National Environmental Law Association

PO Box 546 East Melbourne
VIC Australia 3002
T: (03) 9895 4493
F: (03) 9898 0249
E: secretariat@nela.org.au
W: www.nela.org.au

UNFCCC Taskforce
Department of the Prime Minister and Cabinet
One National Circuit Barton ACT 2600
By email: https://www.dpmc.gov.au/taskforces/unfccc/

24 April 2015

Dear Madam/Sir

Submission on Australian's post-2020 targets on greenhouse gas emissions

INTRODUCTION

The National Environmental Law Association (NELA) welcomes the opportunity to provide a submission in response to the Issues paper on *Setting Australia's Post-2020 target for greenhouse gas emissions*.

NELA is Australia's leading environmental law organisation with a membership base of professionals in environment and resources law and related disciplines.

NELA's vision is that ecological sustainability is a guiding principle in regulating energy and resources, utilities, pollution control, protecting biodiversity and cultural values, and land use planning and infrastructure.

We seek to protect the environment by shaping the law through information sharing, analysis and debate.

NELA believes that Australian society and its economy need to address the threat of climate change to be stable and prosperous. Addressing climate change has to be seen as an economic opportunity and not a barrier.

NELA believes Australia should set a target of reducing its greenhouse gas emissions by 30 per cent of 2000 levels by 2025, and a 2020 target of 15 per cent in line with the recommendations of the Climate Change Authority.

Australian business is already taking action to move away from our reliance on fossil fuels including leading banks and most recently AGL Energy. NELA believes Australian businesses should not be disadvantaged by operating in an environment that does not align with international standards and business expectations.

NELA believes the policy and regulatory settings for achieving Australia's targets at lowest cost are crucial. It supports a more robust approach to the safeguard mechanism for achieving Australia's target of 5 per cent and is expresses caution about how the Government is setting about achieving the objective of securing abatement at "the lowest cost" under the Emissions Reduction Fund.

QUESTIONS POSED IN THE ISSUES PAPER

1. WHAT SHOULD AUSTRALIA'S POST-2020 TARGET BE?

NELA believes Australia should set a target of reducing its greenhouse gas emissions by 30 per cent of 2000 levels by 2025 in line with the recommendations of the Climate Change Authority's first draft report of the Special Review: Australia's future emissions reduction targets.

NELA considers this target is comparable to the efforts of other countries.

The scale and pace of global action requires Australia to move beyond its current target of reducing emissions by 5 per cent against 2000 levels. As the Authority pointed out in its Targets and Progress Review:

> The world's two largest emitters, China and the United States, are stepping up their efforts on climate change. Both countries have emissions reduction targets and are investing heavily in renewable energy—estimated at more than US$100 billion in 2012. China is tightening its vehicle emissions standards, replacing inefficient coalfired power plants with more efficient plants, and has established five sub-national pilot emissions trading schemes. In the United States, a 2013 presidential action plan on climate change includes new restrictions on emissions from coal-fired power plants, stronger vehicle emission standards and additional energy efficiency measures. These are intended to complement existing state-based market initiatives to reduce emissions and increase the use of renewable energy.

NELA agrees with the Authority's view that the recommended target reflects the uncertainty regarding Australia's action to 2020, and how quickly Australia might 'catch up' with global efforts.

NELA also agrees with the Authority's conclusion that a 2020 target of 15 per cent plus carryover is more in line with other countries. It says:

> Australia's 5 per cent target is weaker than that of many comparable countries. For example, the United States has a 2020 target of 17 per cent below 2005 levels; the UK has a target of 34 per cent below 1990 levels; Norway has a target of 30–40 per cent below 1990 levels. A target of 15 per cent plus carryover for Australia would be more in line with the targets being pursued by such countries.

In recommending these targets, the Authority attached weight to the science of climate change and Australia's own long term interests.

