

MEDIA RELEASE

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“Government’s Carbon Permit Handout a \$20 Billion Waste”

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“The assistance package under the Government’s proposed carbon trading legislation for emissions intensive industries is a \$20 billion waste of taxpayers’ money”, the CEO of Grattan Institute Professor John Daley said today on the release of Grattan Institute’s report, [Restructuring the Australian Economy to Emit less Carbon](#), which analyses the impact of a carbon price on Australian industry and households.

“The proposed free permits scheme should be recast. Rather than being “free” the industry assistance will be very expensive. Its “one size fits all” approach is counter-productive. Fears about large-scale job losses or cost increases are not supported by the evidence and have led to irrational and costly policy,” he added.

The Report is a detailed independent analysis of Australian industry data on industry economics, carbon emissions and international comparisons. The Report concludes that many free permits are unnecessary. It shows that several industries receiving free permits are low cost producers relative to international competitors and will remain so with a carbon pricing scheme.

John Daley commented that, “many of the proposed free permits would delay structural reform that will ultimately improve Australian living standards. Where businesses are unsustainable, government support should be directed to assisting individuals and communities to adjust, not propping up profits.”

“In the few industries where some assistance is justified – particularly steel and cement – assistance could be delivered better, at lower cost to taxpayers, through border tax adjustments,” he added.

The Report shows that adapting to carbon pricing is much less difficult than the economic shifts to adjust to tariff reductions, competition policy reforms and the introduction of the GST. It concludes that a carbon tax or trading scheme will affect costs of living for Australian households, but these changes are relatively small compared with household budgets and other cost increases households have managed in the past. Government can readily offset these changes through reductions in other taxes or cash transfers.

John Daley concluded that, “Concerns that a carbon price will devastate industry and households are misplaced and exaggerated. They are no basis for delaying adapting the Australian economy to its carbon constrained future.”

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