

Carbon quotas pose threat

[Energy](#) | [Alan Moran](#)

The Herald Sun 9th April, 2005



The European Union has begun a carbon dioxide trading market that sees its 12,000 electricity generation plants and major factories have been given an annual quota of carbon dioxide units.

Fossil fuel burning electricity generators are allowed to produce more energy so long as they don't increase their outputs of carbon dioxide.

Those that are able to reduce their outputs of carbon dioxide (either by reducing overall production or doing things differently) can sell their surplus quotas.

The going price in the market now in place for these quotas is \$22 per tonne of carbon dioxide. Fewer quotas to ensure deeper cuts in carbon emissions could quadruple present prices

Australia, alongside the US, China, India and others has not ratified the Kyoto protocol on greenhouse gases which forms the basis of the EU trading system.

The Commonwealth Government has said it will not introduce a carbon tax or carbon trading system. However, the States favour more aggressive emission reduction measures.

Spearheaded by NSW and Victoria, they are attempting to set up a trading system modelled on the EU's.

Because electricity plants use different forms of fuel, carbon quotas have different impact on their cost structures.

The trading system favours wind, hydro and nuclear plants at the expense of fossil fuel burning plants that use gas or coal.

Based on present European prices, a carbon dioxide trading system would raise the cost of electricity from Victoria's Latrobe Valley brown coal plants from about \$38 per MWh to \$63.

Gas plants like that Newport would see initial costs rising to about \$56 per MWh, though increases in gas demand would soon push this above the brown coal plants' costs.

Wind, hydro and nuclear fuel plants would see no cost increase. Hydro and wind have limited futures because hydro has little potential and windpower will always be uneconomic no matter what burden is placed on its competitors.

However, even at current European carbon dioxide prices, nuclear is more competitive than coal generation if a carbon trading regime were to be introduced.

Of course, Australia's mindless rent-a-crowd protesters would bring additional political obstacles to nuclear. However Labor leaders like Britain's Tony Blair appear to be gradually conditioning their flock into accepting nuclear power which is, after all, safe clean and reliable.

A nuclear electricity future for Victoria could be brought about by quotas on carbon dioxide emissions that would penalise brown coal.

However, measures that penalize brown coal generation can only prove ruinous to Victoria's competitiveness and bring about a loss of energy-intensive industries like aluminium.

It is therefore odd that the Bracks Government should have been prominent in pursuing such proposals.

[Back to news page](#)



[Become a member of IPA today](#)



Archived news

[2014](#)

- > [August](#)
- > [July](#)
- > [June](#)
- > [May](#)
- > [April](#)
- > [March](#)
- > [February](#)
- > [January](#)

[2013](#)

- > [December](#)
- > [November](#)
- > [October](#)
- > [September](#)
- > [August](#)
- > [July](#)
- > [June](#)
- > [May](#)
- > [April](#)
- > [March](#)
- > [February](#)
- > [January](#)

[2012](#)

- > [December](#)
- > [November](#)
- > [October](#)
- > [September](#)
- > [August](#)
- > [July](#)
- > [June](#)
- > [May](#)
- > [April](#)
- > [March](#)
- > [February](#)
- > [January](#)

[2011](#)

[2010](#)

[2009](#)

[2008](#)

[2007](#)
[2006](#)
[2005](#)
[2004](#)
[2003](#)
[2002](#)
[2001](#)
[2000](#)
[1999](#)
[1998](#)
[1997](#)
[1996](#)

[IPA](#)

[Home](#)
[About](#)
[Key Sectors](#)
[News](#)
[Events](#)
[Publications](#)
[IPA People](#)
[Contact us](#)
[Site Help](#)
[Payment](#)

[News](#)

Useful links

[Top of page](#):: [Site help](#)
:: [Site map](#)
:: [Privacy](#)
:: [Copyright](#)
:: [Subscribe to IPA email updates](#)
:: [Unsubscribe](#)