

Report on Cluster B case studies

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Progress

Three case studies are complete and have been discussed by Cluster B

- *PanPac*
- *Golden Bay Cement*
- *Tasman Insulation*

Three more will be ready in the next few weeks.



Key new insights

1 Free allocation needs to be targeted at the level within a firm that is at risk

- Process
- Plant
- Firm

Ideally processes are targeted but sometimes they are impossible to separate from wider plant or integrated operations.

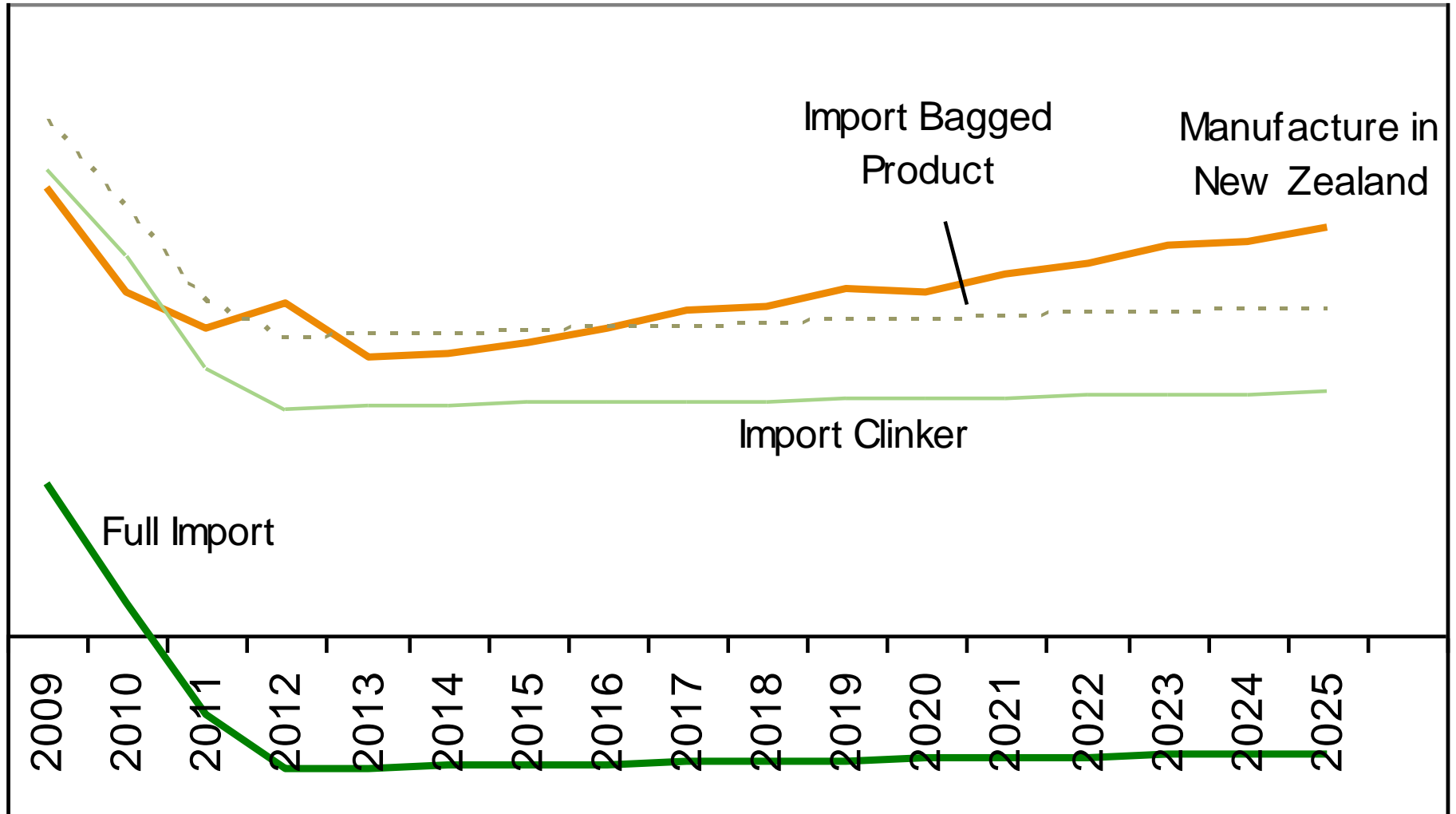


Key insights

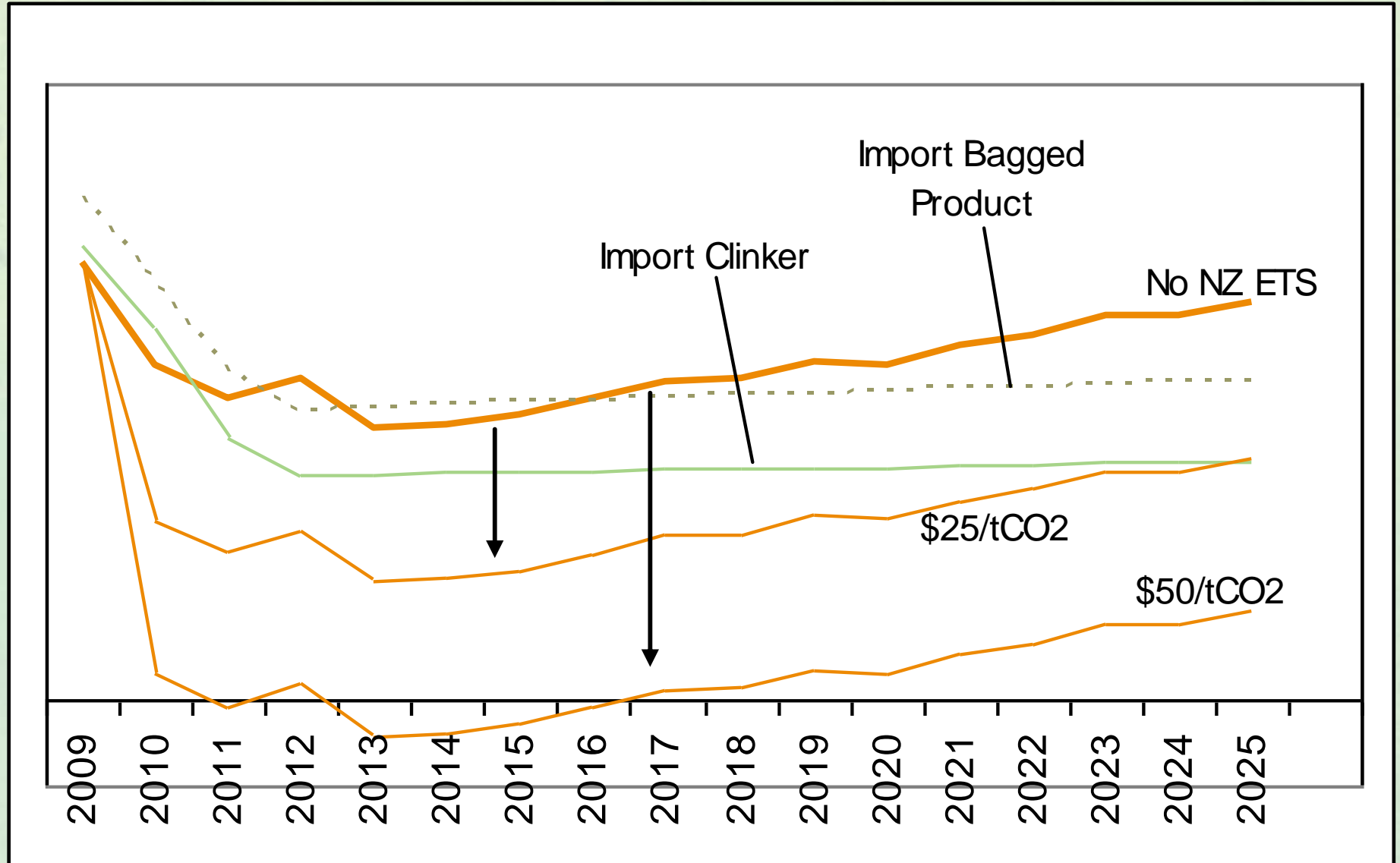
- Some activities would rapidly become unprofitable under an ETS with no protection (clinker for cement, and pulp)
- To protect, free allocation must be linked to the activity at risk and withdrawn if it is closed



