10 September 2008



Green Paper Submissions Department of Climate Change GPO Box 854 Canberra Act 2601

By email: <u>emissionstrading@climatechange.gov.au</u>

Dear Sir or Madam,

Re: Carbon Pollution Reduction Scheme: Green Paper - July 2008

The Urban Taskforce is an industry organisation representing Australia's most prominent property developers and equity financiers. Our membership also includes key infrastructure providers, economists, planners, architects and lawyers involved in responsible and sustainable property development.

There is no doubt that we are experiencing worldwide climate change and that Australia, being a "dry" continent will most likely feel the effects of changing weather patterns more than other nations. As a responsible member of the global community, Australia must act now and the Urban Taskforce is supportive of Government policy that works towards a progressive reduction in carbon emissions in an economically efficient manner.

Putting a price on carbon, selling and trading permits will be profound and will change our economy. It will increase the cost of many goods and services, including (in the long run) road transport. This has been recognised by the Commonwealth with the assurance that "every cent raised from the selling of permits will be used to help households and business as they make the move to a clean energy future."¹

We understood that the Government intends to direct the revenue raised by the auctioning of the carbon pollution permits to households, particularly low-income households, to meet increases in costs associated with the scheme. This policy objective is appropriate and has our support. However, the mechanism by which this money is distributed is vitally important.

There are a variety of different ways the government can choose to deliver the compensation to the household sector. We believe the government should prioritise mechanisms which give further effect to the goal of carbon reduction over methods that are relatively neutral.

For example, tax cuts and transfer payments (such as family tax benefits, pensions, and welfare payments) are a simple and direct mechanism to put additional money into household budgets. However, by themselves, they do not encourage any changes to household behaviour that assist in the transition to a low-carbon economy.

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¹ Media Release: Hon. Penny Wong – Minister for Climate Change and Water (16 July 2008) Green Paper On Carbon Pollution Reduction Scheme Released

We recommend that a primary mechanism for the delivery of compensation to households (as a result of the introduction of the Carbon Pollution Reduction Scheme) should be through the provision of increased access to public transport. Congestion is killing our major cities and contributing significantly to our emissions profile. In 2006, Australia's net greenhouse gas emissions using the Kyoto accounting provisions were 576.0 million tonnes of CO₂-equivalent (Mt CO₂-e). The sectoral breakdown of these emissions indicates that after the energy sector, transport is the second largest contributor to net greenhouse gas emissions.²

The Carbon Pollution Reduction Scheme has the potential to raise billions of dollars and we must use some of this money to fund significant transport improvements to Australia's most congested urban areas – namely Sydney, Melbourne and Brisbane. Funds should be directed to infrastructure projects that make public transport more affordable and more available. An infrastructure program of this kind will assist in reducing the carbon-dependence of our urban environments and reduce the impacts of a carbon price on fuel if/when it is eventually permitted to flow through.

The Bureau of Transport and Resource Economics has found that:³

- Total travel in Australian urban areas has grown ten-fold over the last 60 years. Private road vehicles now account for about 90 per cent of the total urban passenger task (up from around 40 per cent in the late 1940s). The current trend of near linear increases in aggregate urban traffic is forecast to continue over the projection period, with total kilometres travelled growing by 37 per cent between 2005 and 2020. Commercial vehicle traffic is forecast to grow substantially more strongly (averaging around 3.5 per cent per annum) than private car traffic (at about 1.7 per cent per annum).
- BTRE estimates of the 'avoidable' cost of congestion (i.e. where the benefits to road users of some travel in congested conditions are less than the costs imposed on other road users and the wider community) for the Australian capitals (using an aggregate modelling approach) totals approximately \$9.4 billion for 2005. This total is comprised of \$3.5 billion in private time costs, \$3.6 billion in business time costs, \$1.2 billion in extra vehicle operating costs, and \$1.1 billion in extra air pollution costs. The estimates do not take account of the implementation costs of any congestion alleviation measures, and are not strictly comparable to standard measures of aggregate national income (such as GDP).
- BTRE base case projections have these social costs of congestion rising strongly, to an estimated \$20.4 billion by 2020. The city specific levels rise from \$3.5 billion (2005) to \$7.8 billion (2020) for Sydney, \$3.0 billion to \$6.1 billion for Melbourne, \$1.2 billion to \$3.0 billion for Brisbane, \$0.9 billion to \$2.1 billion for Perth, \$0.6 billion to \$1.1 billion for Adelaide, \$0.11 billion to \$0.2 billion for Canberra, about \$50 million to \$70 million for Hobart, and \$18 million to \$35 million for Darwin.
- The complex nature of congestion effects leads to reasonable levels of uncertainty in such cost estimations. However, irrespective of questions over exact dollar valuations of congestion costs, sensitivity testing implies that, in the absence of improved congestion management, it will be challenging to avoid escalating urban congestion impacts, given the rising traffic volumes expected within the Australian capital cities.

² Department of Climate Change (2008) Green Paper on the Carbon Pollution Reduction Scheme – Summary p. 15.

³ Bureau of Transport and Regional Economics (2007) Estimating urban traffic and congestion cost trends for Australian cities Working Paper No 71 p. Xv.

The evidence strongly suggests that the development of improved and integrated transport networks is crucial for major cities of Australia, and any additional funding obtained by the Commonwealth must be directed towards major transport initiatives.

The Urban Taskforce looks forward to continued dialogue with the government and if I can be of any further assistance, please feel free to contact me on telephone number (02) 9238 3955 or email: admin@urbantaskforce.com.au.

Yours sincerely Urban Taskforce Australia

Jaron Gadie

Aaron Gadiel Chief Executive Officer