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Standing Committee on the Environment and Energy

Submitted via email: [Environment.Reps@aph.gov.au](mailto:Environment.Reps@aph.gov.au)

To Whom It May Concern,

**RE: ClimateWorks Australia submission on Climate Change 2020 Bills**

ClimateWorks Australia welcomes the opportunity to submit to the enquiry on the Climate Change (National Framework for Adaptation and Mitigation) Bill 2020 and Climate Change (National Framework for Adaptation and Mitigation) (Consequential and Transitional Provisions) Bill 2020.

Please contact Anna Malos, Australia Country Lead, if you would like further information about any of the matters contained in this submission.

Yours sincerely,

Anna Malos



## Australia needs a national Climate Change Act

Australia has committed to take action on climate change and play its fair part in global efforts. It is a party to the UNFCCC and most recently has ratified the Paris Agreement on climate change. All main political parties have reiterated Australia's intention to continue these efforts. The Paris Agreement creates the framework and processes for multilateral action to avoid dangerous climate change. A Climate Change Act for Australia would create structure and transparency at the national level so that the nation can meet these agreed goals in an effective manner.

Climate change is expected to have particularly negative impacts on Australia because it is already a country that experiences high climatic variability resulting in droughts, heatwaves and floods. The level of global warming to date is already exacerbating the extreme events in Australia - as is increasingly clear from scientific analysis for bushfires (van Oldenborgh et al 2020), heatwaves (Transcoso et al 2020) - and projections are that flooding will worsen with global warming (BoM and CSIRO 2015).

At the same time Australia has a relatively emissions intensity economy when considering comparable countries and exports commodities that would result in high emissions when used by our major trading partners. Trading partners including South Korea, Japan and China are making public commitments to transition to net zero by mid-century and the United States is expected to do so shortly. Major multinationals are doing the same. For example Fortescue Metals Group have committed to net zero emissions by 2040, BHP and RioTinto by 2050. This puts Australia's current economic role at risk. South Korea, Japan and China accounted for around three-quarters of Australia's coal and gas in 2019 (total exports totalled \$103 billion of exports).

The good news is that Australia has enormous potential in a net zero emissions world. It can maintain its economic strength and central role in global energy markets if it plans for the transition that is already underway. Australia can be proactive and create an orderly transition to a carbon-constrained economy or it can be forced to change by external market and political forces. Bringing the *Climate Change (National Framework for Adaptation and Mitigation) Bill 2020* into force will help Australia get on the front foot and make the most of the economic opportunities available and reduce the cost of inevitable change.

Australia's ability to be highly competitive in a low carbon future encompasses a wide range of economic activities. These include extractive industries (with significant resources of critical minerals), excellent wind and solar resources which could enable us to export clean energy (directly or via hydrogen) and/or add value to processing mineral resources (e.g. green steel and aluminium) and large potential for land carbon storage and carbon trading.

## The proposed Act creates a clear goal and the framework, processes and institutions to achieve it

The proposed Act will deliver on Australia's international obligations and achieve social and economic benefits while taking the necessary environmental action on climate change. In ClimateWorks' view the impacts of the proposed Act would be fourfold:

- it would ensure that Australia is reducing its greenhouse gas emissions to reach net zero emissions in a fair and appropriate way
- assist with an orderly transition away from emissions intensive economic activities. The global shift away from emissions intensive goods is underway and Australia needs to be proactive in its response. The processes detailed in this bill would help ensure benefits to trade-exposed regions (often rural communities with fewer alternative employment options).
- prepare for unavoidable impacts of locked in climate change
- Set Australia up to make the most of its clean energy resources and create competitive advantage in key areas of the emerging net zero economy

In their law journal article, Calabro et al (2018) highlighted the importance of 'emphasis on embedding a strong policy process, rather than prescribing specific policy measures; changing culture and behaviour across government to mainstream climate change in decision-making' in the Victorian Climate Change Act. ClimateWorks considers that the Climate Change 2020 Bill would create these aspects at the federal level.

The key benefits and features of the proposed Act are:

- It would create a systematic and coherent approach for the Federal Government.
- Its approach is transparent and orderly. It would create the framework, processes and institutions that would underpin effective action.

These two points were found to be a particular benefit of the UK Climate Change Act (2008) when reviewed this year (Averchenkova, A., Fankhauser, S. and Finnegan, J. 2020). Their synthesis of interviews on the UK Act found its long-term framework had created a clear direction of travel, strengthened processes to address climate change and assisted policy to be better informed, more forward looking and underpinned with better guidance through the established statutory timetables.

