



Transport and the Carbon Pollution Reduction Scheme

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Presentation outline

1. Climate change policy challenge
2. CPRS and the transport sector
3. Impacts of the CPRS
4. Related policies

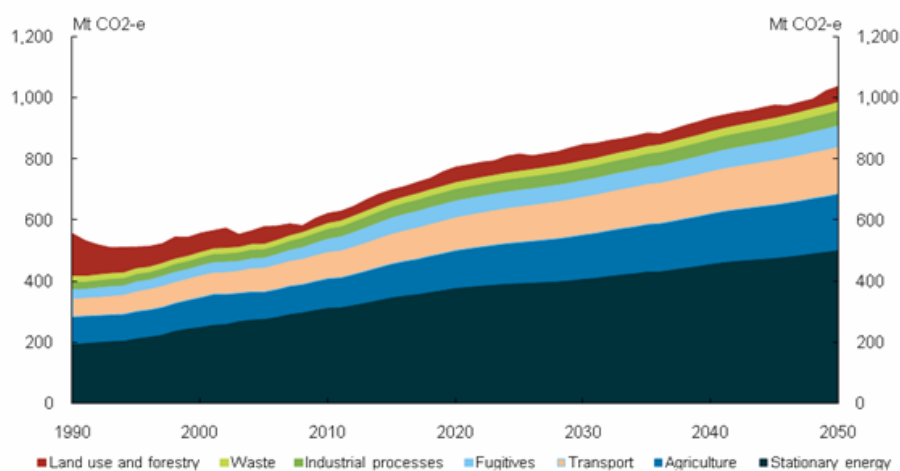
Australian Government's Climate Change Policy

The three pillars of climate change policy:

- Mitigation
 - Reducing Australia's greenhouse gas emissions
 - Carbon Pollution Reduction Scheme (CPRS) is the primary mechanism
- Adaptation
 - Adapting to climate change that we cannot avoid
- International engagement
 - Helping to shape a global solution

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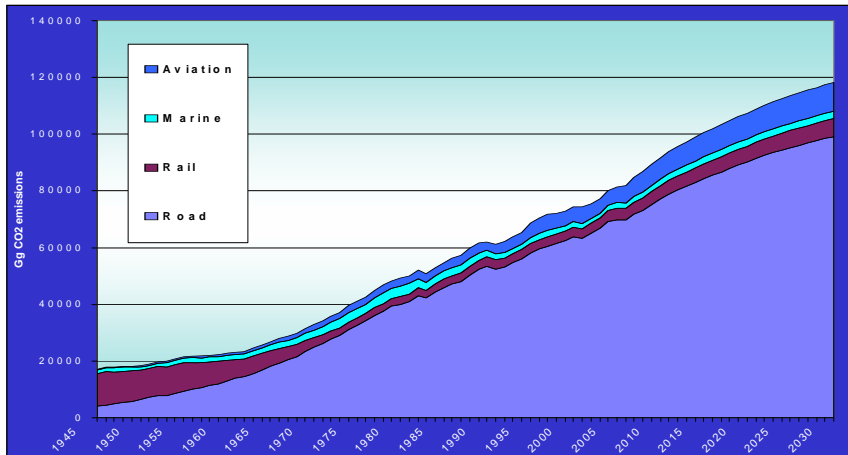
Australia's mitigation challenge



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Source: Australian Government and Treasury estimates from MMRF

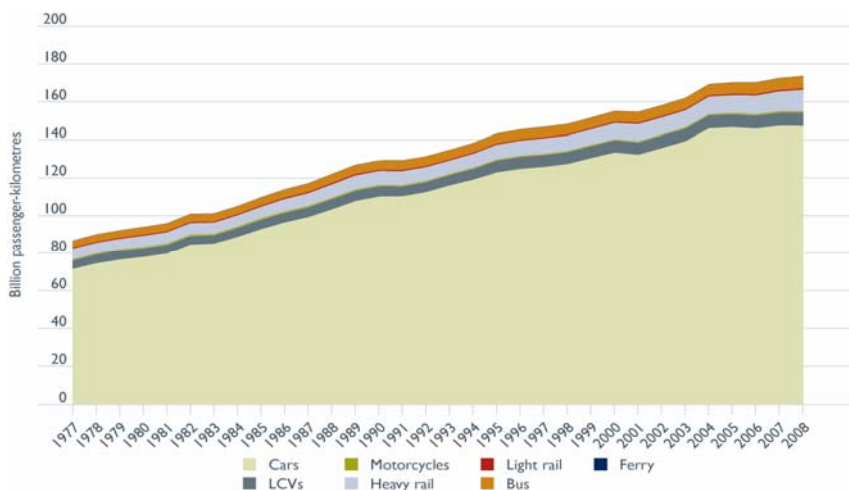
Strong growth projected in the transport sector



