

ClimateWorks Submission to Senate Inquiry regarding the Government's Direct Action Plan – January 2014

Context

ClimateWorks Australia is an independent, evidence-based non-profit organisation, a partnership between Monash University and The Myer Foundation. ClimateWorks has prepared a number of recent submissions that are relevant to the Government's Direct Action policy, including:¹

- Submission to the Australian Government Emissions Reduction Fund Terms of Reference consultation (18 November 2013)
- Submission to the Senate Standing Committee on Environment and Communication Inquiry into the Clean Energy Legislation (Carbon Tax Repeal) Bill 2013 and related bills (22 November 2013)
- Submission to the Climate Change Authority regarding the Targets and Progress Review (29 November 2013)

The key points from these submissions of relevance to this current Senate Inquiry, and in particular of relevance to questions i, ii, vi, viii, ix, x, and xii in the Terms of Reference, are summarised below.

Key points

1. **Targets are needed for 2050 as well as 2020:** To be consistent with the internationally agreed commitment to limit global warming to 2° Celsius, deep decarbonisation of the global economy by 2050 will be required. Deep decarbonisation in 2050 will likely require deep decarbonisation of Australia's economy within the same timeframe. According to the Climate Change Authority's Draft Targets and Progress Report, a 25 per cent target by 2020 is the only one which provides a trajectory to 2050 that does not need to be sharply accelerated after 2020. For this reason, any policy to replace the existing Clean Energy Future legislation needs to both retain a 2050 target and provide a mechanism for enabling an achievable pathway to the 2050 target and adjusting the 2020 target to one that will not impose higher and unnecessary costs in the future.
2. **A 25 per cent target for 2020 in Australia is possible through action in energy efficiency, land and cleaner power:** In addition to the Climate Change Authority's advice that a 25 per cent emissions reduction target in 2020 is the only trajectory to

¹ Available via www.climateworksaustralia.org/publications.

deep emissions reductions by 2050 that does not need to be sharply accelerated after 2020, a 25 per cent target is the minimum 2020 target recommended by scientists for developed countries.² ClimateWorks' research demonstrates that a 25 per cent emissions reduction by 2020 is achievable through technologically proven and commercially viable technologies that require no change to lifestyle, however any delay in capturing abatement will increase the costs of achieving emissions reductions. ClimateWorks' *Low Carbon Growth Plan for Australia*³ shows that achieving a 25 per cent emissions reduction by 2020 will require a combination of energy efficiency, land-based abatement and cleaner power. However, a least cost approach to achieving even the minimum 5 per cent emissions reduction by 2020 will require implementation of not only the lowest cost energy efficiency opportunities, but also some carbon farming including forestry – delay of more than one year from now would prevent this, because many forestry projects take around six to seven years to reach their maximum volumes of abatement.

3. **Focus areas for the Emissions Reduction Fund:** If well designed and sufficiently resourced, the proposed Emissions Reduction Fund could effectively target opportunities that are not expected to occur without additional incentives yet are large in volume, technologically proven and can be captured at reasonable cost. Among these, major focus areas include capture of waste methane from coal mines, increased deep retrofitting of commercial buildings and industrial facilities, and carbon farming and forestry. Combined, these opportunities could represent over half of the annual emissions reductions required in 2019-20 to meet the 25 per cent emissions reduction target recommended by scientists, with the right mix of incentives. However this potential becomes more difficult to achieve with each year of delay, and repealing existing measures would create delay.
4. **Other policy measures are needed in addition to the Emissions Reduction Fund:** In addition to using budgetary measures through the Emissions Reduction Fund, a suite of other policy measures should be applied within the Government's Direct Action policy to effectively reduce emissions in each sector of the economy. In particular, setting sector-specific emissions standards for vehicles, buildings, industrial developments and land clearing will be important for achieving the 2020 targets within budget constraints.
5. **Current momentum needs to be maintained:** ClimateWorks' report *Tracking Progress Towards a Low Carbon Economy*⁴ shows that current momentum in emissions reduction activity across the economy would contribute over 40 per cent of the emissions reductions required to achieve the 5 per cent minimum emissions reduction target in 2019-20, if that momentum is not lost. Most of this comes from large scale

² Intergovernmental Panel on Climate Change, 2007, *Mitigation of Climate Change, Contribution of Working Group III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change*, Box 13.7, Geneva, Switzerland.

