



Submission from the Technical Textiles and Nonwoven Association to the Department of Climate Change and Energy Efficiency on the proposed carbon pricing framework - May 2011

The Technical Textiles and Nonwoven Association (TTNA) acknowledges that an effective global solution to climate change requires action from all major emitters and that Australia should reduce carbon pollution as part of global efforts to combat climate change. However, while broadly supportive of a price on carbon, the TTNA finds it difficult to make specific comment on the planned carbon pricing mechanism until the Government releases more particulars of its proposed design, coverage and operation. Members of the TTNA are also concerned that the process is one of haste with little time for sound debate and analysis. Our support for the proposed carbon pricing scheme is therefore qualified and will be reconsidered when the Government releases its fully developed proposal.

1. Cost competitiveness of manufacturing

Compared to other industrialised nations, Australian energy prices have been low, which has aided the cost effectiveness of manufacturing in Australia and has translated as a competitive advantage in export markets. However, over the past five years, all TTNA members have experienced substantial energy price rises and expect more over the next few years. Most members have made significant improvements to their energy efficiency and plan to continue this investment - given affordability.

In essence, the cost of doing business has risen significantly.

The Federal Government's joint media release¹ proposes "an assistance package to help households meet the rising costs of living" acknowledges that the proposed carbon tax will raise the cost of being an Australian. The TTNA agrees with the Government's view that the proposed carbon tax will evolve as a tax on everything affecting every transaction in the economy, as higher energy costs flow through the economy. Inevitable price increases will also be felt more acutely in regional areas with increased transport costs.

Given the pressures from energy prices and the strong dollar, the TTNA cautions the Government that the Australian technical textiles and nonwoven industry's resilience is unlikely to be able to absorb the cost impost of the proposed carbon tax.

It is therefore prudent that any policy induced cost impost be considered in the context of this deleterious environment. To that end, the TTNA requests the Government take full account of the impact on industry competitiveness and actively delays the proposed carbon tax.

In the interim, a variant of the TCF Strategic Investment Program should be introduced to assist technical textiles and nonwoven companies' transition to operate with increased energy and transport prices and to implement changes to improve energy efficiency. This should consider the unique characteristics and needs of manufacturing in regional areas.

¹ No022

2. Facilitating an informed debate

Conspicuous to the TCF industry has been the absence of the effect a carbon tax would have on manufacturing in the public debate and/or the research undertaken by DCCEE on the introduction of a carbon tax. There was little reference to the sector in the Garnaut Climate Change Review Update Paper #7. Our view is that there has been no genuine informed consultation and the case for a carbon tax has not yet been fully developed and justified. Fast tracking the scheme's introduction could lead to administrative problems and unintended consequences, which could potentially undermine community confidence in the Government's climate change abatement strategy.

The TTNA requests that the Government conduct a regulatory impact analysis to thoroughly evaluate the cost and benefits of the proposed scheme on trade-exposed manufacturing operations.

3. Carbon Tax = new environmental jobs

The Government is claiming that a carbon price will "drive investment in clean energy, and will deliver certainty for business to invest in the technologies of the future"²; however, the Garnaut Climate Change Review stated that "Banks do not take risks with new technologies"³. Without specific and effective support from the Government and/or banks, the most likely scenario will be that investment in the technologies of the future will be imported technology that will employ Australians in low skilled trade jobs installing international technology, as is the case with the wind farms and desalination plants.

By way of example, at the end of 2010, 1,880 MW of wind capacity was installed in Australia, consisting of 1,052 operating wind turbines spread over 52 wind farms (Global Wind Energy Council). While wind turbines are made from composites, and the amount of wind generation capacity has increased by an average of 30% per year over the past decade, wind energy has done little for the Australian composites industry. In parallel with this growth has seen the Australian resin industry close down because of competition from low labour cost countries and the importation of European wind energy technology.

Desalination plants provide a similar scenario. Composite pipes are being imported from India and filtration units are closed, providing no opportunity for Australian filtration media manufacturers to (at least) supply replacement media.

Members of the TTNA request that the Government ensure the introduction of adequate investment and procurement procedures to provide opportunities for the engagement of Australian human capital and commercialisation of Australian research, development and innovation and high skilled jobs.

4. Exporting Goods, Importing Carbon Dioxide

Technical and nonwoven textile manufacturing is a trade-exposed industry with imports from low labour cost countries increasing at significant rates in parallel with trade liberalisation.

The proposed carbon pricing mechanism is misguided because imported technical textiles and nonwoven rolled goods and finished products from developing countries without carbon trading imposts will have lower input costs.

² Source: Joint Media Release (NO.022) from the Deputy Prime Minister and Treasurer with the Hon Greg Combet - 23 March 2011.

³ Source: Update Paper #7 page 10

Ameliorating our carbon reduction responsibilities through policy that actively encourages manufacturing to be relocated in low labour cost countries is unreasonable and irrational.

5. Guiding principles in advance of any carbon price mechanism

1. The Government conducts a regulatory impact analysis to thoroughly evaluate the cost and benefits of the proposal scheme on trade-exposed manufacturing operations.
2. The Government guarantee that industry will not be financially worse off from putting a price on carbon.
3. The Government should provide textile industry specific, adequate and effective transitional assistance, preferably a variant of the TCF Strategic Investment Program. This should also consider the unique characteristics and needs of manufacturing in regional areas.
4. The Government ensures the introduction of adequate investment and procurement procedures to provide opportunities for the engagement of Australian human capital and commercialisation of Australian research, development and innovation and high skilled jobs.
5. The Government should ensure that any mechanism to price carbon should have transparent scheme rules and clear accountabilities.
6. The Government introduces financial incentives to develop new low carbon concept products.
7. The Government provides assistance to SME's who may face significantly increased energy and costs as a result of the introduction of a carbon tax.
8. The Government subjects imports to the same carbon tax as Australian made products.
9. The Government provides carbon tax exemption for exported products.
10. The Government formalisation of ongoing consultation with the TCF&L industries regarding the further development of, and implementation of the carbon tax

The TTNA welcomes any opportunity to provide further input into the development of the Governments carbon reduction measures. Any queries relating to this submission may be directed to the undersigned.



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