

Energy and Climate Update

Tennant Reed

Ai Group



What can be done about energy prices?

Category	Examples	Issues	Evaluation
Export controls	ADGSM+, prospective reservation, export caps	Legal, trade, diplomatic impacts	Prospective res likely, slow; Complementary caps?
Price controls	AEMO caps, steep profits tax	Perverse impact risk -> rationing / export caps	May be next frontier of debate, despite probs
Supply options	New gas fields; LNG imports; RG; new RE/infra	All slow; gas supply impacts dilute	Transition sensible but takes much doing
Demand options	Conservation, efficiency, fuel switch, electrify	Conservation may not help; Rest are slow to build up	Big demand side push sensible but takes time
Financial assistance	Tax & transfer boost, concessions, cash to biz	Fast but big \$ involved, tough to ID neediest biz	Strongest early alt to price controls
Revenue options	New profits tax on fuels and/or power, PRRT rejig	Complex, investment impact args, fast is hard	Govt v cautious but PRRT tweaks imaginable

Safeguard 2.0 – overall issues

Preferences

- Durable (make it work)
- Efficient (make it price-like)
- Secure future competitiveness (push on CBAM)

Tradeoffs

- Impact of absolute goals
- Conservation of unhappiness
- Unbounded complexity

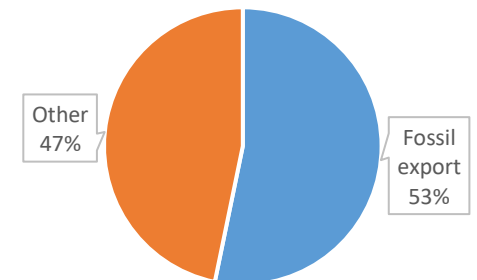
Who can do vs who can pay

- SMC crediting & offset access ease individual abatement limits
- Competitiveness remains relevant

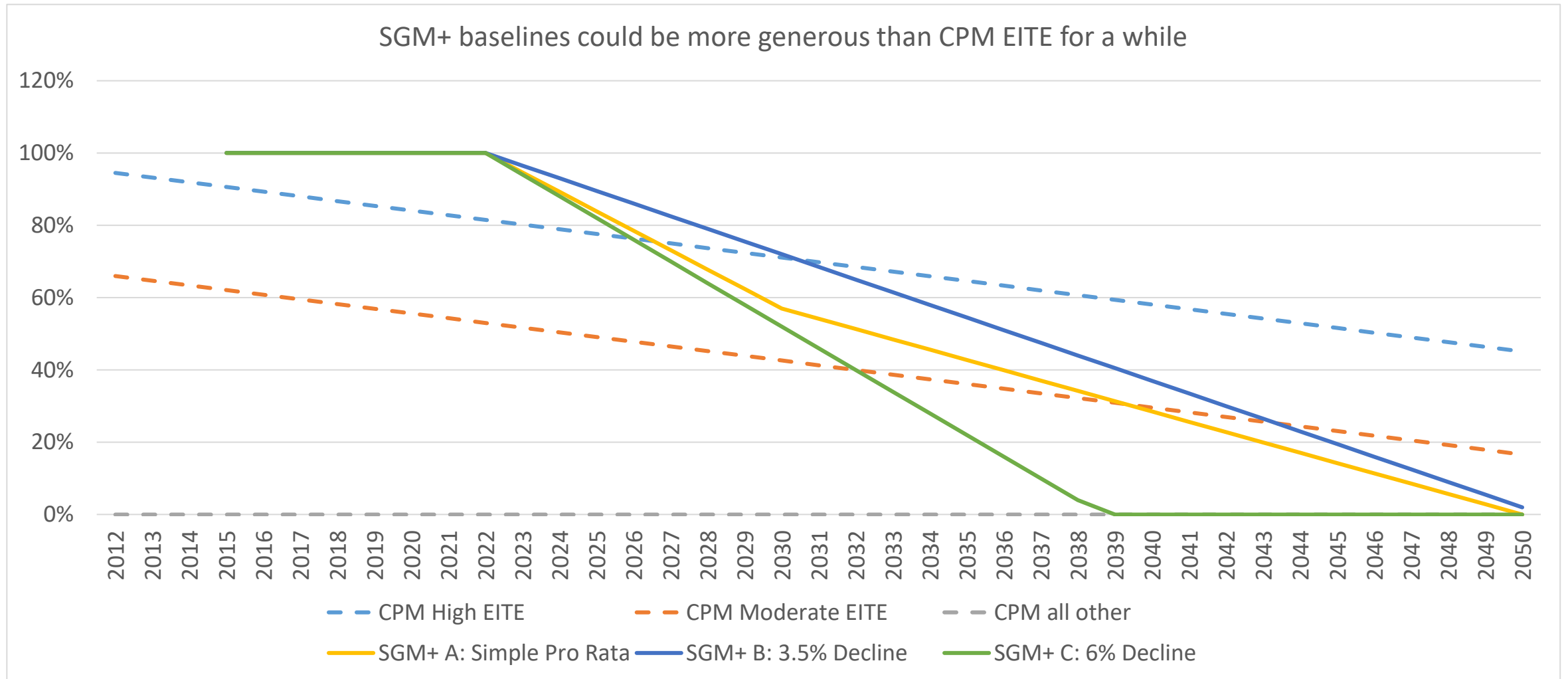
Sectoral flows

- Who's short?
- Coal, gas new facilities v others

Fossil exports accounted for most of 2020-21 emissions covered by the Safeguard



Safeguard 2.0 – trade exposure / EITE



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Case

- World is acting but unevenly
- Competitive loss remains a risk – costs too high or move too slow
- Distinguish industries with future
- Safeguard context for EITE is quite different to the CPM

Definition

- Old EITE well understood – activity, trade share and carbon intensity (t/\$)
- Govt suggests new version: facility, trade share, carbon cost intensity (\$/\$)
- *Much* narrower
- Needs cost threshold choice

Govt options

- 3 problematic options
- 1. Finance upgrades (fine but not linked to risk)
- 2. Garnish SMCs and give to EITE (horribly inefficient)
- 3. Slower baseline decline (means faster decline for others)

Other option

- CBAM could work much better
- Not decidable or implementable by 1 July 2023
- But could be done by time baseline decline is serious
- We propose Govt develop options for 3-5 year implementation