³ ClimateWorks Australia, *Low Carbon Growth Plan for Australia*, 2010, available via www.climateworksaustralia.org/project/national-plan/low-carbon-growth-plan-australia

⁴ Available via www.climateworksaustralia.org/tracking-progress.

renewable energy and industrial emissions improvements which have been price-responsive. These activities rely on the current mix of economic conditions and policies and will be critical to maintain in another way if these economic or policy settings change, otherwise the abatement task increases.

6. **The Impact of Clean Energy Future repeal:** ClimateWorks' report *The Impact of the Carbon Price Package*⁵, published in August 2011, demonstrated that the Clean Energy Future package, if optimally implemented, had the potential to unlock over three quarters of the additional emissions reductions (above business-as-usual) required then to meet the bipartisan minimum 5 per cent national emissions reduction target annually by 2020 in Australia, and almost half what was required to meet the 25 per cent target. If the Clean Energy Future package is repealed, it would need to be replaced with measures that will deliver equivalent emissions reductions (and more), and which address both the price and non-price barriers to achievement of emissions reductions. Regardless, repealing the Clean Energy Future package will create delay in implementation of emissions reductions, and thus increase the cost of achieving national emissions reduction targets. In addition, the Clean Energy Future package led to the creation of architecture and institutions of the kind that will be required to achieve a cost-effective transition to a low carbon economy – removing and remaking these institutions would add unnecessary cost to the task.
7. **Australia's international role:** Australia has an important role in international negotiations on emissions reductions. An example of Australia's importance is Australia's inclusion as one of the twelve countries representing over 70 per cent of global emissions participating in the global 2050 Deep Decarbonisation Pathways Project, an initiative of the United Nations Sustainable Development Solutions Network launched in 2013 to support preparations for the United Nations Climate Change Summit in New York in September 2014, ahead of the 21st Conference of the Parties in Paris in December 2015. ClimateWorks and the Australian National University are jointly leading Australia's contribution to this work. Decision makers should consider the impact that the repeal of existing measures and other emissions reduction policy decisions will have on Australia's reputation and influence with other nations in discussions regarding future emissions reductions goals, which are now well understood to be focusing beyond 2020 to 2050.

⁵ Available via www.climateworksaustralia.org/project/national-plan/impact-carbon-price-package.

Appendix – Terms of Reference

That the following matter be referred to the Environment and Communications References Committee for inquiry and report by 24 March 2014: An inquiry into the Abbott Government's Direct Action Plan and the Abbott Government's failure to systematically address climate change, including:

- I. whether the Direct Action Plan has the capacity to deliver greenhouse gas emissions reductions consistent with Australia's fair share of the estimated global emissions budget that would constrain global warming to Australia's agreed goal of less than 2 degrees,
- II. whether the Direct Action Plan has the capacity to reduce greenhouse gas emissions adequately and cost effectively,
- III. the effect of technical issues that arise for measuring abatement under the Direct Action Plan, including additionality and establishing emissions baselines for emitting entities and long-term monitoring and reporting arrangements,
- IV. the impact of the absence of policy certainty derived from the Direct Action Plan to encourage long-term business investment in the clean, low carbon economy,
- V. the impact of the abolition of the Clean Energy Finance Corporation on the availability of capital for clean technology and industry investment,
- VI. the repeal of the Clean Energy Package and the Direct Action Plan's impact on, and interaction with, the Carbon Farming Initiative,
- VII. the fiscal and economic impact of the Direct Action Plan,
- VIII. the impact of repealing the Clean Energy Package on Australia's ability to systemically address climate change,
- IX. the impact of repealing the Clean Energy Package on Australia's carbon pollution cap,
- X. the impact of repealing the Clean Energy Package on international efforts to reduce carbon pollution,
- XI. the impact of abandoning linkage with the European Union on international cooperation to reduce emissions,
- XII. the ability of the Government and the Australian people to receive expert independent advice on an appropriate carbon pollution cap for Australia following the abolition of the Climate Change Authority,
- XIII. the impact of cuts to funding for the Australian Renewable Energy Agency, and
- XIV. any other related matters; and

in undertaking this inquiry the committee must have regard to the Climate Change Authority's draft report, Reducing Australia's Greenhouse Gas Emissions – Targets and Progress Review, dated October 2013.