Investor Group on Climate Change

Media Release

Saturday 30th June 2012

Investors see big picture on carbon pricing and welcome commencement

On the eve of the commencement of carbon pricing in Australia, institutional investors see the policy that will reduce emissions and redirect investment to low carbon alternatives as a necessary and positive economic reform.

"There are many benefits that institutional investors see in the current carbon pricing policy for Australia. They include the efficiency of using a cap on emissions and a price to reach Australia's 2020 emissions reduction target and the fact that the policy framework can respond to the need for deeper emissions cuts in future," said Chief Executive of the Investor Group on Climate Change, Nathan Fabian.

Australia has already committed to reduce emissions by at least 5% below 2000 levels by 2020 and needs a policy framework that can achieve the targets as efficiently as possible. Policy responses other than carbon pricing, such as regulation, do not allow efficient market forces to determine where in the economy emissions are reduced and by how much.

Ultimately global emissions must be cut deeply to respond to risks from climate change and Australia will be required to cut emissions further over coming decades. An emissions trading scheme, which is the fundamental design of the current framework, provides both predictability in design and the flexibility to take on deeper targets when necessary, with minimal disruption to the market.

While there is concern in parts of the business community about a $23 fixed price compared to current prices under the Clean Development Mechanism (CDM), transitional assistance arrangements to exposed companies mitigate these concerns for local investors.

Trade competitiveness issues have been largely been addressed with transitional rates equalling 94.5% or 66% of carbon liability in free permits. Investors do not consider that the initial carbon price is a threat to the trade competitiveness of local industry.

While not favouring fixed pricing or price collars, investors note that a likely consequence of the fixed price and future price collar arrangements is that more investment in emissions reductions is likely to be directed within Australia.

"In future, the fact that additional investment was directed within Australia in the early years of the scheme may be seen as a worthwhile outcome," said Mr Fabian.

Finally, when it comes to the longevity of current carbon policy, even if Australia didn't have some form of carbon pricing now in place, investors believe that based on the many advantages of carbon pricing, Australia would eventually have such a framework as its primary emissions reduction policy.

"Stable, predictable, long-term economic policies are highly desirable for investors and we welcome the commencement of a functioning carbon price in Australia," said Mr Fabian.

For media enquiries contact IGCC Chief Executive, Nathan Fabian: 0412 128 486

About the IGCC

The Investor Group on Climate Change (IGCC) is a collaboration of Australian and New Zealand investors with $700 billion in funds under management, who recognise that the financial return of an investment will be impacted by climate change. The IGCC aims to ensure that the risks and opportunities associated with climate change are incorporated into investment decisions for the ultimate benefit of individual investors. For further information on IGCC please see www.igcc.org.au or email secretariat@igcc.org.au.