The latest Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment reports confirms the overwhelming scientific consensus that the impacts of climate change are accelerating, and they're largely driven by human-caused greenhouse gas emissions. The report quantifies a global "carbon budget**,"** the amount of carbon dioxide emissions we can emit while still having a likely chance of limiting global temperature rise to 2°C above pre-industrial levels.

To stay below 2°C warming, science tells us that we must limit cumulative emissions to 1 trillion tonnes of carbon (3.67 trillion tonnes of CO_2). Since 2010 we have surpassed 50 billion tonnes of CO_2 of total greenhouse gas emissions per annum driven by a rising trend from energy demand. At this fixed rate we will burn through the remaining carbon budget in less than 30 years.

The IPCC says if emissions continue unabated, the world is on track to exceed this budget in only about 30 years, exposing communities to increasingly dangerous forest fires, extreme weather, drought, and other climate impacts**.**

NELA agrees with the Authority that the recommended target of a 30 per cent reduction by 2025 remains reasonable and achievable even if Australia does not strengthen its 2020 target beyond the minimum 5 per cent reduction. If Australia is able to do more than 5 per cent by 2020, this would allow a more gradual acceleration of effort beyond 2020.

The IPCC's most recent Synthesis Report says:

> There are multiple mitigation pathways that are likely to limit warming to below 2°C relative to pre-industrial levels. These pathways would require substantial emissions reductions over the next few decades and near zero emissions of carbon dioxide and other long-lived greenhouse gases by the end of the century. Implementing such reductions poses substantial technological, economic, social, and institutional challenges, which increase with delays in additional mitigation and if key technologies are not available. Limiting warming to lower or higher levels involves similar challenges, but on different timescales.

NELA urges the Government to have regard to the IPCC's findings in framing Australia's post-2020 emissions targets as they demonstrate that prompt actions are required.

NELA also urges the government to embrace the findings of studies by the CSRIO and Bureau of Meteorology. They offer world leading science that shows the impacts in Australia, region by region. Their research reveals not only the well-known increase in temperatures but also the acidification of the ocean and extreme weather events. These conditions have already been affecting the Australian economy from tourism to agriculture.

2. WHAT WOULD THE IMPACT OF THAT TARGET BE ON AUSTRALIA?

NELA believes stronger cuts to Australia's greenhouse gas emissions are not out of reach and notes a recent study that shows it can be achieved without using international offsets. A study by ClimateWorks Australia on Deep Decarbonisation Pathways, which built on modelling by CSIRO and Victoria University, showed that Australia can cut emissions deeply while maintaining strong economic growth.

Co-authors Frank Jotzo and Howard Bamsey of ANU recently wrote:

> The scenario gets Australia's net national emissions to zero by 2050. That is on the basis of zero-carbon electricity supply drawing on Australia's ample endowment and technical potential for renewables, shift from direct fuel use to electricity, and economically valuable improvements in energy efficiency and industrial processes.
>
> Remaining emissions – many of them from agriculture and mining for export – are fully offset by carbon plantations.
>
> For 2025, the modelling shows a one-third cut below year 2000 levels, and a halving to 2030. The estimated economic costs are modest and major changes in Australia's economic structure would be unlikely as a result.

To reduce the risks of climate change and reliance on fossil fuels Australian companies need to find new ways of doing business. The sooner this is accomplished, the less disruptive and more cost-effective the transition will be.

Global and Australian companies have the potential to be part of a wave of innovation in low carbon and energy efficient technology, creating new products and services, generating employment, reducing energy consumption and increasing savings if the right policies are in place.

Many businesses have already moved by setting ambitious targets, reporting emissions and scaling up low carbon investment. Australia's biggest banks, for example, have achieved or set a target for achieving carbon neutral status. They also have policies to identify clients with high carbon risk and work with them to understand their liabilities.

AGL Energy recently announced plans to focus new investment on renewable and low-emission generation technologies, signaling a turn away from coal despite spending $2 billion on coal-fired power stations in NSW and Victoria.

