



AUSTRALIA CAN REDUCE EMISSIONS AND PROTECT ITS PROSPERITY: VIVID ECONOMICS REPORT

Research examines lessons learnt from leading low carbon economies in carbon productivity and policy efficiency

Sydney, 26th May 2011 - A report by Vivid Economics and Norton Rose, commissioned by GE (NYSE:GE), today revealed that it is possible for economies to reduce carbon emissions while maintaining economic growth and prosperity; and that Australia is lagging behind its trading partners in achieving this.

The report analyses carbon productivity performance across six major economies - Australia, USA, Germany, China, Japan and the UK - over the past thirty years. Carbon productivity measures the economic wealth (GDP) generated per tonne of CO₂ emissions. The higher the carbon productivity, the cleaner the economy as it grows.

Cameron Hepburn, director of international economics firm Vivid Economics, said that carbon productivity is an important concept in examining the prosperity of an economy in a low carbon future.

"Economies that can grow while reducing their carbon emissions will be best positioned for higher prosperity in a carbon-constrained future.

"Carbon productivity is driven by two key levers – energy efficiency, which is about using less energy to generate the same amount of economic wealth; and carbon intensity, which is about emitting less pollution from the energy that you use. This research finds that good policy should encourage improvements in both levers, and also provides some insight into the impact and cost of different policy mechanisms on carbon productivity."

Steve Sargent, President and CEO, GE Australia and New Zealand said: "This research shows that it is possible to break the nexus between economic growth and the growth of carbon emissions. If we look at the experience of other economies that are already on the move towards higher carbon productivity, we can learn how to do this most efficiently.

"The economies of our major trading partners have already made strong improvements in carbon productivity while we have fallen behind. Australia should focus on shifting its carbon productivity and the sooner we do this, the more our pace can be steady and in our control. With the right policy mix we can do that while protecting our economic growth."



When comparing Australia to other economies, the research revealed a number of key insights.

Australia's carbon productivity growth is lagging the rest of the world – the average growth rate for the UK and Germany is more than three times faster than Australia's, with the US more than twice as fast, and China nearly five times as fast.

Breaking this down into the two levers that drive carbon productivity:

- Australia's energy efficiency has improved, but at a slower rate than other countries. Energy efficiency growth in the US, Germany and the UK is almost double that of Australia. All four economies started in a similar position in 1980, but have now diverged considerably.
- Australia's carbon intensity is among the highest in the world. While most major economies have been reducing their carbon intensity, Australia's carbon intensity continues to increase. Australia's dependence on coal and particularly the use of high-emissions brown coal is driving this comparatively high carbon intensity. Furthermore Australia's coal and gas plants are less efficient than their global peers.

Key recommendations from the report highlight that:

1. A transformation is needed in Australia's electricity sector so that more electricity can be efficiently generated with fewer emissions – this will require investment into this sector.
2. A broad-based, market-driven carbon price is the lowest cost method to reach a given emissions target as seen in the markets with an ETS such as the UK and Germany.
3. A well-designed mix of policies with a few broad, complementary measures is most effective and efficient, as seen in markets with measures such as renewable energy targets, clean energy standards or gas incentive schemes.

To download the executive summary of the report, please visit www.ge.com/au/protectingprosperity

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About GE

GE (NYSE: GE) is an advanced technology, services and finance company taking on the world's toughest challenges. Dedicated to innovation in energy, health, transportation and infrastructure, GE



operates in more than 100 countries and employs about 300,000 people worldwide. For more information, visit the company's Web site at www.ge.com/au

About Vivid Economics

Vivid Economics is a leading strategic economics consultancy with global reach. We strive to create lasting value for our clients, both in government and the private sector, and for society at large. We are a premier consultant in the policy-commerce interface and resource and environment-intensive sectors, where we advise on the most critical and complex policy and commercial questions facing clients around the world. From our beginnings in 2006, we have become well recognised and trusted in our field, and known for our uncompromising quality.

About Norton Rose

Norton Rose Group is a leading international legal practice. It offers a full business law service from offices across Europe, the Middle East and Asia Pacific. Norton Rose has over 1800 lawyers operating from 30 offices. Norton Rose's leading global climate change and carbon finance team has been at the forefront of these exciting markets, advising governments, financial institutions, and corporates on an extensive range of carbon finance, climate change regulation and clean technologies.

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