Climate Change Policies Review - Discussion Paper submissions

2017 Review Branch

Department of the Environment and Energy

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5th May 2017

Dear Sir/Madam

**Re: Federal Review of Australia’s Climate Change Policies**

The Northern Alliance for Greenhouse Action (NAGA) is pleased to take this opportunity to submit a response to the Federal Review of Australia’s Climate Change Policies.

NAGA is a network of nine northern Melbourne metropolitan councils working to achieve significant emissions abatement and energy cost savings by delivering effective programs and leveraging local government, community and business action. Our council members include the cities of Banyule, Darebin, Hume, Manningham, Whittlesea, Yarra, Melbourne, Moreland, Moreland Energy Foundation Limited, and Nillumbik Shire Council. NAGA formed in 2002 to share information, coordinate emission reduction activities and cooperate on research and develop innovative projects.

The Northern Alliance for Greenhouse Action (NAGA) supports a strong and effective suite of federal climate change policies that reflect the latest climate science and that underpins the necessary and urgent transition to a zero-carbon economy.

Given the critical importance of climate change and the complexity of developing policies that are effective and efficient, it must be said that the brevity of the discussion paper – 38 pages in total including cover pages, contents pages, appendices and multiple pages of repeated text – is striking. The paper provides a brief high level overview of Australia’s key emissions reduction policies and then notes the emissions contributions of five “sectors”. Missing altogether is any detailed discussion or analysis of the relative merits of current or possible policy settings, let alone any consideration of whether Australia’s emissions reduction target of 26 to 28 per cent below 2005 levels by 2030 is appropriate.

Notwithstanding the clear inadequacies of the discussion paper, and the questions this raises about how seriously the government is taking the review, NAGA appreciates the opportunity to make a submission on behalf of our member councils.

* **Current policies are not adequate**

NAGA considers the current direct action policy is inadequate and inefficient as a mechanism to deliver substantial emissions reductions and prepare our nation for a low carbon future. It is essential that any well-designed scheme adequately incentivises reductions across the entire economy, with the ability to ratchet this down over time, in order to effectively act as an economy-wide cap on pollution.

* **A strong emissions reduction target of 40% by 2025, 65-75% by 2035 and zero net emissions by 2050**

The discussion paper notes that Australia has committed to considering a potential long-term emissions reduction goal for Australia beyond 2030. It asks what factors should be considered in this process. We consider that the most important determinant of a long term emissions target needs to be the science. We support a strong ambitious greenhouse gas reduction target that is consistent with the need to limit an increase in global temperatures to below 2°C and a goal of below 1.5°C as agreed to by the Paris Agreement.

Specifically, NAGA recommends a target of approximately 40% below a 2000 baseline by 2025, and a target of 65-75% below the 2000 baseline by 2035. This is a realistic and equitable target and is broadly in line with the previous Special Review report from the Climate Change Authority (CCA) [[1]](#footnote-2) and previous recommendations in its Targets and Progress reviews[[2]](#footnote-3). The current target is woefully inadequate and should be immediately strengthened to reflect our responsibilities and obligations as part of the Paris Agreement. For Australia, to fairly contribute to the target of restricting warming to below 2°C and strive for 1.5°C total emissions need to be limited to around 8-11 billion tonnes between 2013-2050[[3]](#footnote-4) . On current emissions levels this entire budget would be exhausted by 2030-2035.

Providing for 2035 and 2050 allows for longer term policy directions to be set. These should be possible to strengthen over time if circumstances change, but not weaken. As well as adopting a shorter term target, an explicit date for decarbonisation will allow for long term direction in climate policy and guide investment decisions. Decarbonisation would see Australia have zero net emissions, and would require ambitious energy efficiency, low carbon technology, electrification and fuel switching, as well as reduced non energy emissions in agriculture and industry. As above we recommend that Australia work towards 2050 as a date for decarbonisation, in line with the science and the recommendations of the CCA. A recent report by Climate Works has demonstrated the many economic opportunities for Australia in decarbonising the economy[[4]](#footnote-5).

• **Strong and ambitious climate policies will strengthen not weaken the national economy, by unlocking barriers to new industries and jobs.**

NAGA, along with the other Victorian greenhouse alliances have a long history of demonstrating how emissions reductions activities can lead to positive economic and social benefits. Studies such as NAGA’s Towards Zero Net Emission for the NAGA Region and Climate Works Australia’s Low Carbon Growth Plans[[5]](#footnote-6) demonstrate significant low or no cost opportunities for emissions reductions, as well as the suite of more expensive actions needed for substantial transformation. For example, ClimateWorks Australia estimated that if we improved the energy efficiency of our economy alone, by 2020 Australian homes and businesses would save $5 billion every year.

