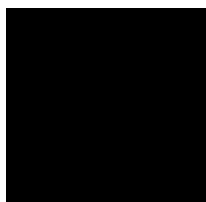


Greenhouse and competitiveness



A scoping paper prepared with the assistance of

1 Introduction

The intensifying concern over global greenhouse gas emissions has raised difficult issues for Australia. The policy issues raised involve considerable difficulties for Australia for two reasons.

- It is a relatively energy intensive economy which is a major exporter of fossil fuels such as

The other side of this coin is of course that firms with a high marginal cost of abatement will become substantially less competitive. There are two issues here. With comprehensive coverage of countries within an international regime, the structural adjustment which would take place within Australia would be the **most efficient**

- Favourable treatment could be made conditional on carbon abatement and/or CDM/JI undertakings of favoured sectors.

Disadvantages:

- The measure fundamentally seeks to avoid the structural adjustment which is implied in a world of carbon scarcity. It is like giving special 'adjustment' quotas to rice growers when

Advantages:

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2.2 International Policy Measures

There is a good chance that the Kyoto Protocol will not come into force. The most immediate cause of this is the American administration's recent indication that it did not intend to ratify the

Disadvantages:

- The public are less impressed by a commitment to something as abstract as a given

- Given this, JI is the instrument to address the production/consumption dilemma concerning

- Globally;²
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- Could generate better value for government environmental expenditure, with greater

- May assist in marketing Australia and Australian products as 'clean and green'.
- May be substantial 'marketing externalities' in establishing a brand signifying 'no-net greenhouse impact' of the same kind that justify the Export Market Development Grants. First movers will incur substantial marketing costs which are then captured by followers.
- Maintains Australian control of offset activity and maximises value added