

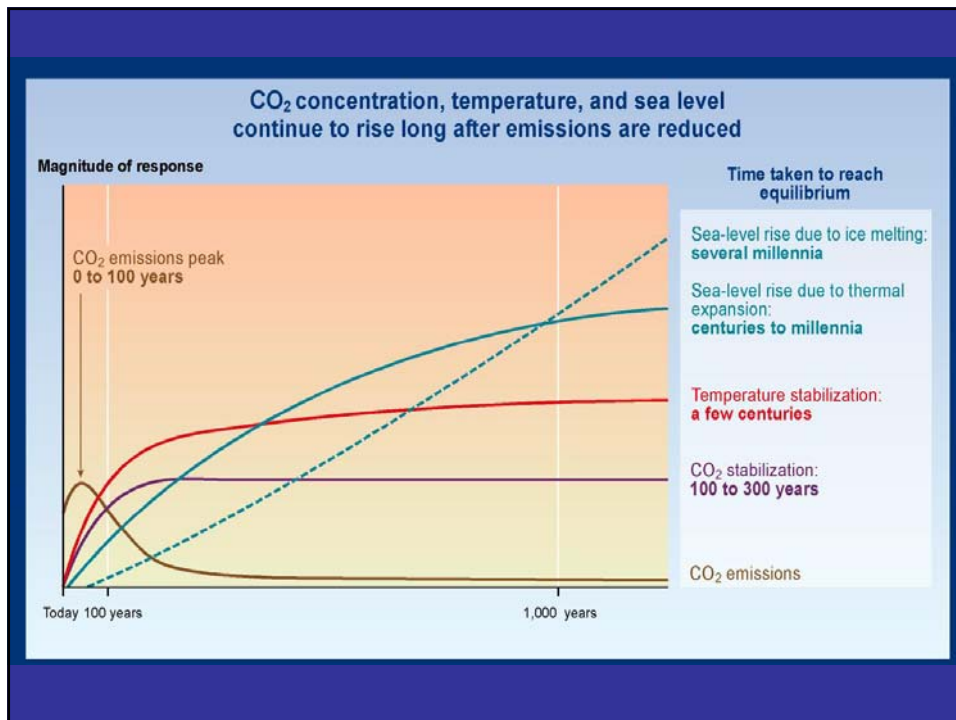
# Emissions Trading after the Financial Crisis: What Should Australia Do?

Presentation to conference  
Emerging from the Global Storm: Growth and Climate Change Policies in Australia  
Centre for Strategic Economic Studies  
Melbourne  
15 April 2009

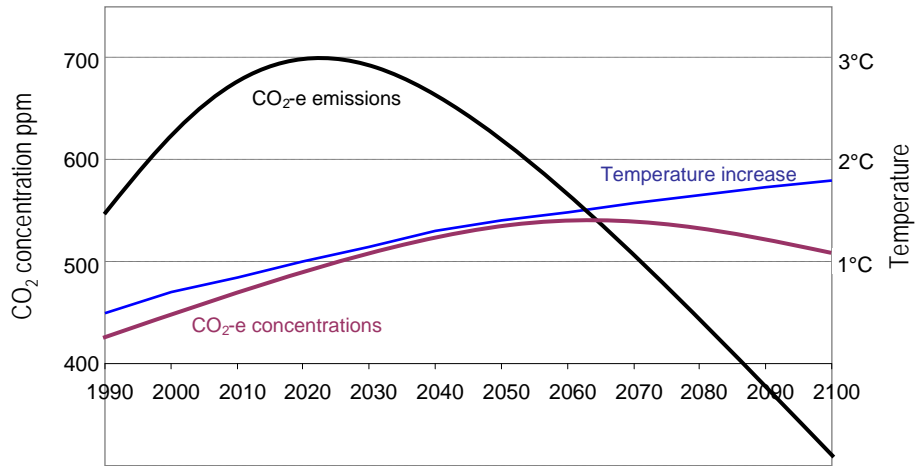
Peter Sheehan  
Director, Centre for Strategic Economic Studies  
Victoria University

