



# Australia's Cleantech Dance with Asia

by John O'Brien, Australian CleanTech

So far in 2011, Australia has had an exact rerun of the carbon pricing debate of 2008. Apparently a carbon price will cause mass job losses, the shutdown of key industries and regular power black-outs. There will also be carbon leakage and, with less than 2% of global emissions, we can't make any real difference anyway. These arguments are of course not limited to Australia alone.

The one difference from 2008, however, is that we now have a minority government that has had to do a deal with the Greens in order to stay in power. This situation, it appears, will push the deal over the line.

The government's final policy position was announced on 10 July and includes a fixed carbon price of A\$23 starting on 1 July 2012 and rising by 2.5% after inflation per year. The fixed price is to transition to a market-based emissions trading scheme (ETS) in 2015 with a price floor of A\$15 at the start of the ETS, rising 4% a year. There will be a price cap, which will be set at \$20 above the expected international price for 2015/16 rising by 5% in real terms. International offsets will be limited to 50% of an entity's liability.

The reduction target remains at 5% below 2000 levels, equivalent to 160m t-CO<sub>2</sub>e, with the promise to increase this to 25% if there is significant global action. The 2050 target has been increased from 60% to an 80% reduction.

There is plenty of compensation in the package. Most households will get a full rebate for increased costs through tax cuts, with low income households being over-compensated. Trade exposed industries have been almost fully compensated, as have the steel and coal industries. There are new grants to assist manufacturers to transition to low emissions technologies. Overall, the compensation measures are forecast to cost a net A\$4.4 billion to June 2015. There is of course a long way to go before this policy becomes legislation, but the government appears to have the numbers to push it through.

Whatever its final shape, there will be a huge collective sigh of relief – and CO<sub>2</sub> – when the scheme is finally passed. It is probable that the sky will not fall in, that few jobs will be lost and Australia can get on with designing its place in the future cleantech world.

Australia's cleantech industry has had a bumpy ride over the last few years, with patchy and inconsistent regulatory regimes.

That the surviving complementary and industry development measures were largely pulled earlier this year to pay for flood damage was a wonderful irony. A government that came to power in the midst of a severe drought and with strong climate action policies cancelled action on climate change to pay for the results of an extreme weather event!

The industry in Australia has spent a lot of time moaning that governments here are not supporting cleantech enough for it to be successful – and without success there is failure. However, there could be another, less binary, option for the cleantech sector: one in which Australia works collaboratively with other nations to deliver solutions to the world.

This step does, however, require a vision of what the country could become. Without this vision, we will continue to debate why some industries will lose profits and some jobs will be lost, blind to the fact that the choices we are making determine what future industries will never start and how many future jobs will not exist.

There is plenty of activity in the Australian cleantech industry, with many thriving companies in water, waste, recycling, wind and solar. Some of these are developing world leading technologies and business models.

However, there is even more activity in our near neighbours. A recent HSBC report reviewing the low carbon investment policies of ten countries found that China was by far the most attractive location, followed by India and South Korea. China's recently released five year plan will promote growth in many cleantech orientated industries; India has an REC trading scheme and a Green Bank; and Korea has its Global Green Growth Initiative.

Another interesting development in the sector is the increased friction between countries vying for a leading spot in cleantech, the most notable being the clash between the US and China over each others' protectionist cleantech policies.

With all this activity, it is hard to see how a minor player such as Australia could be influential.

Shortly after moving to Australia in 1997, I attended a dinner at which I sat next to a recently retired federal minister. Although the minister did not feel the need to be engaging or even to introduce himself, his

wife worked the table brilliantly. She facilitated conversation, made sure everyone was, and felt, involved and acted as the perfect foil to her husband. Everyone had an enjoyable evening – despite the minister's presence.

Maybe Australia could perform the role of 'minister's wife' for the global cleantech industry, helping to facilitate conversations, mediating when people are being too pompous and ensuring that everyone is involved.

Australia could provide a global cleantech investment and technology bridge between the region in which we live – and are increasingly connected – and the richer nations of Europe and North America.

This of course would not be a selfless act. By being a facilitator, Australia can ensure that it secures the best investments, enables its own technologies to be commercialised globally and can access the best of others' technologies. The beauty of this strategy is that it does not need supporting regulatory measures. It does not matter if the government does nothing – always a real and present threat! The industry would not have to waste any more time complaining about inconsistent and weak leadership.

So imagine the long global cleantech table with the US at one end and China at the other, both vying to dominate the conversation and draw more people to their half of the table. Europe is in the middle, convinced that the place settings are wrong but not too worried about who else is there. Korea is on the other side quietly getting on with its meal. Australia has a number of different seats and engages with all parties, helping them to understand the opportunities that will be created through collaboration. When there is tension, it grabs an arm and takes a partner to the dancefloor.

By being willing to engage with many international partners, cleantech businesses can create both significant value for their shareholders and a meaningful place for Australia at the global cleantech table – all without having to wait for politics and its ministers to catch up.

In the role of 'minister's wife', the Australian cleantech industry can get on with creating a strong, vibrant, future-orientated economy for the country. The cleantech dance with Asia could not only help drive the local industry, but also create global networks for the benefit of all.

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