

**GOVERNMENT RESPONSE TO THE SENATE ENVIRONMENT,
COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS
REFERENCES COMMITTEE REPORT:**

The Heat Is On: Australia's Greenhouse Future

June 2001

Requests for printed copies should be directed to the Manager, Policy and Planning,
Australian Greenhouse Office, GPO Box 621, Canberra ACT 2601.

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<http://www.greenhouse.gov.au/pubs/senateinquiry>

ACRONYMS AND ABBREVIATIONS

ABARE Australian Bureau of Agricultural and Resource Economics

ABCAustralian Bicycle Council

ABSAustralian Bureau of Statistics

ACCCAustralian Competition and Consumer Commission

AFMAAustralian Fleet Managers Association

AGO Australian Greenhouse Office

ANZECC Australian and New Zealand Environment and Conservation Council

ATCAustralian Transport Council

Avstats Aviation statistics team within DoTRS

BTEBureau of Transport Economics

CCPTMCities for Climate ProtectionTM

CDM Clean Development Mechanism

CO₂carbon dioxide

CO₂-ecarbon dioxide equivalent

COAG Council of Australian Governments

COP 6Sixth Session of the UNFCCC Conference of the Parties

CSIROCommonwealth Scientific and Industrial Research Organisation

CRAComprehensive Regional Assessments

CRCCooperative Research Centre

DISRDepartment of Industry, Science and Resources

DoTRSDepartment of Transport and Regional Services

ECITASenate Environment, Communications, Information Technology and the Arts
References Committee

EEBPEnergy Efficiency Best Practice Program

EMF Energy Modelling Forum

EPBC Act *Environment Protection and Biodiversity Conservation Act 1999*

FBTFringe benefit tax

GGAPGreenhouse Gas Abatement Program

GWhgigawatt hours
IGAIntergovernmental Agreement
IPCCIntergovernmental Panel on Climate Change
IGPInternational Greenhouse Partnerships
JIJoint Implementation
LPGliquefied petroleum gas
Mtmegatonnes (million tonnes)
MVECMotor Vehicle Environment Committee
NAEEEC National Appliance and Equipment Energy Efficiency Committee
NCASNational Carbon Accounting System
NCCNational Competition Council
NECANational Electricity Code Administrator
NGGI National Greenhouse Gas Inventory
NGSNational Greenhouse Strategy
NTSNational Transport Secretariat
PVRPP Photovoltaic Rebate Program
RFARegional Forest Agreement
R&DResearch and development
RECPRenewable Energy Commercialisation Program
REEFRenewable Energy Equity Fund
RRPGPRenewable Remote Power Generation Program
SCARMStanding Committee on Agriculture and Resource Management
UNFCCC United Nations Framework Convention on Climate Change

Overarching Statement

On 7 November 2000 the Senate Environment, Communications, Information Technology and the Arts References Committee (ECITA) tabled its report *The Heat is On: Australia's Greenhouse Future*, following its inquiry into Australia's response to global warming and the *Convention on Climate Change (Implementation) Bill 1999*, a private bill introduced by Senator Bob Brown.

The Government considers some of the analysis in the ECITA report provides a valuable contribution to the ongoing debate on greenhouse matters. However, the Government rejects many of the assertions made in the report regarding action by the Government, and the effectiveness of existing policy and programs in addressing the issue of climate change and meeting our international obligations.

This Government has an outstanding record with regard to action on climate change, a record that is increasingly being recognised internationally as being at the forefront of domestic action by Kyoto Protocol signatories. Total Government commitment to action now extends to approximately \$1 billion, amongst the highest per capita funding for greenhouse action globally.

Meeting the challenge of climate change is not a task the Government takes lightly. A mood of uncertainty continues--international negotiations are continuing including to consider possible rules for implementing the Kyoto Protocol and its emission targets; the cost of operating in a carbon constrained world is not yet clear; and the likely impacts of climate change on our regional communities or the costs of adapting to that change are not yet fully understood. These are challenges the government is responding to through a long-term, carefully planned and integrated approach. The Government is committed to the pursuit of cost effective greenhouse gas abatement policies and measures. In the event that Australia ratifies the Kyoto Protocol, it will meet its international greenhouse commitments in the most cost effective manner so that Australian industry remains competitive and in a way that secures continued strong economic growth and job creation. Another key feature of the government's greenhouse response is the inclusion of industry and the community through extensive consultation in the development and implementation of policy.

The Government's response to key issues raised in the report is provided below. The Government's response to individual recommendations is provided in the attached document.

