Power bills to double to pay carbon costs

Matthew Warren
Environment writer

MAJOR Australian greenhouse gas emitters believe that emissions-trading costs of about $65 a tonne of carbon are inevitable, forcing household electricity bills to rise by almost 100 per cent.

The new director of the Australian Industry Greenhouse

about $65 per tonne of carbon, with European banks predicting a price of between $60 and $80

The National Gen Forum said a price of $40 per tonne wo the need for the 20 per cent M able Energ while a would

THE AGE
THURSDAY, JULY 3, 2008

Rudd locks in green power plan

Climate strategy to hit electricity bills

By CHRIS HAMMER
CANBERRA

THE Rudd Government has set Australia on course for a new era of greener but more expensive electricity, pressing ahead with a plan to make 20% of the nation's power come from renewable sources within just over a decade.

Honouring an election pledge, Climate Change Minister Penny Wong has released a blueprint for mandatory renewable energy targets that will be discussed at today's COAG meeting between Prime Minister Kevin Rudd and state and territory leaders.

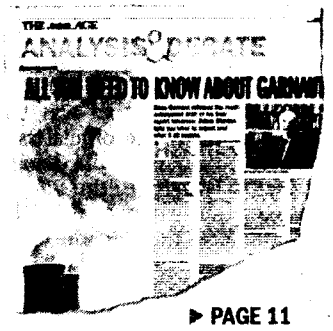
The move comes on the eve of Professor Ross Garnaut releasing his draft report on climate change, which will also set a course for higher energy prices through emissions trading.

Under Labor's renewable electricity proposal, existing state and territory plans would be overtaken by a single scheme to source 20% of Australia's power from renewable sources by 2020.

Reaching the target could add about $50 a year to average household power bills, on top of additional costs that will come from the emissions trading scheme to be introduced in 2010.

The electricity plan defies the views of the Productivity Commission, which says a renewables target would be unnecessary once an effective emissions trading scheme is in place.

Finance Minister Lindsay Tanner yesterday reaffirmed a pledge to compensate low-income earners hit by higher



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energy prices. But the Government is under pressure over the prospect of even higher petrol prices resulting from efforts to tackle global warming.

The Business Council of Australia will today back including petrol in emissions trading. "Raising the price of energy and those goods and services that use a lot of it is what has to be done if we are going to achieve a lasting reduction in emissions," president Greig Gailey will say.

But he will also express concern about the impact of emissions trading on companies with overseas competitors not subject to trading, warning that many firms will close or move offshore unless they get concessions.

In another warning of the political challenges ahead, prominent climate change economist Warwick McKibben told the ABC yesterday that cutting emissions to 1990 levels could cost Australia 7% of GDP, or $80 billion a year.

Under the Rudd electricity plan, renewable sources would include solar, wind, hydro and geothermal.

Liberal Environment spokesman Greg Hunt backed the plan, but said it should also include natural gas and clean coal.

Renewable energy companies say they are poised to invest up to $20 billion after legislation is passed next year. The Clean Energy Council's Rob Jackson urged the Government to bring forward the scheme's launch to the start of the year. The Greens also urged an earlier start.

Environment groups largely backed the plan. But the Australian Conservation Foundation said solar hot water and burning of native forest wood waste should not be included in calculations of renewable energy use.

"We are concerned that would provide an incentive for further native forest logging," the foundation's Owen Pascoe said.

WWF objected to the prospect of compensation for trade-exposed companies that use large amounts of electricity.

The plans are contained in an options paper setting out two broadly similar approaches, but with different time scales.

Both would require buyers of wholesale electricity — essentially power retailers and some large industrial users — to source increasing amounts of power from renewable sources until the 20% target is reached. Penalties would be imposed on firms not using enough renewable energy.

The scheme would end in about 2030, by which time renewable energy is expected to be price-competitive with fossil fuel-sourced power.