



PRIME MINISTER

CLIMATE CHANGE FUND

A re-elected Coalition Government will establish a Climate Change Fund for substantial investments in the transition to a low-carbon economy, and most importantly, to reduce the impact of a carbon price on households, particularly low income families and pensioners.

This year, the Government decided to implement a national emissions trading scheme, to commence no later than 2012. It will be the most comprehensive scheme in the world.

Under the scheme, firms and other sources of emissions will need to have permits to emit greenhouse gases. The permits will be set under an overall cap on emissions, which will be gradually reduced, driving the transformation to a low carbon economy.

Initially, a substantial proportion of permits will be allocated to trade exposed and disproportionately affected firms. Over time, however, the proportion of permits sold to firms will rise, with auctioning becoming the dominant form of permit allocation. These auctions will become a significant source of Commonwealth revenues.

In 2005 Australia's total emissions were 559 million tonnes. The trading scheme is expected to cover 70-75 percent of emissions at the outset, or in 2005 terms, in excess of 400 million tonnes. Revenues are likely to be substantial and rise quickly.

A re-elected Coalition Government will establish a Climate Change Fund as a key element of the emissions trading scheme. The purpose of the Fund will be to ensure that a substantial proportion of emissions trading revenues are re-invested in climate change and related initiatives.

Establishing the operation and size of the Fund will be subject to the same rigorous economic modelling and analysis being applied to the design of the trading scheme.

Two fundamental priorities of the Climate Change Fund will be:

- clean energy technology, focussed on zero emissions renewable and low emissions energy sources, and carbon capture and storage;
- support for households most affected by the impact of a price on carbon, in particular low income families and pensioners, through reforms that boost economic prospects.

Other priorities of the Climate Change Fund will be carbon sequestration, in particular forestry and agriculture, energy efficiency and energy demand measures, climate change adaptation, international initiatives for clean development and ongoing consumer education and information.

A re-elected Coalition Government can be trusted to manage the transition to a low-carbon economy whilst ensuring our jobs and economic prosperity.

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