The International Framework

As noted in the ECITA report there are many outstanding issues to be resolved before the Government is prepared to consider ratification of the Kyoto Protocol. These include: the rules pertaining to the use of the Protocol's flexibility mechanisms (Joint Implementation (JI), the Clean Development Mechanism (CDM), and international emissions trading); definitional and operational issues associated with the use of carbon sinks under Articles 3.3 and 3.4 of the Protocol; and the compliance system that will apply to the Protocol. Also of key concern to Australia is the engagement of developing countries in action to reduce emissions. To ratify the Protocol prior to the resolution of these matters would not be in Australia's national interests.

The Sixth Conference of the Parties (COP 6) to the United Nations Framework Convention on Climate Change (UNFCCC), held in November 2000, was scheduled to reach resolution on a number of these issues. However, it was not possible to reach agreement at COP 6 due to the complexity and range of matters under negotiation and the economic and political issues at stake. COP 6 was suspended, and will resume from 16-27 July 2001. Australia has consistently argued that a workable international framework to address climate change needs to be economically manageable and include developing countries whose emissions will exceed those of OECD countries within this decade. The United States recently expressed opposition to the Kyoto Protocol because it exempted developing countries from reducing greenhouse gas emissions and would be costly to implement. The Prime Minister subsequently wrote to President Bush outlining Australia's approach to climate change and reaffirming Australia's commitment to develop an effective global framework to address the issue.

The National Framework

The Government rejects the assertions of the ECITA report that there has been a lack of integration of greenhouse matters into other strategic policy agendas; that there is a reluctance on the part of the Government to take a long term view of action to address climate change; and that current measures do not put us on the path to meeting our international commitments. The Government believes that such views are based on a misreading of the national framework for action and its strategic greenhouse policy. The Government has invested significant resources to develop a long term integrated

strategic framework to respond to the challenges presented by global warming, recognising the uncertainties in international negotiations and the constraints on domestic actions.

The Government's approach to addressing climate change has been developed in the context of our national interest, ensuring that current, and future, greenhouse gas abatement policies and measures promote cost effective actions that minimise the burden for business and the community. It is an approach that has the support of all governments and the majority of stakeholders. Institutional mechanisms such as the establishment of the Australian Greenhouse Office (AGO) and the Ministerial Council on Greenhouse have been put in place to ensure that greenhouse policy is developed in a whole-of-government context and that due consideration is given to the potential impact of other Government policies on our greenhouse gas emissions.

The National Greenhouse Strategy (NGS) articulates the framework for a coordinated and collaborative approach by governments. Under the NGS all governments have committed to action to limit greenhouse gas emissions; foster knowledge and understanding of greenhouse issues; and lay the foundations for adaptation to climate change. The Government agrees, however, with the report's assessment that States and Territories will need to increase their commitment to greenhouse action, as they are responsible for implementing measures in key areas of emissions growth such as transport and land use planning, land management, and energy use and supply.

Progress and Effectiveness of Current Measures

As demonstrated in the *National Greenhouse Strategy 2000 Progress Report*, tabled by the Government in December 2000, good progress has been made in putting in place the NGS's broad range of measures. Commonwealth and nationally coordinated measures contained in the NGS are expected to deliver emissions savings in the order of 58-64 million tonnes (Mt) (equivalent to around 14-16 per cent of 1990 levels, excluding emissions from land clearing). When the impact of action the Government is pursuing under the 1999 *Measures for a Better Environment* package is taken into account, as well as the opportunities likely to be presented by international flexibility mechanisms (the rules for which are currently being negotiated), the Government expects that Australia will be able to meet its Kyoto target should Australia decide to ratify the Kyoto Protocol. However, while Australia's Kyoto target remains achievable, staying on track will depend on Australian governments, industry and the broader community remaining committed to reducing greenhouse emissions.

The Commonwealth Government has led by example. Key achievements under the Prime Ministers 1997 *Safeguarding the Future* package, a central element of the NGS, include:

- supporting *renewable energy* by funding industry development and commercialisation and the passing of legislation to require that, by 2010, Australia sources an additional 9,500 gigawatt hours of electricity from renewable sources;
- promoting energy efficiency by introducing, in consultation with the States and Territories, Minimum Energy Performance Standards for equipment and appliances as well as pursuing incorporation of energy efficiency measures into the Building Code of Australia;
- moving towards best practice in fossil fuel electricity generation through introduction in July 2000 of new power station energy efficiency standards--expected to cut about

