

Assess the effectiveness of ONE market-based policy in managing environmental issues in the Australian economy.

5 marks

Possible Plan

Introduction

- Define market-based policy.
- Briefly introduce the chosen policy (e.g., carbon pricing).

Understanding Market-Based Policy

- Explain how market-based policies differ from regulations.
- Highlight the economic rationale behind using market mechanisms.

Carbon Pricing in Australia

- Describe the implementation of carbon pricing.
- Discuss its objectives in reducing greenhouse gas emissions.

Effectiveness in Managing Environmental Issues

- Provide data on emission reductions since implementation.
- Analyse economic impacts, such as changes in industry behaviour.

Challenges and Limitations

- Mention any criticisms or limitations of the policy.
- Discuss potential improvements or alternatives.

Conclusion

- Summarise the overall effectiveness of the policy.
- Highlight its significance in Australia's environmental strategy.

Assess

- Make a judgement of value, quality, outcomes, results or size.

Did You Know?

In recent years, renewable energy has become increasingly cost-effective in Australia. By 2024, the levelized cost of electricity (LCOE) for solar and wind energy was approximately 30-50% cheaper than new coal and gas-fired power generation. This significant cost advantage underscores the economic benefits of Australia's transition towards sustainable energy solutions.

[Link to NESA Marking Guidelines](#)

[Link to NESA Marking Feedback](#)

Carbon Pricing: A market-based strategy imposing costs on carbon emissions to incentivise reduced greenhouse gas production.

Emission Trading Scheme (ETS): A cap-and-trade system allowing companies to buy and sell emission allowances to meet reduction targets.

Externalities: Costs or benefits of economic activities not reflected in market prices, impacting third parties or the environment.

Market Efficiency: Optimal allocation of resources where supply meets demand, maximising total welfare and minimising waste.

Pigouvian Tax: A levy imposed on activities generating negative externalities, aiming to correct market outcomes and reduce harm.

Renewable Energy Certificates (RECs): Tradable certificates representing proof of electricity generation from renewable sources, encouraging clean energy investment.

Subsidies: Financial assistance provided by the government to support environmentally friendly practices and reduce harmful emissions.

Sustainability: Meeting present needs without compromising future generations' ability to meet their own environmental and economic needs.