

# MEDIA RELEASE

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## GARNAUT REVIEW RELEASES DRAFT REPORT

Australians are facing risks of damaging climate change. Without strong and early action by Australia and all major economies we are likely to face severe and costly impacts on Australia's prosperity and enjoyment of life, according to the Garnaut Climate Change Review's Draft Report, released today.

Speaking at the National Press Club in Canberra, Professor Ross Garnaut said that by 2050, unmitigated climate change on middle of the road outcomes would mean major declines in agricultural production across much of the country, including a 50 per cent reduction in irrigated agriculture in the Murray-Darling Basin. By 2100, irrigated agriculture in the Murray Darling Basin would decline by 92 per cent.

Early economic modelling results of readily measurable unmitigated climate change for middle of the road outcomes on temperatures and decline in rainfall – indicate that climate change would wipe off around 4.8 per cent of Australia's projected GDP, around 5.4 per cent of projected household consumption, and 7.8 per cent from real wages by 2100.

"These readily measurable costs are only part of the story. There are also conventional economic effects that are not currently measurable, the possibility of much larger costs from extreme outcomes, and costs that aren't manifested through markets," said Professor Garnaut.

The full economic modelling results, to be released in a Supplementary Draft Report in August, will help complete the picture for Australians, by comparing the costs and benefits of climate change mitigation. This will inform the Review's consideration of emission reduction trajectories and targets. The Final Report will be released in September.

Professor Garnaut said that the climate change impacts would be significantly reduced with strong global mitigation.

"Australia needs to play its full part in the international effort if global mitigation is to have a chance. The first step is to take action as part of the developed world, with a view to bringing in developing countries – first of all China – on the earliest possible timetable," he said.

"Australia would be hurt more than other developed countries by unmitigated climate change, and we therefore have an interest in encouraging the strongest feasible global effort. We are running out of time for effective global action, and it is important that we play our full part in nurturing the remaining chance.

"We will delude ourselves should we choose to take small actions that create an appearance of action, but which do not solve the problem. Such an approach would risk the integrity of our market economy and political processes to no good effect," said Professor Garnaut.

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“Australians are well placed to deal with the challenges of this major economic reform. As with all economic reform, mitigation policy must be forward-looking. Policy interventions and the use of public and private resources should focus on improving future economic prospects rather than reacting to past decisions”, said Professor Garnaut.

The Draft Report provides the Review’s suggestions on the design of the emissions trading scheme (ETS). Professor Garnaut reiterated his support for the ETS to cover as many sectors as practicable.

“The more sectors included in the ETS, the more efficiently costs will be shared across the economy. Transport should be included,” said Professor Garnaut.

The Draft Report advocates the full auctioning of emissions permits and the return of all revenue to households and business.

“The cost to consumers of rising energy and petrol prices, can be balanced through payments to households, while preserving price incentives to reduce emissions,” he said.

The Report proposes that half the proceeds from the sale of all permits is allocated to households, around 30 per cent provided for structural adjustment needs for business (including any payments to TEEIs), and the remaining 20 per cent allocated to research and development and the commercialisation of new technologies.

“The proceeds from the ETS should be allocated for purposes that will help Australia adjust to a low-emissions future,” said Professor Garnaut.

“A massive increase – reaching \$3 billion per annum – is required in Australia’s commitment to low-emissions technology research, development and commercialisation,” he said.

The Draft Report states that it would be in Australia’s interest to find out as soon as possible whether there can be a low-emissions future for coal, and to support rapid deployment of commercially promising technologies. This follows from Australia’s role as the world’s largest exporter of coal and the central place of coal in growth in emissions from Asian developing countries.

“Australia has the opportunity to play a leadership role in funding and co-ordinating a major global effort to develop and deploy carbon capture and storage technologies, and to transfer those technologies to developing countries,” said Professor Garnaut.

“Additional mitigation policies should only be undertaken where they will lower the overall cost to the economy, by correcting market failures,” he said.

Professor Garnaut said that he supported the phase-out of the Mandatory Renewable Energy Target, once the unconstrained ETS was fully operational.

“The Review’s first aim is to lay out the issues for policy choice in a transparent way. We will have done our job if Australian governments and the community make their choices in full knowledge of the consequences of their decisions,” said Professor Garnaut.

*Professor Garnaut will host public forums on the Draft Report in a number of cities around Australia between 7-11 July 2008. For more information visit [www.garnautreview.org.au](http://www.garnautreview.org.au)*