4 Mt of carbon emissions each year (equivalent to taking one million cars permanently off the road);

- increased use of alternative fuels such as compressed natural gas and liquefied petroleum gas (LPG) and improved consumer awareness of the fuel efficiency of motor vehicles;
- an improvement in Australia's capacity to store carbon in vegetation through the innovative Bush for Greenhouse program and Plantations--2020 Vision program;
- delivering reductions in Commonwealth Government greenhouse emissions through implementation of the Commonwealth Energy Policy, which includes mandatory energy intensity targets to be met by 2002-03 and mandatory annual reporting. Since the 1997-98 reporting period the energy consumption of government operations and associated greenhouse emissions have both been reduced;
- further Australian industry engagement including:
 - the voluntary Greenhouse Challenge program to abate greenhouse emissions--over 45 per cent of Australia's total industrial emissions are now covered; and
 - stimulating, through the voluntary Energy Efficiency Best Practice program, continuous improvement and innovation in achieving the efficient use of energy in a range of industry sectors and the uptake of cost-effective technologies and practices with cross-sectoral application; and
 - compilation of the world class National Greenhouse Gas Inventory, providing high quality estimates and trend analyses of emissions as well as establishment of the technically rigorous National Carbon Accounting System to account for greenhouse gas sources and sinks.

Building on achievements under the NGS the Government has reaffirmed and strengthened its commitment to taking action to abate greenhouse gas emissions through the greenhouse measures incorporated in the 1999 *Measures for a Better Environment* package.

Key amongst these additional measures is the *Greenhouse Gas Abatement Program* (GGAP). Through this program the Commonwealth is seeking to fund abatement effort that will reduce Australia's national emissions profile within the first Kyoto commitment period and beyond. GGAP is targeting projects that offer significant and cost-effective reductions in Australia's 2008-12 emissions profile. GGAP will draw on a range of abatement offers over the next four years, and provide funding of up to \$400 million to worthy projects.

Under the first round of GGAP funding, the Government is investing over \$100 million in a range of greenhouse abatement projects. These projects cover various sectors across Australia, including energy, transport fuels, mining, industrial processes and agriculture.

The expected cost of abatement ranges from \$4.00 GGAP/tonne to \$8.00 GGAP/tonne, with an expected average cost of about \$6.00 GGAP/tonne.

The Government expects over 17 Mt of CO₂-e to be abated from these projects in the first Kyoto commitment period.

Measures for a Better Environment is also providing additional support for the development, commercialisation and uptake of renewable energy technologies (up to

\$321 million); and promoting and encouraging the uptake of alternative fuels (\$75 million).

While significant effort is being taken to contribute to reduce emissions through domestic action the Government also recognises that global greenhouse gas emissions could be reduced very cost-effectively through the proposed Kyoto Protocol flexibility mechanisms. These mechanisms (International Emissions Trading, JI and the CDM) would create a global market in carbon credits which will seek out lowest cost abatement opportunities internationally. The Government has set up the International Greenhouse Partnerships Office to progress the establishment of the CDM and JI.

New Measures and Options Under Investigation

The Government is also working collaboratively with State and Territory governments and industry to minimise levels of uncertainty about the long-term implications of addressing climate change and maintain the momentum for containing growth in emissions. Some key options currently under investigation include domestic emissions trading, credit for early action, and the inclusion of a greenhouse trigger under the *Environment Protection Biodiversity Conservation Act 1999* (EPBC Act). In addition several new programs are due to commence in 2001 including the first round of projects under GGAP and a new product certification program.

Domestic Emissions Trading

The ECITA report calls for the early implementation of a domestic emissions trading scheme. The Government has asked the AGO to examine the feasibility and implications of emissions trading for Australia. Work undertaken to date suggests that emissions trading can provide a variety of benefits in terms of offering a non-prescriptive and economically efficient approach to greenhouse gas abatement, linkage to international trading systems and reliability in achieving an emissions target. But this analysis is far from complete and the evaluation of emissions trading options will be the focus of continuing consultation.

The Government announced in August 2000 that it will only implement a mandatory domestic emissions trading scheme if the Kyoto Protocol is ratified by Australia, has entered into force and there is an established international emissions trading regime. The Government's decision does not rule out the subsequent introduction of such a scheme if further analysis demonstrates that this would be in the national interest.

Credit for Early Action

On 15 November 2000, the Government released the public consultation paper, *Encouraging Early Greenhouse Abatement Action*. The Government announced in-principle support for the development of a system that would credit early abatement action occurring within Australia, if there is sufficient demand for access to "early action credit" and a satisfactory program design can be agreed. Early crediting arrangements could enhance opportunities for investors to hedge against greenhouse risks thereby encouraging further abatement in the most cost effective areas of the economy. Under the proposed program, companies could earn "credits" that would be exchangeable for emission allowances that will be assigned to Australia if it becomes a Party to a Kyoto Protocol which enters into force. These credits would effectively become permits under any future emissions trading scheme. Participation by industry would be on a voluntary basis.

