australia is committed to restricting total greenhouse emissions in the period 2008-2012 to an average of 8 per cent above 1990 levels.

However, Article 3.7 (the so-called 'Australia clause') permits countries for which land-use change and forestry are a net source of greenhouse gas emissions to include emissions from these land-use changes in their 1990 base year calculations. The effect has been to increase Australia's baseline substantially because of the high levels of land clearing in 1990.

Due to the decline in land clearing, this clause permits Australia to increase carbon dioxide emissions from fossil fuel sources by 160-240 million tonnes over the commitment period 2008-2012. At an expected international price of \$15 per tonne, this additional volume represents a wealth transfer from the rest of the world of around \$3 billion.

Now a second bonus is about to be delivered.

This month the Australian Government is expected to release an updated inventory of greenhouse gas emissions.

According to information obtained by The Australia Institute, the new inventory revises upward by 14 per cent the estimated emissions from land-use change for 1990.

Together with the original concession, Australia will now be permitted to emit an additional 230-340 million tonnes of greenhouse gases over the period 2008-2012, amounting in value (at \$15 per tonne) to around \$4.2 billion, a figure which exceeds the revenue from a reduction in company tax from 36 per to 30 per cent.

Dr Hamilton said Australia can capitalise on its special treatment at Kyoto to an even greater extent by further reducing the rate of land clearing.

He added, however: "There is a danger that these figures will breed a sense of complacency, which would be unfortunate.

"Having received such exceptionally beneficial terms, the international community will be carefully scrutinising our commitment not only to the Kyoto Protocol, but to all our international treaty obligations."

Dr Hamilton noted, however, that Australia is unlikely to cash in on its bonus by selling surplus carbon credits overseas.

"I believe it would cause too much ill-will in the international community and inflame other parties to the Protocol, who are already chafing over the special deal that Australia won," he said.

ENDS

NOTE: Dr Hamilton will present the latest paper by The Australia Institute, *Emissions Trading and Business Tax Reform*, at the Emissions Trading Forum at the Marriott Hotel in Sydney on Monday, August 30. The paper calls for the immediate introduction of a domestic carbon emissions trading system as part of the current business tax review.