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Source: BITRE

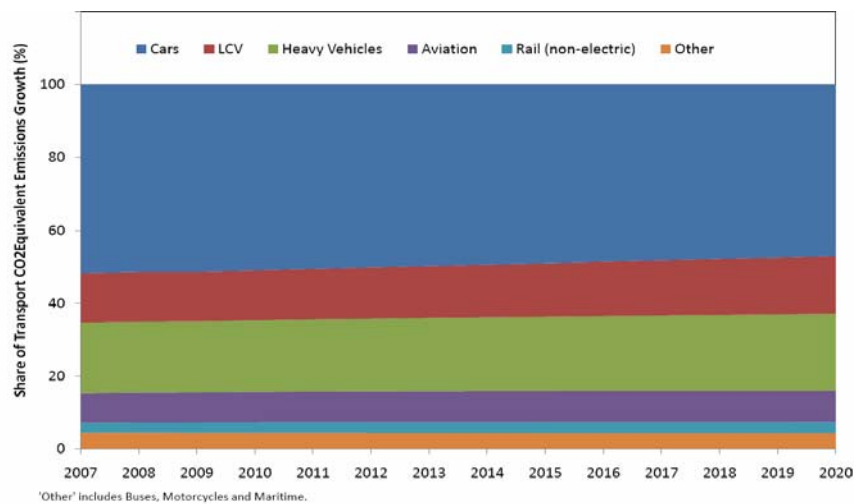
Flat car travel growth in recent years



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Source: BITRE

Transport sector growth – four main sources



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Source: BITRE

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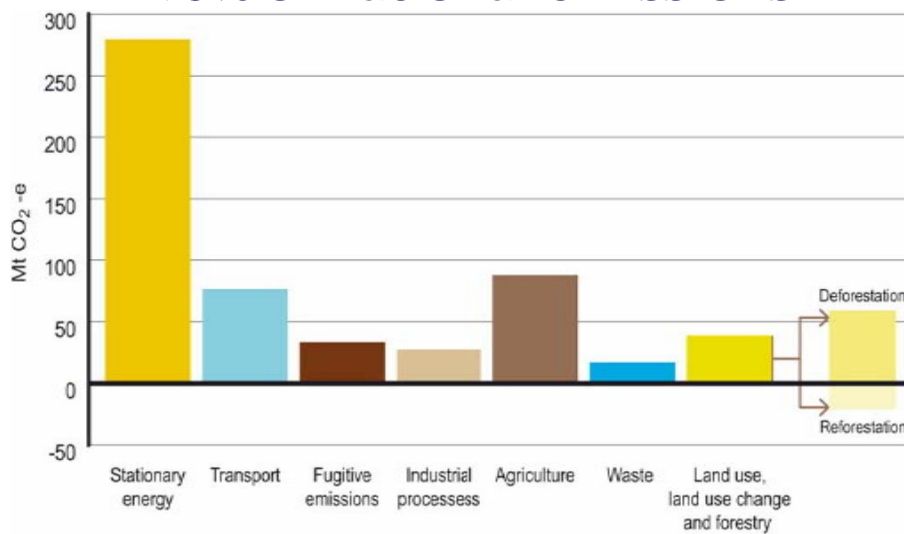
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The Carbon Pollution Reduction Scheme (CPRS)

- The CPRS is an emissions trading scheme
- Key elements
 - Coverage
 - Targets
 - Permit allocation
- History of development
- Current status

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Proposed scheme to cover around 75% of national emissions



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Source: CPRS Green Paper – Department of Climate Change

