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A plan for a low carbon Australia

For too long, the climate change debate in Australia has focused on the threat to our economy that action on climate change poses. Yet, internationally, Governments who have delivered certainty in the form of carbon reduction targets and policies have found that doing so creates considerable economic opportunities, demonstrated by a significant rise in private sector activity in related industries.

The economic benefits are further evidenced by growth in new investment in cleantech infrastructure assets, which increased globally at a compound annual growth rate of 64% from 2000 – 2008, totalling US\$379 billion worldwide¹. And current estimates predict that the energy efficiency and renewable energy sectors will grow by 2.5% and 9% respectively per year, generating approximately US\$2 trillion per year for the global economy by 2020.

In March this year, ClimateWorks Australia measured the domestic opportunity and released the *Low Carbon Growth Plan for Australia*², outlining a roadmap of action to transition our nation to a low carbon economy. Looking only at what can be achieved using commercially available technology, the *Low Carbon Growth Plan* clearly demonstrates that Australia can achieve significant reductions in carbon pollution without significant impact on our economy.

In fact, a reduction of 25% below 2000 levels (the upper limit of the Australian Government's target and the lower limit of the IPCC scientists' recommendation) can be achieved over the next ten years for an average annual cost to society of just \$185 per household or for the cost of a cup of coffee per household per week. This could be lower if we consider the benefits of reducing carbon pollution and developing new clean energy technologies and services to ensure we remain internationally competitive in a low carbon future.

Opportunities for significant carbon abatement exist across the entire Australian economy, as demonstrated in Figure 1. Further, Australia can begin this transition using existing technology and without changing the mix of industry in our economy, ensuring minimum disruption to Australian businesses and workers.

¹ SAM Private Equity 2010, *Clean Tech Private Equity: Past, Present and Future*

²² The *Low Carbon Growth Plan for Australia* can be downloaded from the ClimateWorks Australia website www.climateworksaustralia.org

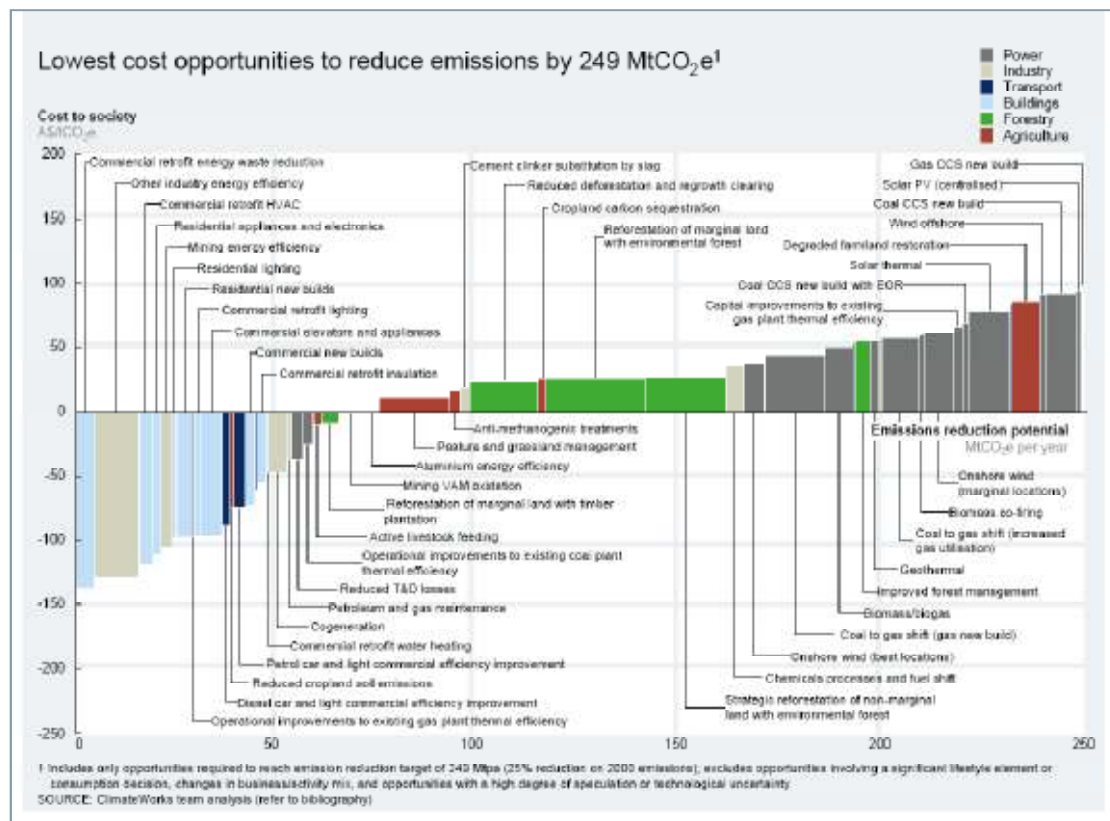


Figure 1 - 2020 GHG emissions reduction societal cost curve

Australia could achieve even greater emissions reductions by including lifestyle changes (such as reducing car use in favour of public transport, walking or bicycling, or adjusting home heating and cooling by 2°C), or by allowing for higher cost technological solutions, the development of new technologies or by purchasing overseas offsets. These are additional opportunities that are not included in the *Low Carbon Growth Plan* due to their variable costs.

