



10. STRONGLY AFFECTED INDUSTRIES

JULY 2008

FACT SHEET

The Carbon Pollution Reduction Scheme will increase the cost of producing emissions-intensive goods and services. Where industries cannot fully pass on increases in production costs to consumers, entities in those industries may face a reduction in their profitability. While many industries will face costs from the scheme, some industries may be particularly strongly affected. The Government has committed to address the impact of the scheme on these strongly affected industries.

What is a strongly affected industry?

A strongly affected industry is an industry that:

- Is not trade exposed
- Is emissions intensive
- Includes firms that cannot pass on carbon costs to consumers, and so may experience significant losses in asset value
- Has significant sunk capital costs
- Does not have significant economically viable abatement opportunities available to it.

Which industries are likely to be strongly affected

The Government presently considers that the coal-fired electricity generation sector is likely to be a strongly affected industry. The Government also considered several other industries against the characteristics outlined above. The Government is seeking feedback through the Green Paper consultation process on whether any other industry might demonstrate these characteristics.

Will assistance be provided?

The Government carefully considered the rationale and trade-offs in providing a range of different assistance measures to the coal-fired electricity generation sector.

The Government proposes a three-tiered assistance package and is disposed to delivering this, in part, through a new mechanism called the Electricity Sector Adjustment Scheme (ESAS).

Electricity Sector Adjustment Scheme

The Government proposes that the ESAS will deliver assistance through:

- Support for the development and deployment of carbon capture and storage technologies
- Commitments to address particular impacts of the scheme on workers, communities and regions in this sector through various structural adjustment assistance packages as required
- Direct assistance to coal-fired generators.

The objectives of the ESAS are to:

- Underpin investor confidence in the electricity generation sector
- Facilitate structural adjustment for individual firms, workers, communities and regions
- Ensure energy security, including through measures that facilitate adaptation to low-emissions production.

Who will direct assistance be available to?

The proposed limited direct assistance will be provided to coal-fired electricity generation assets that were in operation, or committed to be constructed, on 3 June 2007. The Government proposes this date as the cut-off for eligibility for direct assistance as it represents the point in time that the introduction of a carbon price became bipartisan policy in Australia.

How much assistance will be provided?

The Government will determine a quantum of direct assistance for the coal-fired electricity generation sector after the medium-term national target range has been established. The medium-term target will be an important input in determining the impact of a carbon constraint on this sector.