A new report by WWF/ANU has demonstrated that Australia can make deep cuts to its emissions whilst still growing the economy, and that Australia can meet all of its electricity needs from renewable energy by 2050[[6]](#footnote-7) . This is in line with many independent analyses over the past few years that all point to the economic opportunities from moving to a low carbon economy.

**• Increasing renewable energy and energy efficiency will lead to a net increase in employment.**

There is significant potential for Australian businesses to succeed globally in the following six key green markets; renewable energy, energy efficiency, green buildings, sustainable water systems, biomaterials and waste and recycling. With the right policy settings, these industries that are currently valued at $US15.5 billion and employ about 112,000 people could grow by 2030 to a value of $243 billion and 847,000 jobs[[7]](#footnote-8). Twenty one thousand Australians are currently employed in the renewable energy industry, and this is expected to grow to 32,000 in 15 years with the right supportive policy settings[[8]](#footnote-9). If Australia develops policies to strengthen energy efficiency, there could be 75,000 jobs in energy efficiency by 2030[[9]](#footnote-10).

• **Economic modelling of different climate change policies must consider the benefits, not just the costs of reducing climate change impacts through strong action.**

When considering the costs and benefits of Australia’s target, the high costs to the Australian economy of damages from climate change inaction should be comprehensively assessed. This recognises that less mitigation will require significantly higher costs of adaptation. On this basis NAGA supports stronger action now that can help reduce costs and smooth Australia’s transition to a low-carbon adaptive society, as well as preserve options and leave a manageable task for the next generation.

• **Strong ambitious mitigation action will reduce the costs of adaptation and impacts of climate change on our local economy, people and the environment.**

Climate change is happening now and is being felt adversely by local governments across Melbourne. NAGA has recently undertaken a regional climate change vulnerability assessment, which identified that increasing temperatures and drier conditions, combined with an increase in the frequency, severity and duration of extreme events such as heatwaves, bushfires and flooding pose significant risks to the region. Climate change is impacting multiple sectors, including regional economies, infrastructure and assets, community health and wellbeing, emergency management, and the natural environment. The magnitude and costs of these risks is strongly dependent on the degree of mitigation.

• **NAGA supports a broad suite of climate change policies, including a price on carbon and complementary measures, to reduce greenhouse gas emissions in the short term, and to contribute to delivering science-based emissions cuts in the medium and long-term.**

Emissions reductions require a broad mitigation program that incorporates a wide range of actions and complementary measures to promote energy efficiency and the uptake of renewable and low carbon energy production in a just and equitable transition to a low carbon future. The need for structural adjustment measures for specific regions and industries is a high priority; local governments have played a key role in supporting communities affected by previous economic and industry adjustments.

NAGA considers that the most efficient and effective way to reduce emissions across the whole of the economy is to establish a policy mechanism that puts a price on carbon. Countless reviews into climate change policy options for the Federal Government continue to demonstrate that carbon pricing, whether it is an Emissions Trading Scheme, a carbon tax, or an Emissions Intensity Scheme is an effective and efficient policy mechanism. Carbon pricing schemes are being adopted en masse across the world, including 39 national and 23 subnational jurisdictions with either emissions trading schemes or carbon taxes, valued at $30 billion . China is home to the second biggest carbon market after Europe and this will continue to shape our domestic climate policy in the years to come.

* **Addressing emissions reductions from the energy sector**

As noted in the discussion paper, there is currently an independent review underway into the future security of the national electricity market (the `Finkel Review’). The preliminary report of the Finkel Review makes a number of findings in relation to emissions reduction in the electricity sector, including that:

• current policy settings do not provide a clear pathway to the level of reduction required to meet Australia’s Paris commitments

• the Emissions Reduction Fund has not been successful at attracting large-scale projects and the Safeguard Mechanism for the electricity sector is ineffective as it is set well above the current level of emissions from the sector

• the lack of clarity about emissions reduction policy beyond 2020 has been a major contributor to the current investment uncertainty in the electricity sector

The preliminary report also notes that the Government’s review of climate policy settings, namely this review, is expected to clarify the electricity sector’s role in helping meeting the 2030 emissions reduction target. This is concerning given the total absence of discussion or analysis in the discussion paper of the relative costs and benefits of possible policy solutions.