But Australia's transition to a low carbon future will be difficult to achieve without a price on carbon pollution or other economic instrument to drive a reduction in emissions. A carbon price significantly increases the volume of opportunities that are profitable to investors, sending a clear signal to invest in clean energy technology and bio-sequestration, and to encourage the efficient use of the energy we produce. As shown in Figure 2, the carbon price associated with Garnaut's 25% scenario³ would more than triple the volume of profitable opportunities to reduce carbon pollution.

³ As outlined in *Australia's Low Pollution Future. The economics of climate change*, Australian Treasury 2008.

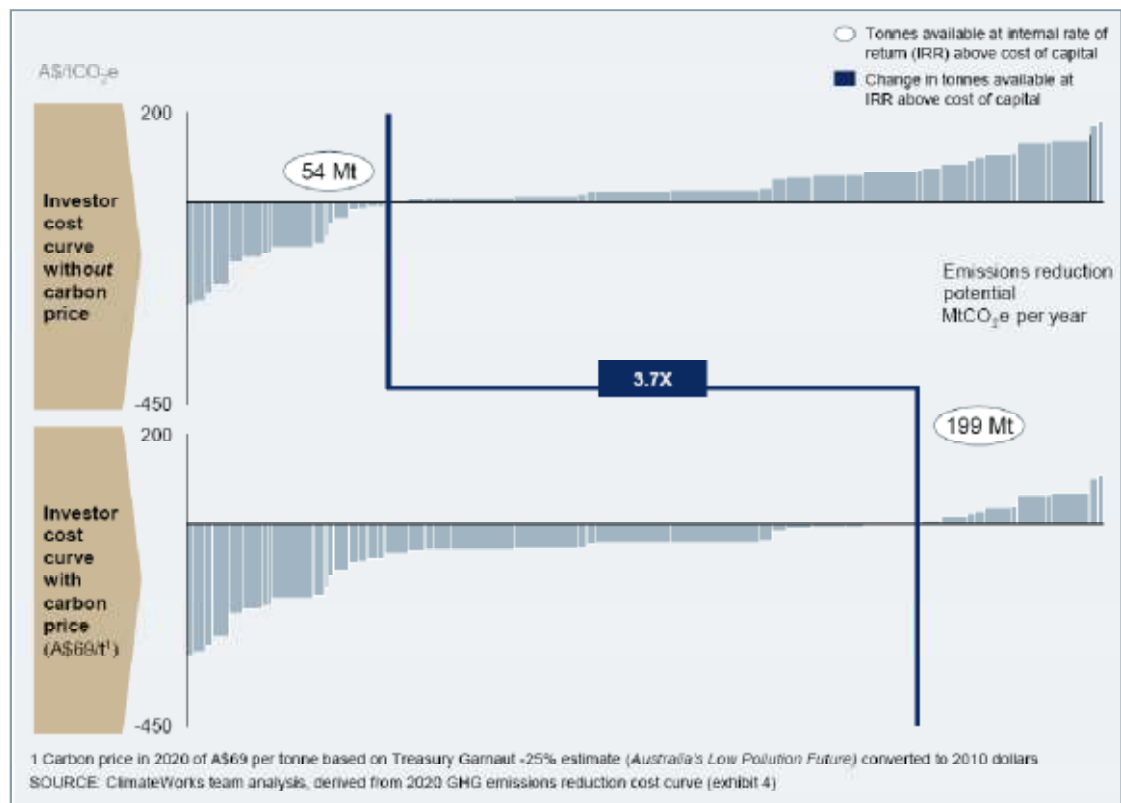


Figure 2 - Impact of carbon price economics

However, a carbon price alone is not sufficient to capture the full volume of abatement potential. The opportunities that appear below the line in Figure 1 - focused on energy efficiency in the Buildings, Industry and Transport sectors - already offer financial savings, yet are not being captured by businesses, governments and citizens. In fact, our research finds that Australia could be saving AU\$5 billion per year by 2020 through energy efficiency in these sectors alone. The scale of economic benefit to be captured therefore demonstrates that non-financial barriers are preventing their capture.

These barriers can be overcome by adjusting market structures and supply (such as appropriate pricing of electricity), addressing information gaps and decision processes (such as establishing targets and standards), and developing solutions to capital constraints and investment priorities (such as pay-as-you-save funding schemes).

Importantly, the opportunities that are already profitable to investors provide us with a place to start on action to reduce Australia's emissions while we wait for a carbon price. These opportunities are typically captured through improving the efficiency of appliances, equipment, vehicles and lighting, and by designing more temperature efficient buildings to reduce the heating and cooling load. Given that energy efficiency measures typically save money, it can also be a valuable way to engage business and the community in action on climate change and begin to build community consensus.

Regardless of whether Australia has bipartisan political support for action on climate change, the world is headed towards a low carbon future, and Australia must lift its gaze beyond the status quo to embrace the economic benefits of a green economy.



A low carbon economy builds business and community resilience to the effects of climate change, and encourages adaptability and competitiveness, both domestically and internationally.

The *Low Carbon Growth Plan* shows that we have more opportunities to get started on this than many people realise. ClimateWorks Australia is now working to enable business and governments to harness these actions. We encourage you to join in.