- The creation of an independent climate change commission, requirements for the skills needed on the commission and a cross-party approach to approval of commissioners would create confidence and trust in the nature of the advice to Government. The establishment of a similar institution in the UK - which goes beyond Australia's current Climate Change Authority - was found to have strengthened the institutions and processes through which climate change was addressed (Averchenkova et al 2020). This would provide benefit to governments and businesses.
- The legislated long term target this Bill would create is appropriate for an issue that will need to be tackled across decades and by all sectors of the economy. The proposed target of net zero emissions by 2050 is in line with global expectations of our obligations under the Paris Agreement. Setting a legislated net zero by 2050 target would increase Australia's international reputation. Australia would demonstrate to our trading partners that the future provision of its goods and services will be in line with their own ambitions.
- The Act would create obligations for the Government to set interim targets and carbon budgets to reach the long term target. This would help to ensure that action is taken in a timely way and fits with the requirements of the Paris Agreement for national governments to set emissions reduction targets every five years. Victoria's Independent Review Committee (which recommended the establishment of the Victorian Climate Change Act) were of the view that:  
*'Targets can incentivise action on issues that had previously been given less attention. They can also function as a political statement, where the Government is accountable to the Parliament (and through it to the public) for the performance of this obligation. Incorporating targets into legislation delivers:*
  - *An internal signal to the rest of government about the priority a government attaches to an issue. The political pressure to achieve them will be increased.*
  - *An external signal of the seriousness of a government's intent.'* (IRC 2015)

- Government would be provided with independent and expert advice to assist its decision on the interim targets and associated carbon budgets. This would include risk and adaptation assessments by sector and technology readiness assessments.
- The proposed Act would establish clear principles for action. These would ensure that plans would look across environmental, social and economic benefits and costs to optimise Australia's benefit. This is highly important given that climate change has such widespread yet varied impacts that are expected to affect different people, places and industries in different ways.
- It creates an obligation on Government to demonstrate how it will act to meet these interim targets through emissions reductions plans.
- The nature of the independent commission, its independence, principles based approach and consultative processes would engender trust in the evidence base and hence greater confidence in the implementation plans to be set by the Government. The clear requirements would ensure that the advice provided was backed by accurate evidence that had undergone rigorous analysis.
- The long term target, series of interim targets, assessments and implementation plans it proposes would provide clear signals and greater confidence to businesses, investors and other levels of government. This would enable them to act in an effective and efficient manner - reducing social and economic costs.
- Enacting this bill would put the Federal Government in step with the states and territories - which all have the goal of net zero emissions by 2050. The national framework and evidence base would assist coordination between the different layers of government and would assist a coherent approach and use of their distinctive powers to best effect. The current disjunct between the federal and state level increases policy and investment uncertainty and is creating barriers to effective economic transition.
- Increased confidence in the path the government is taking to reduce emissions through the measures proposed in this bill would increase private investment in emissions reductions and low carbon infrastructure and facilities. This would have two benefits:
  - Reduced need for government fiscal intervention.
  - More asset class investments with low climate risk suitable for investors. Financial institutions are looking to reduce climate risk from their portfolios, if they are insufficient investments with low climate risk exposure Australian funds would invest overseas.

- The combination of regular public reporting, emphasis on increasing the awareness of climate risk - physical and transitional - and focus on technology readiness should improve business and investor awareness and knowledge. This should both increase Australia's ability to make the most of its economic opportunities in a clean economy but also reduce the potential for stranded assets.

Having a legislated approach setting out transparent processes and structures has been found to be successful in other countries - most notably in the UK which has had a Climate Change Act in place since 2008. As mentioned there has been a recent review of the benefits of the UK Climate Change Act (Averchenkova et al 2020). As well as the benefits mentioned above, Averchenkova et al found that the UK Climate Change Act had strengthened emissions reductions, particularly in the power sector, while the economy continued to grow.

Other countries embracing the approach include Finland (since 2015), France (since 2019), Germany (since 2019), Ireland (since 2015), Mexico (since 2012), New Zealand (since 2019) Philippines (since 2009) and Sweden (since 2017). Since 2017 Victoria has had a similar approach, tailored to a state jurisdiction.

In ClimateWorks' view the Climate Change 2020 Bill addresses Holly Doremus' requirement for environmental law which 'bends without breaking' In ClimateWorks' view the proposed legislation "*Combines the flexibility necessary to deal with a changing world with rigidity and accountability*" that can address "*external realities, but bind to long term goals that are difficult to achieve and are in conflict with short term economic interests*". (Doremus 2010).

Australia's high risk from the physical impacts of climate change and the major exposure to the risks of a net zero emissions global economy increases the importance of federal legislation to tackle climate change. This legislation would assist Australia to meet that challenge. It would also help make the most of Australia's opportunities as the world transitions to this new economy - given the wealth of resources that can establish Australia as a clean economy superpower.

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