



8. BUSINESSES AND THE SCHEME

JULY 2008

FACT SHEET

Australia's Carbon Pollution Reduction Scheme will put a limit on carbon pollution. The market created under this cap will create a cost to pollute known as the 'carbon price'. The impact on businesses will depend on how much carbon pollution they produce – the more emissions they produce per unit of output, the higher the relative cost impact.

Emissions-intensive trade-exposed businesses

Many businesses will be able to pass through most of the carbon cost in the price of their products.

However, trade-exposed industries may not be able to do this as they face prices set in international markets, and may compete against firms that do not face comparable carbon constraints.

To maintain the environmental and economic integrity of the scheme, the Government proposes to provide some free permits to the most emissions-intensive trade-exposed activities within industries.

Electricity Sector Adjustment Scheme

Some industries are not subject to trade but may still face large changes in their profitability as a result of the scheme.

Firms that are likely to be strongly affected are those that are highly emissions intensive, unable to fully pass on their carbon costs, owners of significant long-lived assets with limited alternative uses and able to access few, if any, economically viable abatement options.

Based on information available to date, the Government considers that the firms most likely to meet all of these criteria are coal-fired electricity generators. The Government has a disposition to deliver support to such generators, in part through a new mechanism called the Electricity Sector Adjustment Scheme.

Climate Change Action Fund

To assist businesses more generally, the Government also proposes to establish the Climate Change Action Fund. The purpose of the fund is to facilitate the transition of businesses to a low carbon economy. It will do this by providing partnership funding for a range of activities, including:

- Capital investment in innovative new low emissions processes
- Industrial energy efficiency projects with long payback periods
- Dissemination of best and innovative practice among small to medium sized enterprises.