Caltex Talkingpoint

GREEN PAPER ON THE CARBON POLLUTION REDUCTION SCHEME

The Australian government has released a green paper containing policy options for an Australian greenhouse gas emissions trading scheme known as the Carbon Pollution Reduction Scheme.

- Caltex supports the introduction of an emissions trading scheme for Australia but it must provide a level playing field for oil refining and other emissions-intensive trade-exposed industries. Carbon costs on Australian refineries should not increase faster than for overseas competitors.
- Nothing will be achieved if a badly designed scheme results in Australian production of petroleum products being replaced by imports. Greenhouse gas emissions will simply be created in Asia instead of Australia and our security of supply of petrol, diesel and jet fuel will be seriously weakened.
- Emissions-intensive trade-exposed (EITE) industries, excluding agriculture, will account for about 40 per cent of the emissions covered by Australia's emissions trading scheme. However, the government has decided that only 20 per cent of permits for these emissions will be allocated free to EITE industries, which is only half the number required to create a level playing field against imports.
- Many industries including oil refining are not defined by the green paper to be emissions intensive so will receive no free permits at all. The problem lies with the way the green paper defines emissions intensity: emissions divided by revenue. Other measures such as emissions divided by value added would be more appropriate to measure the financial impact of carbon costs.
- In addition to the permits that Caltex must purchase for its own emissions, mainly from refining, the Carbon Pollution Reduction Scheme will require liquid fuel suppliers like Caltex to purchase permits for greenhouse gas emissions from customers' use of fuel then pass on the costs at the pump.
- This means that Caltex will be the largest purchaser of carbon permits in Australia, approaching 10 per cent of the market. Caltex believes the design of the scheme should avoid imposing high risks and costs on fuel suppliers for the purchase of permits to cover customers' emissions.
- Prices to motorists will not increase for at least three years because excise will be reduced "cent for cent" to offset carbon costs. The price of carbon permits for petroleum products must be highly transparent and must be exactly matched to the excise reduction to assure motorists they are not being overcharged for carbon costs.
- Australia can take an international leadership position in policies to reduce carbon emissions but until there is global commitment to emission reduction, Australia's emissions reduction trajectory should be modest to ensure a low carbon price.

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REDUCING CARBON EMISSIONS FROM TRANSPORT

Fourteen per cent of Australia's greenhouse gas emissions come from use of transport fuels. We need to greatly reduce these emissions. Manufacturers are already showing us how the vehicles and fuels of the future will help meet Australia's 2050 emissions target.

Vehicles with internal combustion engines fuelled with petrol and diesel are becoming much more fuel efficient, and they'll continue to become more economical. By 2010, Volkswagen aims to be selling a two-person diesel car that can travel 100 kilometres on one litre.

Mass production of petrol-electric and diesel-electric cars and commercial vehicles has already begun. Hybrids like the Toyota Prius use a combination of conventional petrol or diesel engines and electric motors to reduce fuel consumption. The electricity is generated from the vehicle engine.

Petrol and diesel refined from crude oil will be around for decades. But vehicles will shift gradually to using fewer petroleum products and more electricity from coal or gas-fired power stations with carbon capture and storage, or from renewable electricity sources such as wind or solar.

Low emission electricity generation is essential if electric vehicles are to reduce overall greenhouse gas emissions. "Plug-in" hybrids will recharge with mains electricity. General Motors expects to begin production in 2010 of the Chevy Volt, a petrol-electric hybrid vehicle that relies mainly on its electric motor.

VW's two-person diesel car

Cars that run only on electricity are already available overseas and in the future will be more practical and have longer range. Already the new Tesla electric sports car from the US will outperform most other cars on the road.

Conventional petroleum products and the refineries to make them will be required for many years. However, alternative fuels will be needed to help reduce Australia's growing imports of petroleum products and will help reduce greenhouse gas emissions.


The hybrid Chevy Volt

Sustainable "second generation" biofuels like ethanol and biodiesel made with renewable feedstocks like non-food crops or even algae will provide pure and blended lower carbon content fuels for internal combustion engines in cars and trucks and possibly for some aircraft engines.

Longer term, synthetic diesel and possibly jet fuel made from gas, coal and biomass will provide fuels for heavy commercial transport and other mobile uses where electric motors are not practical. Carbon capture and storage of the carbon emissions from manufacturing will reduce the emissions from making these fuels.

Hydrogen-powered vehicles may eventually appear on our roads. The hydrogen will need to be produced from renewable sources but can be used directly in internal combustion engines or in fuel cells, which generate electricity on-board to power vehicles.