WWW.VU.EDU.AU

1



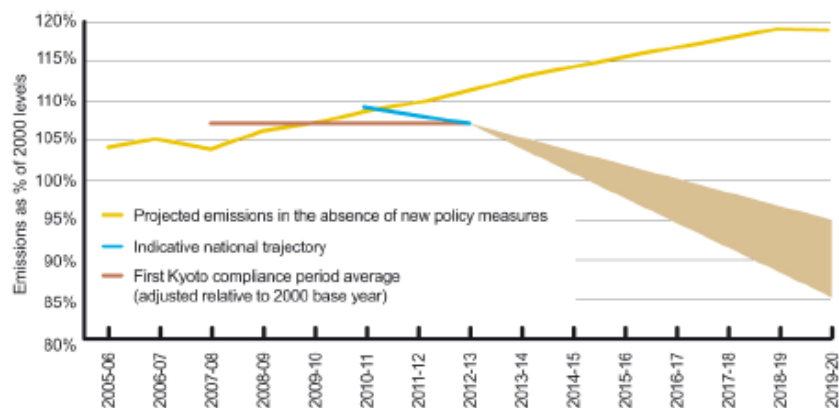
## The nature of the control problem: the need for a dynamic approach



Centre for Strategic Economic Studies

3

## Indicative trajectory and 2020 target range

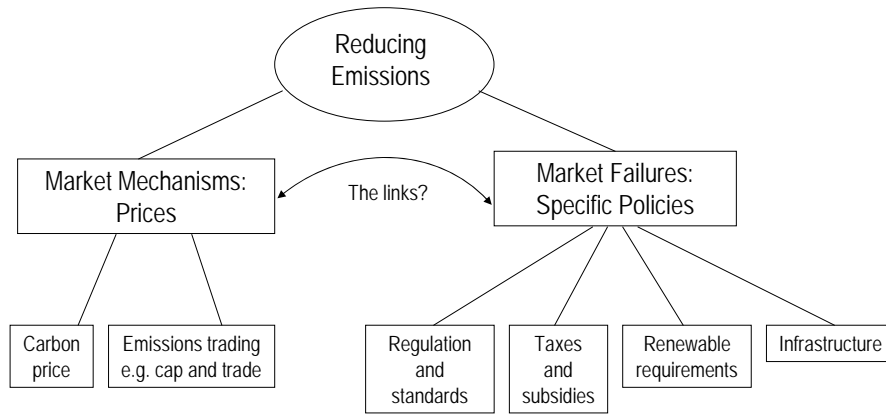


Source: DCC (2008).

