

## **MEDIA RELEASE**

Thursday 7 April 2011

### **Achieving carbon emissions targets: market mechanisms work, other models fail**

8 Malvina Place  
Carlton  
Victoria 3053  
Australia

T. +61 3 8344 3637  
W. [www.grattaninstitute.edu.au](http://www.grattaninstitute.edu.au)  
E. [info@grattaninstitute.edu.au](mailto:info@grattaninstitute.edu.au)

"A study of 14 years of Australian programs to tackle climate change shows that only a carbon market can reduce emissions quickly and deeply enough for Australia to meet its 2020 emissions target," the CEO of Grattan Institute, Professor John Daley, said today on the launch of a new Grattan report, [\*Learning the hard way: Australian policies to reduce carbon emissions\*](#).

The report shows that \$12 billion of Federal and State government programs announced since Australia signed the Kyoto Agreement in 1997 have done very little to reduce emissions.

It analyses more than 300 climate change programs announced by governments and finds that three market-based schemes, including the Renewable Energy Target, produced 40 per cent of the emissions reduction Australia has achieved, once land clearing is excluded. It is the largest amount of emissions reduction achieved by any kind of government program studied in the report.

By contrast, of \$7 billion for programs offering grants to companies to reduce their emissions, a mere three per cent was spent within five years and 18 per cent within 10 years. To make such a model work, governments would need to announce grant programs of at least \$100 billion – about 8 per cent of Australia's entire GDP – to meet the 2020 target of a five per cent reduction in emissions below 2000 levels.

Similarly, rebate programs worth \$5 billion in budget funding have done little to reduce emissions and cost taxpayers too much per unit of emissions reduction. Using rebates to achieve the 2020 target would require a budget of more than \$300 billion over the next 10 years.

Implementing energy efficiency standards for products and buildings is valuable, but because the standards are limited in scope and slow to take effect, they cannot play more than a support role in meeting the 2020 target.

"Market based schemes work because they minimise the need for government to predict the future," Professor Daley said. "They provide certainty, enabling business to invest with greater confidence. They provide flexibility by devolving decision-making to businesses and individuals, allowing them freedom to choose how to reduce emissions, without government involvement."

"A carbon trading scheme or tax could be expanded quickly if deeper cuts in emissions were required."

"Such a scheme or tax would not be costless," he warned, "but it is highly unlikely that government could meet the target more quickly and cheaply any other way".

#### **For further enquiries:**

Professor John Daley, CEO, Grattan Institute  
M. +61 (0)407 004 231 or +61 (0)3 8344 6142  
E. [john.daley@grattan.edu.au](mailto:john.daley@grattan.edu.au)