Further action from government should support this transition to a 2°C or less economy.

3. WHICH FURTHER POLICIES COMPLEMENTARY TO DIRECT ACTION SHOULD BE CONSIDERED TO ACHIEVE THE POST-2020 TARGET?

Regulating the target through a cap

A great deal of economic analysis has demonstrated that the most efficient way to achieve emission reduction targets is to put a regulated cap on national emissions and leave it to the market to work out what to do. Given that this is not part of the Direct Action strategy NELA makes the following comments on aspects of the Emissions Reduction Fund (ERF) and Safeguard Mechanism.

ERF

NELA believes any projects funded by taxpayer money should be "real and additional". NELA would be very concerned if the ERF ended up providing an income stream to projects that would have been undertaken in any event or which do not deliver genuine abatement.

NELA expresses caution about how the Government is setting about achieving the objective of securing abatement at "the lowest cost". It is likely that the reverse auctions for 'activities' and 'facilities' will benefit some sectors and disadvantage others. In particular, NELA is concerned about the ability of the some parts of the land sector to obtain ERF funding. The reforestation sector has high costs associated with forest establishment and the long term biological and financial risks associated with reforestation projects.

The results of the first ERF auction bear this out, with only one very small reforestation project (100,000 tonnes of abate out of a total of 47m) and no avoided deforestation projects succeeding.

Afforestation and reduced deforestation were among the biggest contributors to national emissions reductions (over 40 MtCO2e) between 2000 and 2010. But since 2010 there has been almost no progress in delivering land sector abatement. Achieving our emissions reduction targets becomes more difficult with every year of delay because forestry projects take at least six to seven years to reach their maximum volumes of abatement. Research by ClimateWorks demonstrates that while this land-based abatement has a much higher average cost than energy efficiency it provides more stable long term abatement results.

The effective exclusion of these projects from the ERF will have long term detrimental consequences that will compromise Australia's ability to reduce its greenhouse gas emissions. ClimateWorks' *Low Carbon Growth Plan for Australia* demonstrates that both energy efficiency and carbon farming are necessary categories of abatement in achieving Australia's 5 per cent target.

NELA continues to support the Government considering a system of sector-specific auctions in the design of future ERF auctions.

NELA recommends that the Government consider how it can ensure that the transformation of the economy across all sectors can be achieved, and whether it is necessary for some sectors to receive additional forms of support or incentives aside from the ERF.

Safeguard mechanism

The safeguard mechanism is a significant component of the Government's Direct Action Plan for achieving the Government's abatement target.

The one year delay in commencement has intensified the scale of the challenge of achieving the target. This is particularly the case given that many countries now view Australia's current target of 5% as no longer adequate and a higher target of 10% or 15% is more appropriate.

In broad terms NELA supports a safeguard mechanism that has:

- Broad coverage (of both sectors and emissions)
- A robust approach to the determining baselines (to ensure the safeguard mechanism is actually effective)
- Compliance options which facilitate secondary markets (for example, allowing ACCUs to be used for compliance purposes); and
- A consistent approach across sectors to new investment or business expansion; and
- The capacity to reduce baselines over time.

NELA supports the concept of flexible compliance arrangements being available to covered sectors or facilities, but would be concerned if these flexible arrangements delayed the transition to a lower carbon economy or to meeting Australia's domestic abatement target.

NELA also has concerns about the resources required to set the compliance baselines and 'rent seeking' by covered sectors. Measures should be implemented to minimise both of these aspects.

FURTHER INFORMATAION

We would be happy to discuss in greater detail our position should this be of value. For any inquiries about matters raised in the submission please contact Amanda Cornwall, director, NELA on 0432 134 936 or c/o secretariat@nela.org.au

Yours sincerely,

Amanda Cornwall

for NELA

Formatted: Font: (Default) +Headings (Verdana), 10.5 pt, No underline, Font color: Auto