

MEDIA RELEASE

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New Protectionism disguised as carbon assistance

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Proposed industry assistance under the Federal Government's Clean Energy Future climate change package could herald a new wave of industry protectionism, Grattan Institute warned today.

Releasing its report, [*New protectionism under carbon pricing – case studies of LNG, coal mining and steel sectors*](#), Energy Program Director Tony Wood said: "Grattan Institute's analysis of these sectors shows that the proposed level of assistance is not only unjustified, but reverts to a form of industry protection largely discredited and abandoned in recent times."

Mr Wood said that in recent years industry had mounted a sustained argument against carbon pricing or had sought very high levels of assistance. Yet Grattan Institute's case studies show that taking into account the condition of the three sectors and recent changes in domestic and international influences, the proposed level of assistance was unjustified and costly, and put a heavier burden on the community in reducing overall carbon emissions.

"The carbon price is unlikely to affect the viability of major LNG projects or constrain the industry's expansion," Mr Wood said. "A few "gassy" coal mines, that are contractually unable to recover a carbon price, may be adversely impacted. However, it is hard to see any material job losses or mine closures across the black coal industry; on the contrary, it is likely to further expand."

Because the Australian steel industry was under real and potentially long-lasting pressure due to shifts in global capacity and exchange rates, Mr Wood said there was a case for assistance to this sector to address the risk that a carbon price could trigger a shift of industry overseas with no environmental benefit. This risk of 'carbon leakage' was the main legitimate rationale for assisting emissions-intensive trade-exposed industries.

"However, the Government's proposed assistance is now so generous as to constitute a windfall gain that protects the industry not from a carbon price but from structural adjustments in the global steel industry. This is poor industry policy," Mr Wood said.

Grattan Institute has welcomed the Clean Energy Future package as a move in the right direction. Yet because the package provided substantial, unjustified assistance to many industry sectors, Grattan Institute has endorsed the proposed role of the Productivity Commission to inquire into the continuing need for this assistance.

But Mr Wood said: "Rather than apply the carbon leakage rationale, the draft legislation constrains the Productivity Commission's inquiries and adopts the wrong reason for assistance: industry protection. The Commission and its predecessors have consistently rejected this model as against Australia's economic interests."

"The proposed assistance may be necessary for an overall political compromise. Yet it is vital to environmental effectiveness and economic efficiency that the draft legislation is changed to avoid outcomes distorted by unjustified industry claims or leading to a new era of protectionism".

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