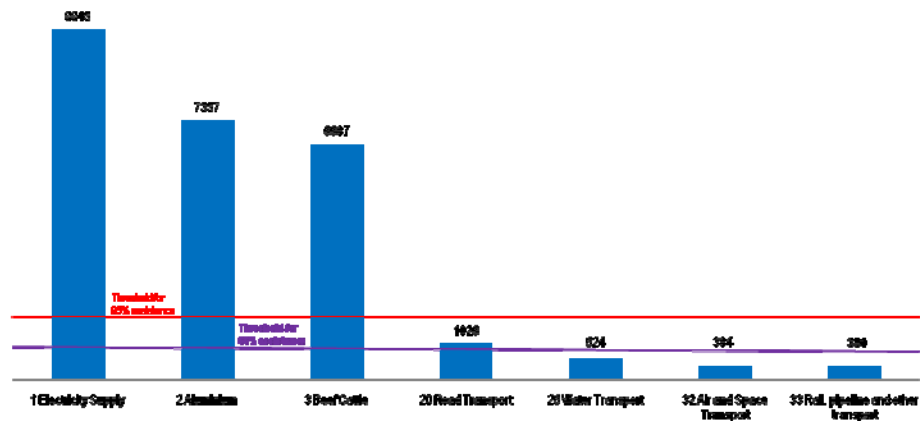
Emissions Targets

- Long term national emissions target – 60% reduction from 2000 levels by 2050
- Medium term national emissions target – 5% to 25% reduction from 2000 levels by 2020
- Indicative trajectory – 5 years in advance

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Emissions intensive, trade exposed industry assistance thresholds

Emissions per unit of revenue
(t CO₂-e/\$m revenue)



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Source: CPRS Green Paper – Department of Climate Change

The treatment of the transport sector under the CPRS

- Transport is covered via upstream fuel suppliers
 - This will place obligations on approximately 200 upstream fuel suppliers.
- Potential for large transport operators to manage their own obligations
 - Large operators such as Qantas may see benefits in managing their own obligations.

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Fuel Offsets

- Fuel taxes cut on cent for cent basis to offset impacts of CPRS:
 - Heavy vehicles (>4.5 tonne)
 - Offset on cent for cent basis
 - Review adjustment mechanism after 1 year
 - Households
 - Cut fuel taxes on cent for cent basis– for on road vehicles less than 4.5 tonne
 - Review adjustment mechanism at end of 3 years

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CPRS

- transport industry views

- Industry generally supportive of CPRS
- Concerns included:
 - Impact on industry recovering from the GFC
 - Impact on cross modal and inter modal competitiveness
 - Capacity for large emitters to manage their own obligations
 - The longer term ability of the sector to adjust to a reduced carbon economy

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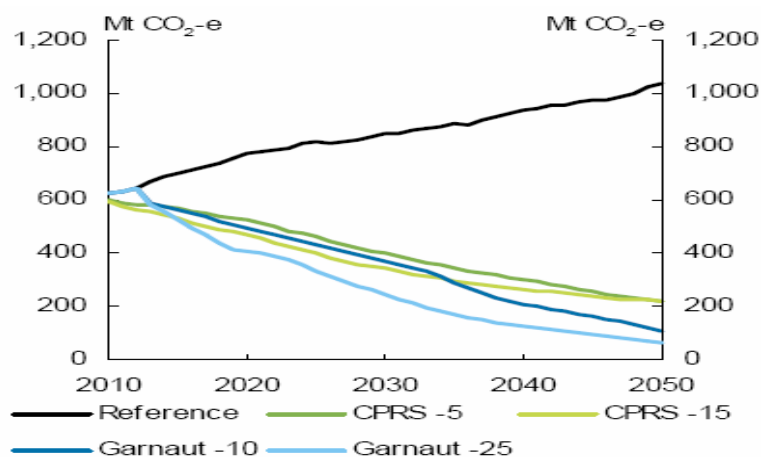
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Treasury modelling

- In October 2008 Treasury released *Australia's Low Pollution Future: The Economics of Climate Change Mitigation*
- One of the most complex economic modelling projects ever undertaken in Australia
- It investigates the potential economic impacts of reducing emissions over the medium and long term
- BITRE and CSIRO contributed to transport aspects

