

A PRICE ON CARBON IS AN ESSENTIAL AND CENTRAL PART OF ANY SERIOUS ATTEMPT TO TACKLE CLIMATE CHANGE.

- The Australian, Feb 23, 2010: *The Evidence is in: carbon pricing works in the long term.* (By Oliver Sartor, who is a research economist specialising in carbon policy at CDC Climate Research in Paris).

"The emerging evidence from the EU, the lessons from economic theory, not to mention the global policy trend, is that carbon pricing is an indispensable pillar of equitable, effective and economically responsible climate policy for the long term."

- OECD Policy brief, August 2009, Cost-Effective actions to tackle climate change.

"OECD analyses show that the **cost of action would be minimised** if a cost-effective set of policy instruments, **with a focus on carbon pricing**, were applied as broadly as possible across all emission sources, including all countries, sectors, and greenhouse gases."

"The use of **market-based instruments**, such as carbon taxes or emissions trading schemes (ETS), will be **crucial to keep the costs of action low**. These policies put a price on GHG emissions, which discourages the behaviour that generates emissions. They encourage emitters to look for and implement the cheapest abatement options. Carbon taxes and ETS are already in place in several OECD countries, including all EU member states."

- From *The Economist*, 6 February 2010:

"regulation is no substitute for putting a price on carbon, which would harness the power of the market to cut emissions more cheaply"

- From *The Age*, 27 January, 2010 (Dr Gennadi Kazakevitch is deputy head of the department of economics in the faculty of business and economics at Monash University):

"We might combine direct regulation with financial inducements, and target overall relative reduction in energy consumption and gradual reduction in energy based on fossil fuel.

Direct regulation enforcing a step-by-step decrease in fossil fuel use might in turn force energy generators to invest in clean energy.

As with emissions trading, this will make energy more expensive. However, higher energy costs will follow investments in new clean technologies, not precede unrealistically expected action on behalf of the energy industry. In the latter case, carbon tax or emissions trading costs can simply be passed on to consumers.

At the same time, like it or not, the financial inducement component should start with unpopular measures of very selective excise taxation in areas where close substitutes are available.

Importantly, such market signals will be transmitted not just to domestic manufacturers and importers, but also to overseas suppliers.

The proceeds from such excise taxation and the increases in car registration could all be used to fund projects targeting lower energy consumption and the move to cleaner energy."

- The IMF World Economic Outlook, April 2008.

“A **successful policy framework for mitigating climate change must satisfy** several criteria.

To be effective, **mitigation policy must raise the prices of GHGs** to reflect the marginal social damage from emissions. Higher GHG prices would help generate incentives for reducing production and consumption of emission-intensive goods and for development and adoption of new, low-emission technologies.

Mitigation policy **must be applied across all GHGs, firms, countries, sectors, and time periods** in order to ensure that policy achieves the desired objectives at the lowest possible cost.”

“**Market-based policies**, such as emission taxes and permit-trading programs, **have an important advantage over performance standards in that they create a common price for emissions**. Common pricing encourages emissions to be concentrated in firms that can produce more efficiently.”

“**Technology subsidies** (including tax incentives) have been widely used to support renewable electricity and biofuel production, but they **are not a cost-effective substitute for proper carbon pricing**.”

- From *Market Mechanisms for Greenhouse Gas Emissions reductions: lessons for California*, PEW Centre on Global Climate Change

Market mechanisms have been successful in their primary objective of lowering the cost of meeting emission reduction goals. Experience shows that **properly designed emissions trading programs can reduce compliance costs significantly compared to command-and-control alternatives**. While it is impossible to provide precise measures of cost savings compared to hypothetical control approaches that might have been applied, the available evidence suggests that the increased compliance flexibility of emissions trading yields cost savings of as much as 50 percent.

- US Senate motion attached to the Energy Policy Act of 2005, June 22, 2005, sponsored by Sen. P Domenici (R-NM) and Sen. J Bingaman (D-NM).

“Congress should enact a comprehensive and effective national program of mandatory, market-based limits and incentives on emissions of greenhouse gases”.

- The Hon Malcolm Turnbull in *The Australian*, 09/02/2010.

“in the absence of a clear carbon price signal either no investments will be made or investments will be made of new carbon-intensive infrastructure because they are more profitable in a world where there is no price on carbon.”

“Is an ETS, at a general level, the best policy to achieve the desired reduction in emissions?”

Believing as I do, as a Liberal, that market forces deliver the lowest-cost and most effective solution to economic challenges, the answer must be yes.”

- Emissions Trading Task Group, 31/05/2007.

"Market-based approaches have the potential to deliver least-cost abatement by providing incentives for firms to reduce emissions where this is cheapest, while allowing the continuation of emissions where they are most costly to reduce."

- OECD Policy brief, August 2009, Cost-Effective actions to tackle climate change.

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