We understand that a range of stakeholders, including independent experts in the energy field, have recently expressed support for an emissions intensity scheme for the electricity sector. We call on the Government to heed the advice of the Climate Change Authority, Dr Alan Finkel AO and other credible independent expert bodies. There is an urgent need for the Government to show strong leadership, to trust in science, and to support regulatory settings that foster innovation and investment in clean energy.

• **Achieving adequate emissions reductions will inevitably require the rapid phasing out of Australia’s coal and gas fired power plants and facilitating more renewable energy.**

Emissions reductions will require substantial transformation to our existing fossil fuel based economy, with Australia’s high per capita emissions. As recently experienced in the Latrobe Valley in Victoria with the Hazelwood closure, such transitions may create significant economic and social impacts if not prepared for. The value of taking early action, and positioning Australia to be a leader in our transition to a low carbon economy, has been highlighted by a number of key studies and reports, including the former Garnaut Climate Change Reviews. Early action is more cost-effective and establishes competitive advantages, as well as contributing to reducing the risk of stranded assets.

Similarly we do not consider gas to be a transition fuel to a low carbon economy and needs to rapidly phased out. A recent report by the Climate Council[[10]](#footnote-11) has demonstrated how:

* Greenhouse gas emissions from gas are not substantially lower than coal to garner any climate benefit
* Greater reliance on gas will drive higher power prices
* Investment in new gas plants is financially risky
* Significant development of new gas plants is unfeasible without a massive expansion of unconventional gas, including thousands of new unconventional gas wells
* Renewable energy can provide a secure, affordable alternative to new fossil fuels

**The critical need for strong adaptation policies**

We note the absence of considering climate change adaptation policy in the terms of reference for this review. We believe this to be a significant oversight and a key policy gap that requires significant investment and attention. Most critically, adaptation planning requires commitment and acknowledgement of the differing roles and responsibilities of all levels of government, and effective action will not just be about supporting local government, but working in an ongoing partnership between federal, state and local government.

In conclusion, NAGA supports ambitious, strong and effective emission reduction policies, informed by the climate science that indicates urgent and substantial action is required, and underpinned by community support for climate change action at all levels. NAGA is happy and willing to work with the Government to ensure consistent and robust approaches to emission reduction which represents the best value proposition for Australia and the global climate.

Please contact David Meiklejohn (phone: 9385 8505 or email [david@mefl.com.au](mailto:david@mefl.com.au)) if you would like further information, case studies or any clarification regarding the issues raised in this letter.

Yours sincerely



David Meiklejohn

NAGA Executive Officer

***The views represented in this submission do not necessarily represent the views of all NAGA members individually.***

1. <http://www.climatechangeauthority.gov.au/special-review/first-draft-report> [↑](#footnote-ref-2)
2. <http://www.climatechangeauthority.gov.au/reviews/targets-and-progress-review/part-c/chapter-9-australia%E2%80%99s-2020-and-2030-goals> [↑](#footnote-ref-3)
3. <http://www.climateinstitute.org.au/verve/_resources/AustraliasPost2020EmissionChallenge_FINAL_LM.pdf> [↑](#footnote-ref-4)
4. <http://www.climateworksaustralia.org/project/current-project/pathways-deep-decarbonisation-2050-how-australia-can-prosper-low-carbon> [↑](#footnote-ref-5)
5. <http://www.climateworksaustralia.org/project/current-project/pathways-deep-decarbonisation-2050-how-australia-can-prosper-low-carbon> [↑](#footnote-ref-6)
6. <http://awsassets.wwf.org.au/downloads/fs077_australia_can_cut_emissions_deeply_and_the_cost_is_low_21apr15_v2.pdf> [↑](#footnote-ref-7)
7. http://apo.org.au/research/green-gold-rush-how-ambitious-environmental-policy-can-make-australia-leader-race-green [↑](#footnote-ref-8)
8. <http://www.climatecouncil.org.au/uploads/ee2523dc632c9b01df11ecc6e3dd2184.pdf> [↑](#footnote-ref-9)
9. <http://www.asbec.asn.au/wp-content/uploads/Energy%20Efficiency%20Council%20Platform%2024%20June%202010.pdf> [↑](#footnote-ref-10)
10. <https://www.climatecouncil.org.au/price-of-gas> [↑](#footnote-ref-11)