Greenhouse Trigger

In 1999, the Prime Minister indicated that, upon passage of the EPBC Act, the Commonwealth Government would commence a process of consultation with the States and other stakeholders 'on the issue of applying a greenhouse trigger under that legislation in relation to new projects that would be major emitters of greenhouse gases'.

A consultation paper on the possible application of a trigger was released in December 1999 and a model trigger design was released in May 2000. In November 2000, the Minister for the Environment and Heritage wrote to the States and Territories seeking their views on a draft regulation and attached a discussion paper outlining how such a trigger could be applied. Under the draft regulations, the EPBC Act would be triggered by major new developments if they are likely to result in greenhouse gas emissions of more than 500,000 tonnes of carbon dioxide equivalent in any 12 month period.

A greenhouse trigger would provide a mechanism to assure that Australia's national interest is taken into account when considering the implications of new projects. The purpose of the proposed greenhouse trigger would not be to restrict Australia's future economic growth but rather to ensure that new developments represent "best practice" from a greenhouse perspective. Effects on international competitiveness and regional development would be factored into the assessment and approval process. The government is currently consulting with State and Territory governments and other relevant stakeholders on the possible implementation of a greenhouse trigger under the EPBC Act.

Product Certification Program

This proposed program is a greenhouse certification and labelling program. Under the proposed program design, it is intended that product manufacturers and service providers will be able to apply for certification that the greenhouse gas emissions of a product or service have been offset by corresponding emissions abatement projects that have been financed by the company.

The proposed program is designed to encourage consumers to consider greenhouse when making their purchasing decisions, and to stimulate further greenhouse gas abatement in Australia.

Response to Key Issues Raised in the ECITA Report

Energy Markets and Supply

The ECITA report calls for the acceleration and broadening of activity in the energy sector with a particular focus on improving the greenhouse outcomes of energy market reform. The Government accepts that greenhouse gas emissions from stationary energy have increased, however, this is the result of a range of factors and cannot be attributed solely to the short-term outcomes of the energy market reform process. Through the implementation of the NGS and the Government's *Measures for a Better Environment* package considerable steps have been taken at the Commonwealth level to accelerate greenhouse action across the energy sector.

Energy market reform is one of the key elements of the Government's approach to microeconomic reform and competition policy. To date, energy market reform has delivered substantial national economic benefits and reduced input costs to business by improving productivity, resource allocation and investment decisions in the electricity and gas sectors, and by delivering lower real electricity and gas prices to end users.

In the initial stages of the reform process there was an excess supply of electricity in the market. This resulted in relatively depressed market prices, which favoured low cost and incidentally high emission incumbents. Accordingly there has been an increase in the greenhouse intensity of energy supply. This trend is expected to weaken over the medium to longer term as the market matures. Barriers to entry for alternative energy suppliers as a result of excess capacity and transitional arrangements are likely to diminish over the medium term.

The Government agrees that there is a need for continuing energy market reform. Pursuit of accelerated energy market reform will have significant economic benefits for the Australian economy as well as environmental benefits from reduced greenhouse intensity of energy supply in the longer term. Competition principles must remain the primary driver for continuing energy market reform if the full economic benefits are to be realised. It is expected both the electricity and gas reform measures will contribute to emissions reductions by increasing the proportion of gas in total energy consumption in the long term.

Generator Efficiency Standards for power plants, which commenced on 1 July 2000, will assist in reducing the greenhouse gas intensity of energy supply and will encourage best practice in the efficiency of electricity generation using fossil fuels. This program is projected to achieve about 4 Mt per annum of greenhouse gas abatement at a cost of up to \$10/tonne carbon dioxide equivalent in the Kyoto commitment period.

Increasing the share of renewable energy in the energy market is a key outcome sought by Government. To this end legislation to support the Government's mandatory renewable energy target was passed by Parliament in December 2000. As the first legislated energy supply greenhouse response measure, the mandatory renewable energy target demonstrates the Government's commitment to greenhouse gas emission reduction and is a recognition of the contribution that the renewable energy sector can make to Australia's efforts to address climate change.

In addition, considerable funding of \$386 million under the Prime Minister's 1997 *Safeguarding the Future* package and the 1999 *Measures for a Better Environment* package has been provided to encourage increased uptake of renewable energy and support development of renewable energy technology. The *Renewable Energy Action Agenda* a jointly developed industry-Government strategy, also provides a path for the development of the Australian renewable energy industry. An Industry Chief Executive Officer Group has been established to provide high level support and strategic guidance in the implementation process and will report on progress in implementing the Action Agenda by end July 2001.

Transport

The ECITA report also calls for more substantial action across a broad range of Government activity. It argues for new levels of investment from governments in urban and interstate rail and public transport; reform of Fringe Benefit Tax arrangements for cars, to remove financial incentives to travel greater distances; the exemption from GST of public transport; and additional measures to encourage greater uptake and increase the availability of alternative fuelled vehicles.

