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Australia carbon tax- a green initiative;

Australia announced yesterday its carbon tax plan in an effort to help fight climate change. Under the scheme to begin on July 1, 2012, about 500 of Australia's top polluters will pay a fixed price, starting at A\$23 (~US\$25) per tonne of their carbon dioxide emissions for the first three years which will rise by 2.5 per cent annually until it is replaced by an emissions trading scheme in 2015.

Under the scheme, it would affect the coal miners and large power consuming companies (eg aluminium smelting) the most. The carbon tax of A\$23 per tonne of carbon dioxide equivalent emission would translate to about A\$2 per tonne of coal output and this number could be very different for smelting companies depending on how energy efficient (or inefficient) their operations are.

Businesses in the agriculture, fisheries and forestry industries will initially be exempt from fuel cost increases. Heavy transport is being excluded for two years. The package will seek to close Australia's dirtiest power stations by 2020;

Our view - Not likely to impact Indian companies

- Though India imports large quantities of coal (especially coking coal by steel companies), the price is globally determined and not likely to be passed on to end users. Currently the coking coal contract for Q2FY12 has been settled at US\$315 per tonne. Thus, we believe there will not be any significant adverse impact on the Indian metals players including steel companies even if the higher cost is passed on.
- The price of Certified Emission Reduction (CER) can show some strength in the global market. Some of the Indian companies from the metals space viz (JSW Steel, Hindustan Zinc etc) earn carbon credits and subsequently monetized.
- This bill however signals the importance being given towards green energy and environment friendly technologies which enable reduction in carbon emissions by various regulatory authorities and green bodies across the globe.

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