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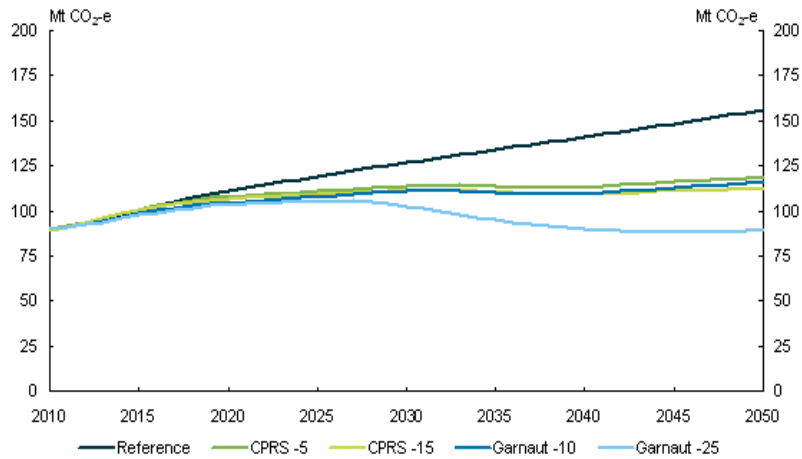
Australian emissions reduction scenarios



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Source: Treasury estimates from MMRF

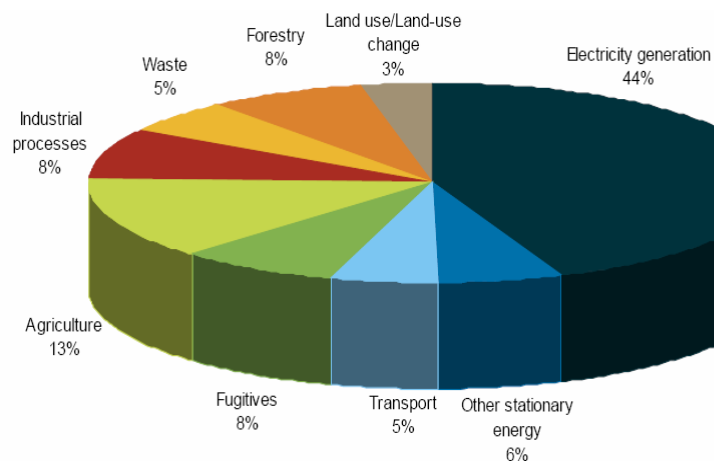
Transport sector emissions reduction scenarios



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Source: Treasury, BITRE and CSIRO.

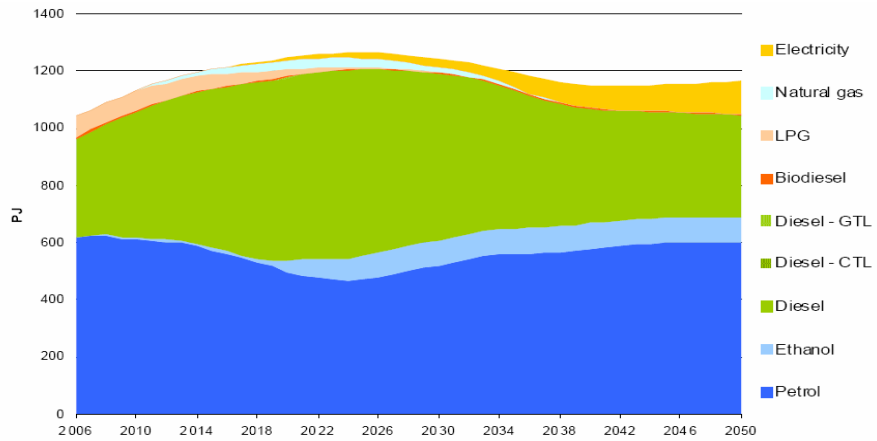
Share of cumulative emission reductions by sector CPRS -5 scenario, 2010-2050



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Source: Treasury estimates from MMRF

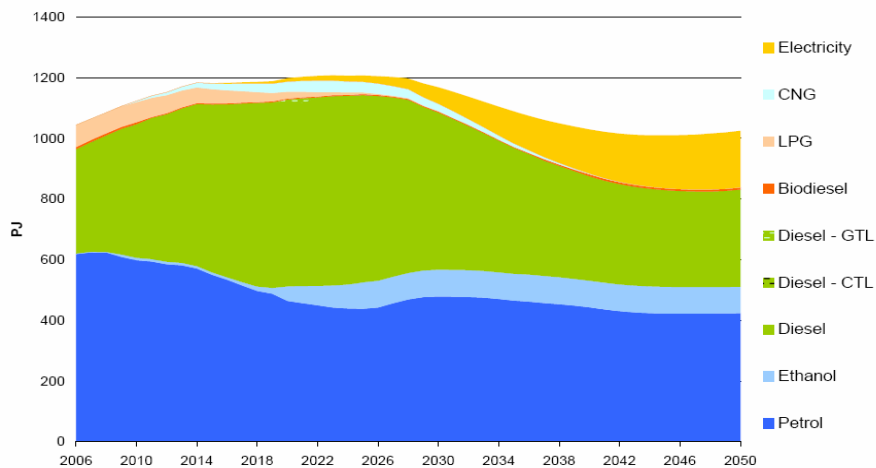
Road fuel use in petajoules in the CPRS -5 scenario



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Source: BITRE and CSIRO.