The Government acknowledges that the transport sector is an area of increasing growth in emissions and that this sector needs to play its part in meeting the Government's environmental objectives.

There has been progress by the Government in a number of areas including steps to improve the fuel efficiency of vehicles and increase the uptake of alternative fuels. From January 2001 under the Government's fuel consumption labelling scheme, all new passenger cars, four wheel drive and light commercial vehicles sold in Australia are required to carry a fuel consumption label on their windscreen.

The environmental advantages of rail freight over road transport are also recognised, and the Government has initiated a broad ranging program of reforms addressing the substantial deficiencies in the interstate rail network with a view to increasing the proportion of the freight market directed to rail transport. The reforms seek to improve rail service levels through the introduction of private sector expertise to the industry, improvements to track management and track quality, and reduction of operator costs.

The Government has recognised the need to ensure consistency between economic instruments relating to transport and fiscal, economic and environmental policy, including greenhouse objectives. A report by the Bureau of Transport Economics *Transport and Greenhouse: A Study of Policy Options*, into the effects on transport of various economic instruments, has been commissioned as part of implementation of the NGS. The Government will consider the outcomes of this report in the further development of measures to abate greenhouse emissions from the transport sector but does not support major changes to transport taxation at this time.

Curbing the growth of transport emissions requires a systematic and cooperative approach by governments and industry. The Australian Transport Council (ATC) is providing a key mechanism to foster strategic thinking on cross-modal, cross-jurisdictional and strategic issues of national significance such as greenhouse. The ATC has established in 2000 a National Transport Secretariat (NTS) to facilitate this action. The NTS will greatly enhance ATC's ability to progress national planning and reform in this sector.

Forestry, Land Management and Agriculture

The ECITA report recognises the potential of the land management sector to contribute to emissions reductions. The report recommends the establishment and enhancement of carbon sinks under the guidance of a national sinks policy; the introduction of strong national controls on land clearing; and the use of regional abatement strategies that encourage retention of native vegetation, investment in revegetation activities and investment in plant that will support such activities.

The Government is acting in the land management sector, including to reduce greenhouse gas emissions from land clearing. Strategies being implemented under the NGS include:

- encouraging sequestration of carbon and supporting sustainable land management by developing and implementing policies to protect and expand Australia's vegetation cover;
- assisting national efforts to reduce emissions from agricultural activities; and
- providing credible and verifiable estimates of Australia's emissions and sinks resulting from land use, land use change and forestry activities by developing a world class carbon accounting system (expected to be operating by end 2001).

The Government supports the concept of a National Policy Framework for Greenhouse Sinks. Such a framework could:

- raise awareness of the kinds of sinks eligible under the Kyoto Protocol and the accounting framework necessary to determine their capacity to offset emissions, once these issues have been determined at the international level;
- enhance coordination of Australia's action on greenhouse gas sequestration across jurisdictions;
- contribute to achievement of Australia's greenhouse commitments at least cost to the Australian economy; and
- allow for the appropriate integration of regional, natural resource management and greenhouse sinks objectives.

The Government continues to make progress in the area of agriculture where it is developing a cooperative approach with industry to identify areas where private and public investment can be made to optimise emission reductions. It is also investigating synergies between the development of on farm sinks and other natural resource management goals.

The Government is also providing significant support for research and development into alternative forest products with positive greenhouse outcomes, such as the development of biomass fuel, and exploring the viability of commercial ventures from low rainfall forestry. This is occurring through initiatives under the *Joint Venture Agroforestry Program* supported by the *Rural Industries Research and Development Corporation* and through the AGO's *Renewable Energy Commercialisation Program*.

Greenhouse Challenge

The Government rejects the criticisms of the Greenhouse Challenge program made in the ECITA report. The Greenhouse Challenge is recognised as an international role model for the inclusion of business in greenhouse abatement.

The success of the Greenhouse Challenge in engaging business leaders and stimulating cost-effective greenhouse gas emission reductions across a wide range of industry sectors demonstrates the value of this joint industry-government initiative as an important component of the Government's suite of voluntary and mandatory greenhouse gas abatement measures. Membership of the Greenhouse Challenge is continuing to grow and the program is extending its reach across industry sectors, including in the agricultural sector.

In addition to significant abatement achievements, the Greenhouse Challenge has delivered many other tangible benefits. Through participation in the Challenge, industry and government are building valuable expertise in identifying, monitoring, managing and reporting emissions. As a result, the Challenge is not only assisting industries to improve their efficiency and competitiveness, but is also preparing them for a carbon constrained future and improving their capacity to cope with possible future developments, including emissions trading.

