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Media Release

Business betrayed by Government's anti-Kyoto alliance

Australian investors have been left holding worthless greenhouse gas credits after the Government signaled its intention to join the USA in refusing to ratify the Kyoto Protocol, according to Australia Institute Executive Director Dr Clive Hamilton.

The Howard Government has helped fund Australian companies to invest in clean energy and emission reduction projects in developing countries through its International Greenhouse Partnerships Program, but that program is now being closed down leaving investors high and dry.

These investments, supported financially by the Government, were expected to generate internationally tradable emission credits under the Clean Development Mechanism of the Kyoto Protocol.

European Union officials have recently confirmed that emission credits generated by Australian companies will not be saleable in countries that have ratified, including Europe and Japan. Earlier this month, the European Union passed a resolution binding member states to ratification of the Protocol before the end of May.

“These businesses invested in good faith but have now been shafted by the Government”, said Dr Hamilton.

“Dr Kemp’s partnership with the USA is meaningless and certainly will not provide an alternative market for emission credits. Companies that do not have emission caps have no need for emission permits.

The Federal Government’s IGP Program set out to spend \$6 million over three years helping Australian companies invest in clean energy and emission reduction projects in developing countries. The companies include AGL, FCT Combustion Pty Ltd, Advanced Energy Systems Ltd, Landfill Management Services (owned by Simsmetal) and Fuel Technology Pty Ltd.

In the case of AGL, the company expects to reduce greenhouse gas emissions in Chile by 1.3 million tonnes each year, a figure endorsed by the IGP Office. ABARE expects emission credits to sell for \$54 per tonne. If that is an accurate estimate, AGL has been deprived of \$70 million a year by the Government’s decision not to join Europe and Japan in ratifying the Kyoto Protocol.

However, Dr Hamilton said ABARE is notorious for exaggerating the costs of Kyoto compliance and a more realistic estimate would be a loss to AGL of \$10-15 million a year.

Some businesses are considering legal action against the Commonwealth for breach of contract. Others are now making plans to move off-shore so that they are domiciled in countries that are eligible to benefit from the Kyoto trading mechanisms.

“Many Australian firms have worked hard to position themselves to benefit from the emerging world market for emission credits, at the same time taking Australian technology and expertise to the developing world”, said Dr Hamilton.

“The hostile policy messages emanating from Canberra make it difficult for Australian firms to be taken seriously. International financial institutions place them at the end of the queue. According to one businessman, Australia’s greenhouse policy is ‘a joke’ and this makes it more difficult to operate in Asia. Another with large investments in Asia describes Australia’s official position as ‘an embarrassment’.

“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 failure to ratify,” said Dr Hamilton.

“Perhaps the Federal Government should fund compensation for the companies whose investments have been devalued by placing a levy on the coal and aluminium companies that have lobbied so hard against ratification”, he said.

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