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Headline: Australia sets carbon price to fight climate change

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SYDNEY – Australia on Sunday said carbon pollution would be taxed at Aus\$23 (US\$24.74) per tonne to help battle climate change, in one of the nation's biggest economic reforms in years.

The move, which analysts said starts to bring Australia's response in line with that of Europe, is seen as a make-or-break issue for the fragile coalition government of Labor Prime Minister Julia Gillard who unveiled the tax Sunday.

"As a nation, we need to put a price on carbon and create a clean energy future," Gillard told a news conference in Canberra.

Under the scheme to begin on July 1, 2012, about 500 of Australia's top polluters will pay the fixed price per tonne for their carbon dioxide emissions for the first three years.

The mechanism would then shift into an emissions trading scheme, with a floating price set by the market.

"A carbon price will create economic incentives for the biggest polluters to reduce their emissions of greenhouse gases," Gillard said.

The issue of a carbon tax has been hotly debated in Australia, among the world's worst per capita polluters due to its reliance on coal-fired power and mining exports.

But Gillard said there had been an "avalanche" of science saying that the planet was warming, and warming due to carbon pollution.

"This has been a difficult debate that has brought us to this moment," she said. "But we are here now and now is the time to get this done."

Gillard said the tax would reduce Australia's carbon emissions by about 160 million tonnes by 2020 — an amount she said was the equivalent of taking 45 million cars off the road.

The prime minister has the numbers in parliament to pass the legislation but her popularity has been sinking in opinion polls since she announced plans for the tax earlier this year.

The conservative opposition has led the attack on the tax, saying it will hurt industry and send jobs offshore as well as increase the cost of living for ordinary Australians.

Gillard has attempted to sweeten the deal for voters in recent days, promising that Australians will be compensated for the cost through government family payments, pension boosts and income tax cuts.

Petrol has also been exempted from the levy to shield consumers.

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But major mining companies such as BHP Billiton, Rio Tinto and Xstrata are expected to be hit by the tax, liable for a combined Aus\$380 million under a conservative price of Aus\$20 a tonne, according to modelling by the Australian Financial Review.