

Question on Notice
No. 1629
Asked on Thursday, 30 October 2008

QUESTION:

MR FENLON asked the Minister for Sustainability, Climate Change and Innovation (Mr McNamara) –

What impact, if any, will any economic downturn resulting from the global financial crisis have upon the achievement of carbon reduction targets?

ANSWER:

I thank the member for Greenslopes for his question.

Recent events in the global economy are concerning. The Queensland government acknowledges the seriousness of the global financial crisis and the impacts it may have on our economy and on our industries and communities.

Mounting evidence about the social, economic and environmental impacts of climate change suggests that, despite recent events, the risks of delaying action on climate change remain greater than the risks of taking action.

As Professor Garnaut and the Federal Minister for Climate Change and Water have argued, the global financial crisis should not stand in the way of global action on climate change. This is because we know that the longer we delay, the higher the costs.

The modelling released by the Commonwealth Treasury last month confirms that delaying acting on climate change would simply delay the inevitable and increase the cost of mitigation action. In contrast, early action allows Australia to make a planned and gradual adjustment to a low-carbon economy, and avoids sharper shocks later. Acting early also enables Australia to take advantage of the opportunities that will come from making the transition to a low-carbon economy.

The Commonwealth Treasury modelling indicates that economic prosperity in Australia will continue to grow as Australia takes action to reduce its emissions. According to the modelling, Australia's Gross National Product (GNP) would continue to grow under a range of mitigation scenarios, although with an average annual growth of 1.1 percent per capita until 2050 compared to 1.2 percent with no action. The modelling also supports early adoption of emissions trading, ahead of global action, on the basis that the economy could face 15 percent higher costs by 2050 under a delayed start. Assistance to emissions-intensive trade-exposed industries in the early years of an emissions trading scheme will ease the transition to a low-pollution future.

The approach used in the Commonwealth Treasury modelling focuses on medium to long-term trends in the economy rather than shorter-term fluctuations such as business cycles and economic shocks. It models the costs of climate change

action but not the economic costs of climate change itself and the benefits of mitigation action.

The economic costs of climate change were assessed by the Garnaut Climate Change Review. The Review's Final Report warned that the costs of unmitigated climate change could involve a 9 percent fall in GNP and around a 12 percent reduction in Australian wages by 2100. This takes into account both the so-called "Type 1" costs which were more easily modelled, and "Type 2" costs which the Review estimated. These costs could be expected to be higher in Queensland given its higher emissions-intensity and higher vulnerability to climate change impacts. Professor Garnaut indicated in his Draft Report that Queensland is the State most impacted by climate change with an economic impact forecast to be almost twice that of Australia.

Yet consistent with Commonwealth Treasury modelling, the Garnaut modelling asserts that the cost to Australia of implementing carbon mitigation strategies that aim to stabilise atmospheric concentrations of greenhouse gases at 550 parts per million would typically shave only about 0.1 percent per year from GNP growth until 2050. The Review estimates the costs of action to be between one and two percent of total GNP until 2100.

Importantly, the Garnaut Review finds that from around 2050 mitigation action provides a net benefit to GNP growth compared with no action. This is because taking mitigation action allows Australia and the world to avoid some of the expected impacts of dangerous climate change.

In the face of significant impacts from unmitigated climate change, the Queensland government will play its part in helping mitigate dangerous climate change. This is why it supports the Australian Government's commitment to a 60 percent reduction in 2000 emission levels by 2050 and the introduction of a Carbon Pollution Reduction Scheme (CPRS) by 2010.

The CPRS will provide the central policy mechanism for reducing Australia's emissions. But the Queensland government also recognises that an emissions trading scheme will need to be complemented by a range of measures to tackle market failures that are not adequately addressed by the carbon price established under the scheme, and that help our industries and communities adjust.

The Government's *ClimateSmart 2050* strategy is currently being reviewed in light of the CPRS and other national and international science and policy developments. It will build upon the range of existing Queensland government commitments that support industry, community and households reduce their emissions and adjust to a carbon-constrained future.

Changed global economic conditions and their impacts on businesses and households will be an ongoing part of the Queensland government's considerations in determining how it contributes to achieving emissions reductions targets. However, the Queensland government remains committed to early action. The global financial crisis will influence our decisions but the evidence shows that it is in the interests of long-term economic prosperity that we act sooner rather than later.