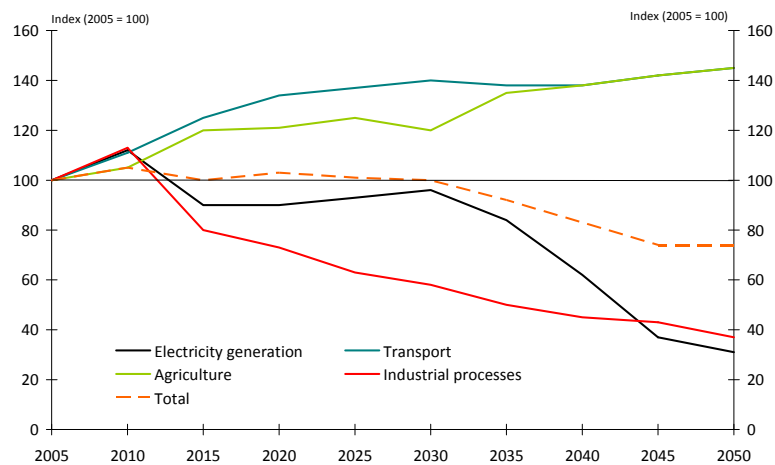
Centre for Strategic Economic Studies

4

## Options for Reducing Emissions in a Market Context: The Australian Debate

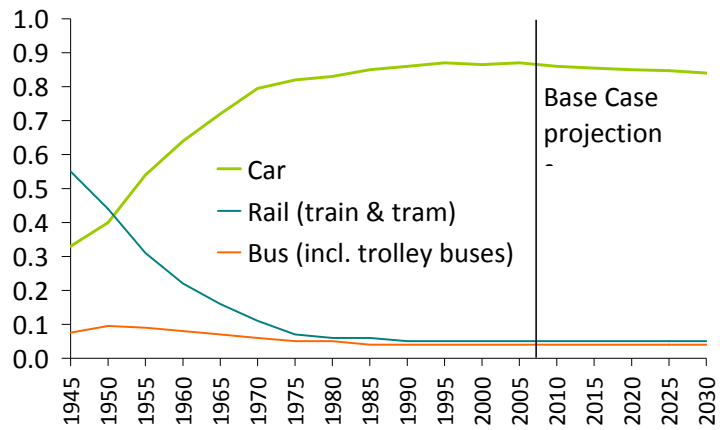


## Industrial sector emissions for Australia, CPRS-5 scenario, 2005-2050



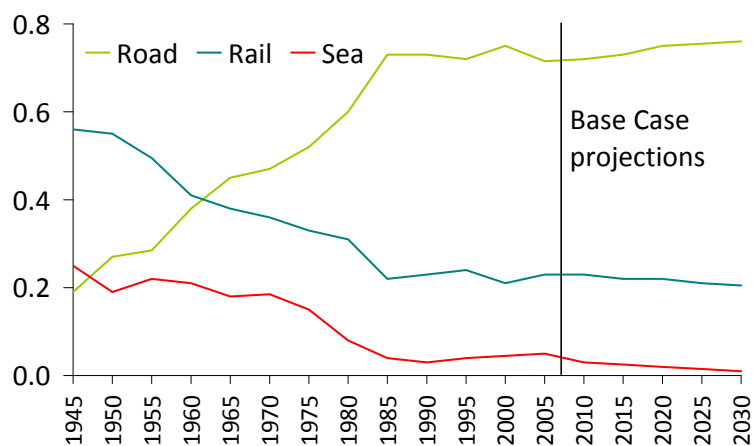
Source: Adapted from Treasury (2008).

### Modal share, Australian passenger travel (proportion of passenger kms), urban passenger travel



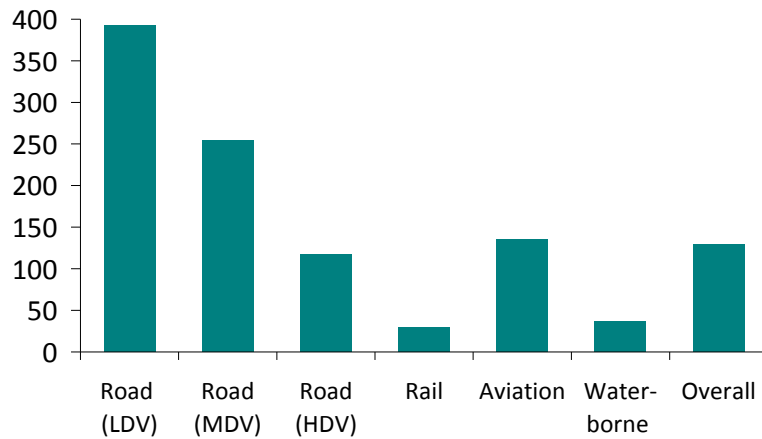
Note: Urban passenger travel has 'Other road' and 'Ferries' not shown. Non-urban passenger travel has 'Other' not shown. Each of these items is small. Source: Adapted from Cosgrove (2008).

### Modal share, Australian domestic freight, Non-bulk mode share proportion



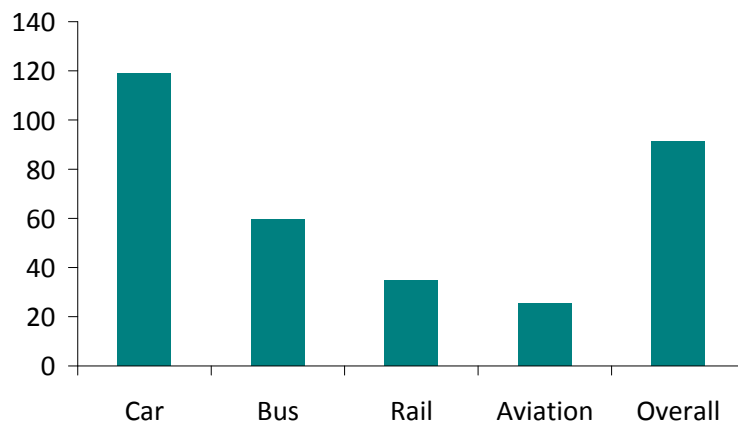
Note: Non-bulk domestic freight has 'Air' not shown. Source: Adapted from Cosgrove (2008).