Scientific Research

The Government rejects the ECITA Report's finding that the Government has provided inadequate funding and focus to researching the impact of climate change on Australia, the potential cost of inaction, and adaptation to climate change.

The Government recognises the importance of greenhouse science in underpinning national and international policies on climate change. Australia is an active participant in the work of the Intergovernmental Panel on Climate Change (IPCC) in assessing the state of knowledge on climate change.

The Government's Greenhouse Science Program has contributed to global understanding of climate change and its potential impact on Australia and the region by supporting basic and applied research. This is a commitment of \$14 million, over four years to 30 June 2003, which funds research undertaken by the Commonwealth Scientific and Industrial Research Organisation, the Bureau of Meteorology Research Centre, the National Tidal Facility, and other activities of the Australian Academy of Science and the Global Change and Terrestrial Ecosystem Project of the International Geosphere-Biosphere Program. Current work focuses particularly on climate systems and climate variability.

Future scientific research under the *Australian Greenhouse Science Program* includes continued refinement of climate models to improve performance on regional scales; extension of the integration of information from work on aerosols and ocean circulations into the climate models; and developing criteria for assessments of the impacts of climate change.

Engaging the Community

The ECITA report argues that there is a lack of easily accessible information for the public to understand what climate change could mean for Australia and calls for a comprehensive public awareness raising campaign to communicate the facts of climate change to the community.

The Government recognises the importance of communicating with and engaging the community on greenhouse matters and considers this a responsibility of all governments. At the Commonwealth level communication activity is led by the AGO, with a focus on activities that have a national reach. In February 2001 the Government commenced a new national public information campaign aimed at getting Australians to help reduce greenhouse gas emissions. The campaign included television, newspaper and magazine advertising, supported by a 1300 infoline. The AGO also hosts an informative and up-to-date Internet site, which receives approximately 350,000 unique hits each month, and produces and distributes a range of publications including quarterly newsletters and information fact sheets, reports and brochures.

Consolidated Response

Chapter 2 - The Potential Impacts of Global Warming

Recommendation 1

The Committee recommends that the Commonwealth Government make a strong public statement on its position on the science of climate change and initiate an awareness raising campaign to communicate the issue of climate change to the broader community.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

The Government previously endorsed the findings of the Intergovernmental Panel on Climate Change (IPCC) Second Assessment Report of 1995. The IPCC is now completing its Third Assessment Report and the Government strongly endorses the findings of this latest assessment of the global science of climate change. The Report finds increasing evidence for global warming and other changes in the climate system

and stronger evidence that most of the global warming observed over the last 50 years is attributable to human activities.

The Government recognises the importance of greenhouse science in underpinning national and international policies on climate change and the need to keep pace with developments in this field. The Government has a longstanding commitment to supporting a national program of greenhouse science that has enabled Australia to be an active participant in the work of the IPCC.

The Government has made several strong public statements endorsing the findings of the IPCC. For example the Minister for the Environment and Heritage expressed the Government's confidence in the continued strengthening and certainty of greenhouse science in his November 2000 *Working it Out: Australia's Approach to the Hague Climate Change Conference* address and his February 2001 media statements regarding the release of the Summary for Policy Makers of the IPCC reports on *Climate Change 2001: The Scientific Basis* and *Climate Change: Impacts, Adaptation and Vulnerability*.

The Government recognises the importance of raising awareness of the science of climate change and through the National Greenhouse Strategy (NGS) is committed to implementing measures to achieve this. The Australian Greenhouse Office (AGO) has an ongoing program that describes science outcomes, and the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and the Bureau of Meteorology have programs that communicate greenhouse science. Communication is also a key element of the Greenhouse Science Advisory Committee's Business Plan 2000 to 2005. The current Greenhouse Science Communication Program includes public addresses by Australian experts and Prof. Bob Watson, Chair of the IPCC; industry briefings by Australian experts involved in preparation of the IPCC Third Assessment Report; public presentations in regional areas; CSIRO's fact sheets on key climate change science issues; the Australian Greenhouse Office publications updating *Grappling with Greenhouse* to include the latest findings of the IPCC; seminars by visiting scientists in several locations; and development of an Internet site providing access to information of greenhouse science.

See responses to Recommendations 23 and 24 for details of the Government's activities in relation to raising awareness on climate change matters in the broader community.