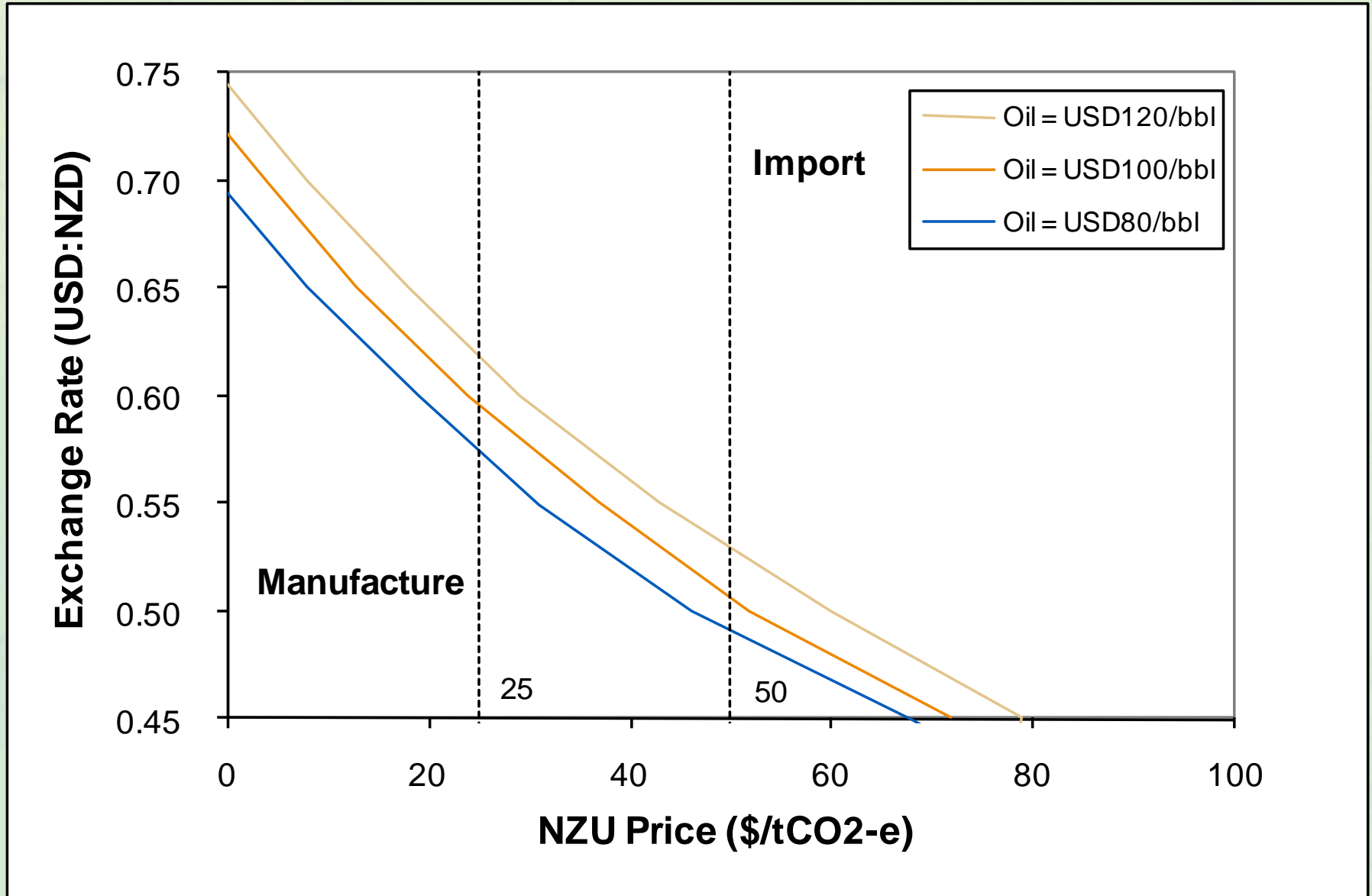
No ETS – long run prices



With ETS



Sensitivity of export decision exchange rates, oil price and ETS



Key insights

- Policy needs to be sensitive to specific form of Australian policy.
- Electricity factors could affect whether SMEs reach allocation thresholds



Next steps

- In depth discussion of final papers as a group
- Distribution of some papers
- Emphasis on implications for:
 - level of allocation; and
 - form
 - output based versus historical
 - Treatment of new entrants