### Social costs of freight transport travel (A\$/1000 tonne km)



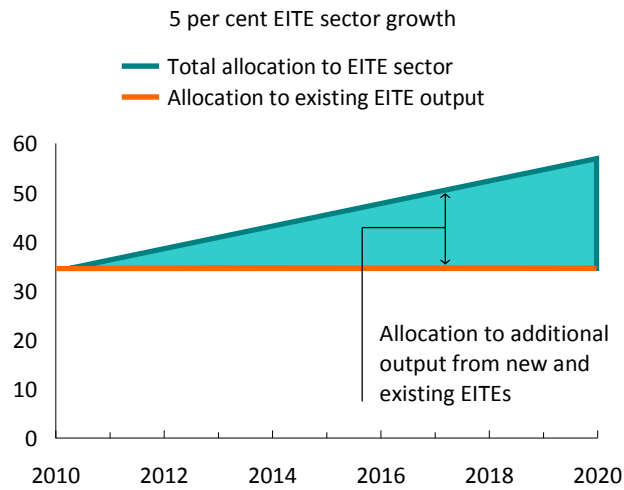
Notes: LDV = Light duty vehicle. MDV = Medium duty vehicle. HDV = Heavy duty vehicle. Source: Infrac/IWW (2004).

### Social costs of passenger transport travel (A\$/1000 tonne km)



Notes: LDV = Light duty vehicle. MDV = Medium duty vehicle. HDV = Heavy duty vehicle. Source: Infrac/IWW (2004).

## Share of permits allocated to the EITE sector, for different growth rates (per cent)



Source: Reproduced from DCC (2008).

Centre for Strategic Economic Studies

11

## Implied change in emissions allocations for non-EITE industries, 2010-20, for given emissions reduction targets and EITE industry growth rates (per cent)

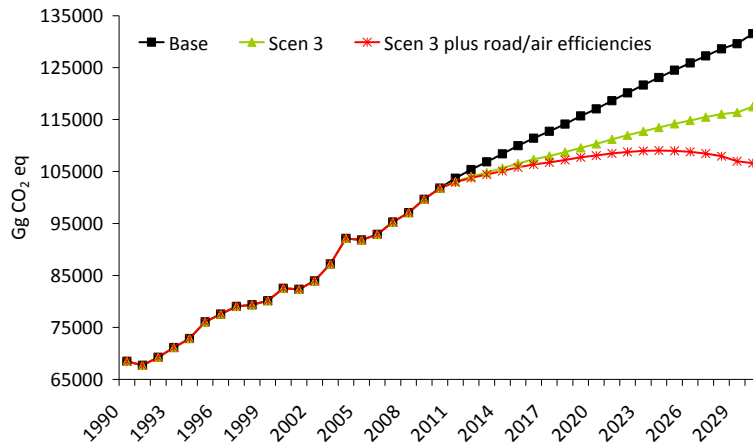
Growth rate of EITE industries	5% reduction target		15% reduction target	
	3%	5%	3%	5%
Change in allocation in 2020 relative to 2010 (%)				
Total allocation	-12.8	-12.8	-22.0	-22.0
Free permits for EITE industries	18.1	43.2	18.1	43.2
Allocation for other industries	-29.4	-42.9	-43.5	-57.0

Source: Estimates of the authors based on DCC (2008).

Centre for Strategic Economic Studies

12

## Total transport emissions to 2030, base case, scenario 3 and increased fuel efficiency in road and air transport (Gg CO<sub>2</sub>-e)



Source: Actual data and projections to 2010, BITRE (2008c); estimates of the authors.

Centre for Strategic Economic Studies

13

## CONTACT DETAILS

PETER SHEEHAN  
CENTRE FOR STRATEGIC ECONOMIC STUDIES

PHONE +61 3 9919 1340  
FAX +61 3 9919 1350  
EMAIL peter.sheehan@vu.edu.au

WWW.VU.EDU.AU  
Centre for Strategic Economic Studies