Recommendation 2

The Committee recommends that adequate funding be provided to:

- enable the CSIRO to continue work on the underlying science of climate change;*
- work on the nature of potential impacts of climate change in the Australasian region, possibly through new or existing CRCs; and*
- work on the potential social, economic and environmental costs of the impacts of climate change on Australia, particularly at a regional level.*

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

The Government currently provides funding for underlying research into climate change science through a number of mechanisms:

·A commitment of \$14 million over four years to 30 June 2003 under the AGO Greenhouse Science Program which funds research undertaken by CSIRO, the Bureau of Meteorology Research Centre, the National Tidal Facility, and other activities of the Australian Academy of Science and the Global Change and Terrestrial Ecosystem Project of the International Geosphere-Biosphere Program. Current work focuses particularly on climate systems and climate variability.

·The Greenhouse Science Program leverages an additional appropriation commitment from CSIRO of approximately \$4 million pa. In total, CSIRO plans show a commitment (from appropriation and non-appropriation sources, including funds received from the Australian Greenhouse Research Program) of \$16 million pa during the current triennium.

CSIRO also receives substantial Government funding for a range of research and development (R&D) activities that may have an indirect yet positive impact on greenhouse gas abatement. R&D activities, energy efficiency and materials development, for example, are crucial in developing more climate-friendly technologies. While these areas of research have significant greenhouse benefits it is not possible to quantify what percentage of this funding is directed towards greenhouse research.

Government funded research on climate change science include research on the social, economic and environmental impacts of climate change.

Recommendation 3

The Committee recommends that Australian universities be encouraged to establish departments and courses that focus on atmospheric or climate change science, and that funding be provided to support such initiatives.

Government Response

The Government supports this recommendation.

A number of Australian universities currently include climate change sciences in various types of courses at the undergraduate and postgraduate level.

Government support is provided for the Cooperative Research Centre (CRC) program administered by the Department of Industry, Science and Resources (DISR) which aims to enhance linkages between researchers and research users. Emphasis is placed on long term, high quality, applications-oriented research, and educational objectives are integral to the work of CRCs. Significant greenhouse research is undertaken through a number of CRCs including the CRC for Greenhouse Accounting, the Australian CRC for Renewable Energy, the Black Coal CRC, the CRC for Clean Power from Lignite and the Australian Petroleum CRC.

Australian Democrats Recommendation 1

The Australian Democrats recommend that a minimum of \$100 million in funding should be provided over the next four years for climate change science.

Government Response

The Government does not support this recommendation. See response to Recommendation 2 above for the Government's response on climate change science.

Chapter 3 - The Framework Convention on Climate Change and the Kyoto Protocol

Recommendation 4

The Committee recommends that future work undertaken by ABARE on the economic impact of climate change and greenhouse gas abatement should:

- be subject to wide-ranging peer review to ensure open and objective reporting; and*
- incorporate opportunities for low cost and negative cost abatement.*

Government Response

The Government supports this recommendation.

Peer review

·The Australian Bureau of Agricultural and Resource Economics (ABARE) welcomes objective criticism of its work, as it seeks continuous improvement in its research. ABARE's research is published and disseminated widely, and is available for public comment.

·ABARE participates regularly in conferences, workshops and industry briefings to ensure that its climate change work is exposed domestically and internationally and to help it achieve best practice.

·ABARE is always prepared to liaise with any person or group to help them understand its work and the issues more clearly, and to take on board useful suggestions for improving its work.

·ABARE is a member of the Energy Modelling Forum (EMF)--a highly regard-ed international body--and is a regular participant in the EMF's workshops. At these workshops, members' modelling and analysis is subject to scrutiny by leading modellers from around the world.

·ABARE is also participating in the exercise, 'A comparative analysis of computable general equilibrium models for greenhouse policies', being conducted for the Productivity Commission.

Costs of abatement

·ABARE modelling assumes that there are substantial energy efficiency improvements taking place at no cost to the economy over time in the reference case.

·Also, ABARE assumes that there are substantial low cost emission reduction opportunities early on in any emission abatement program across all sectors of the economy.

·ABARE continues to work on estimating the scope and cost of different greenhouse gas abatement opportunities and will continue to incorporate these into its modelling.

Recommendation 5

The Committee recommends that strict rules to govern the use of carbon sinks should be included in any emissions trading framework developed by the Parties to recognise the uncertainties in measurement and the long term security risks.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

The Government agrees that methodologies for accounting and reporting of sinks activities should consider measurement uncertainties and the potential reversibility of carbon sequestration. In its 1 August 2000 submission to the United Nations Framework Convention on Climate Change (UNFCCC), Australia proposed that the

IPCC be asked to extend its good practice guidance to cover sinks activities. This would include methodologies for ensuring that measurement uncertainties are taken into account. Australia also proposed that all subsequent changes in carbon stock on land affected by Article 3.3 or 3.4 sinks activities be accounted for across contiguous commitment periods. This would ensure that, if carbon sequestration is credited but is later reversed, the emission is identified and accounted for.