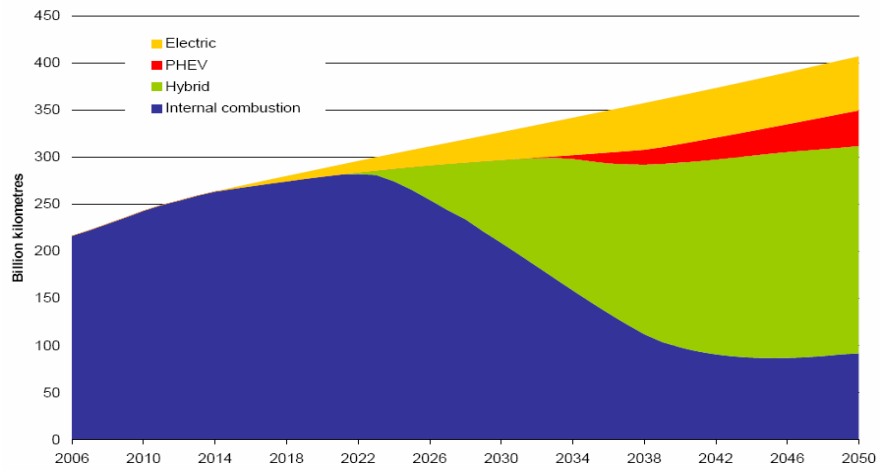
Road fuel use in petajoules in Garnaut -25 scenario



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Source: BITRE and CSIRO.

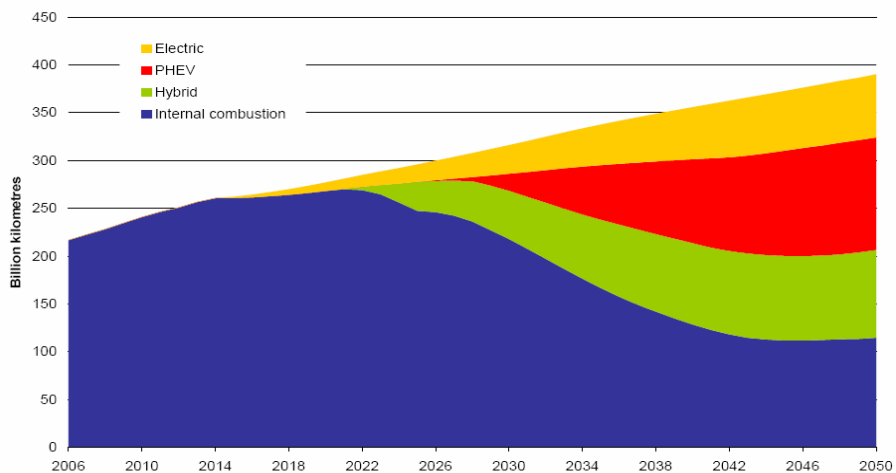
Vehicle use by engine type in CPRS -5 scenario



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Source: BITRE and CSIRO.

Vehicle use by engine type in Garnaut -25 scenario



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Source: BITRE and CSIRO.

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Related Australian Government policies

- Research and development
- Green Car Fund
- Vehicle fuel efficiency (under development)
- Information provision
 - Green Vehicle Guide
 - Fuel Consumption Labelling Standards
- Transport infrastructure investment
- Greater involvement in urban transport / urban planning

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Summing up

- The challenge of 'business as usual' emissions growth
- CPRS response including transport
- Transport emissions in 2050 – significantly below business as usual (Treasury)
- Other strategies, eg to improve infrastructure, reduce congestion, can have climate change dividends

Further Information

- **CPRS**
 - Visit the website <http://www.climatechange.gov.au>
 - Phone 1800 057 590
- **BITRE Publications**
 - Visit the website <http://www.bitre.gov.au>
 - Phone 02 6274 7210
- **Treasury Report**
 - Visit the website <http://www.treasury.gov.au>
 - Phone 1800 020 008