

Australia Repeals Carbon Tax

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On Thursday, July 17, 2014, **Australia's Senate** voted 39-32 to repeal the nation's carbon tax. The **House of Representatives** approved the repeal earlier this week. Australia is the world's 12th largest economy and the second largest per capita carbon dioxide emitter. **The Clean Energy Act of 2011** created the carbon tax, known as the "carbon pricing mechanism," to help meet Australia's long-term target of reducing net greenhouse gas emissions to 80% below 2000 levels by 2050. When the mechanism was introduced, the Labor government predicted it would reduce emissions by 160 million metric tons by 2020.

Under the carbon pricing mechanism, Australia's largest carbon emitters or "liable entities" must pay a price for the carbon emissions they produce each year. Liable entities are those organizations that either supply or use natural gas, or emit more than 25,000 tons of carbon dioxide equivalent annually. Covered emissions include carbon dioxide, methane, nitrous oxide and certain perfluorocarbons attributable to aluminum production. The mechanism covers approximately 60% of Australia's carbon emissions, including those from electricity generation, stationary energy, landfills, wastewater, industrial process and fugitive emissions.

The mechanism is essentially an emissions trading scheme. Each year, liable entities must report their emissions or potential emissions under the National Greenhouse and Energy Reporting Act 2007. At the end of each financial year, liable entities must surrender one carbon unit for each ton of carbon dioxide equivalent produced during that year. The carbon price is fixed for the first three years, with the price of carbon units starting at A\$23 per ton in 2012-2013 and rising to A\$25.40 per ton in 2014-2015. If a liable entity does not surrender enough units, they are penalized.

Once the repeal legislation becomes law, it is effective as of July 1, 2014. However, liable entities must fulfill their obligations for 2013-2014, including reporting their emissions by October 31, 2014. They also must settle their final carbon price liability for 2013-2014 by February 2, 2015.

Environmentalists denounced the repeal, saying it would undermine Australia's efforts to address climate change. They argue that although some nations pulled back from carbon reduction targets, including Japan after the Fukushima disaster, "no one else in the world has repealed a working, functioning carbon pricing mechanism." Members of both the Labor and Green parties, who proposed the mechanism, say they remain committed to carbon pricing as the best way to reduce emissions.

Opponents of the mechanism denounced the resulting increased cost of living. Conservative Prime Minister Tony Abbott, of the Liberal Party, who took office in September, made repeal a central pledge of his campaign. He characterized the mechanism as a “9 percent impost on power prices” and “a \$9 billion handbrake on our economy.” The repeal is expected to save the average household A\$550 (\$515 USD) per year.

Kate Carnell, Chief Executive of the Australian Chamber of Commerce and Industry, said the repeal will allow Australian businesses to grow and become competitive again. According to the Master Grocers lobby group, small grocery stores averaging around 500 square meters in size will save approximately A\$17,000 (\$15,940 USD) per year. Larger grocery stores around 2,000 square meters will save \$51,000 (\$47,821 USD) per year.

Australia still has a short-term goal of reducing greenhouse gas emissions by 5% by 2020 as compared with 2000 levels. The Abbott government plans to meet that target by offering A\$2.5 billion in competitive grants over the next four years to companies and organizations voluntarily reducing emissions (the “Emissions Reduction Fund”). The Abbott government is confident the designated funding will be sufficient to meet the 5% target, but if their plan fails, they will not allocate more money.

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