Recommendation 6

The Committee agrees that the integrity of the Kyoto Protocol rests on its ability to deter non-compliance and recommends that the Australian Government works with the Parties towards the adoption of firm sanctions for non-compliance.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

The Government considers that the integrity of the Kyoto Protocol, were it to enter into force, would rest primarily on Parties achieving the emission limitation and reduction targets to which they will commit upon entry into force of the Protocol. These targets are the core feature of the Protocol.

The Protocol's compliance system will play an important role in ensuring that Parties meet their targets. At COP 6 in The Hague, broad support was expressed for the system to have the objectives of facilitating, promoting and enforcing compliance with commitments under the Protocol. The system would be designed to achieve these objectives through a proposed UNFCCC Compliance Committee with two branches, a facilitative branch and an enforcement branch. The facilitative branch would provide advice and guidance to Parties having difficulty in meeting their commitments while the enforcement branch would apply firmer consequences following a finding of non-compliance.

At COP 6 in The Hague, there was some acceptance among Parties that the most appropriate response when a Party has exceeded its emissions target is to require that Party to make up its excess emissions at a rate to be determined. Under this, a non-compliant Party would have to formulate a "compliance action plan" which would set out how it proposed to restore its excess emissions, for example by undertaking additional mitigation projects or acquiring permits under international emissions trading. The Government considers that consequences for non-compliance should be directed at repairing the environmental harm caused by a Party's non-compliance and helping the Party to perform better so as to avoid a repetition of the problem. This would be the most effective means of ensuring the achievement of emissions targets.

Recommendation 7

The Committee recommends that the Australian Government support the development of a reporting mechanism under the Kyoto Protocol which will identify and assist those Parties falling behind in Protocol emissions targets.

Government Response

The Government supports this recommendation.

A detailed reporting mechanism on Parties' emissions levels has already been built into the Kyoto Protocol. The Protocol requires Parties with targets to prepare and submit an annual inventory of its anthropogenic emissions by sources and removals by sinks. This inventory will include important supplementary information for the

purpose of ensuring a Party's compliance with its target, such as information on changes to its assigned amount due to transfers and acquisitions under the Kyoto mechanisms (International Emissions Trading, Joint Implementation (JI) and the Clean Development Mechanism (CDM)). The Protocol also provides a process for annual review of these inventories by teams of technical experts. Questions of implementation resulting from this technical review will be referred to the proposed UNFCCC Compliance Committee, which can provide advice and guidance to a Party having difficulties with its inventory. The Government has played an active role in the discussions to elaborate guidelines for the operation of this reporting mechanism and review procedure.

Recommendation 8

The Committee recommends that credit for activities should only be provided for activities that are additional to those which would have been undertaken under a 'business as usual' situation.

Government Response

The Government supports this recommendation.

In accordance with Article 12 of the Kyoto Protocol, it will be necessary for CDM projects to deliver reductions in emissions that are additional to any that would occur in the absence of the certified project activity. Ultimately, the international modalities and procedures agreed for CDM will define the necessary additionality requirements.

The International Greenhouse Partnerships (IGP) Office has commissioned the production of a series of workbooks which are providing practical guidance on the establishment, design and monitoring of various types of project, including potential methodologies for determining whether projects meet Article 12's additionality requirements. The IGP Office has also held two training courses for 17 developing countries and economies-in-transition to increase their awareness of these issues and their capacity to assess whether prospective projects will deliver real reductions in emissions.

The Government has also endorsed a "new and additional" principle as one component of its in-principle agreement to support the development of early crediting arrangements for domestic abatement activities. For further details, see the response to Recommendation 99.

Recommendation 9 and Australian Democrats Recommendation 2

Recommendation 9

The Committee recommends that the Commonwealth Government oppose in future international negotiations, any proposals for the inclusion of nuclear technology in the Clean Development Mechanism.

Australian Democrats Recommendation 2

The Australian Democrats recommend that the Commonwealth Government oppose in future international negotiations, any proposals for the inclusion of clean coal or sinks in the Clean Development Mechanism.

Government Response

The Government does not support these recommendations.

A key role of the CDM is to assist developing countries in achieving sustainable development. In accordance with this, the Government considers that developing

countries that approve and host CDM projects should be able to exercise discretionary control over whether they consider specific projects, including nuclear energy, clean coal or sinks projects, meet their sustainable development needs.

The Kyoto Protocol states that the certification of emission reductions for CDM projects will be based on real, measurable and long-term benefits related to the mitigation of climate change. There is a wide range of activities which could potentially meet this objective, including nuclear power, clean coal or sinks projects. The Government considers that any activities which meet this criterion should, in principle, qualify for the allocation of emission credits under the CDM, recognising that, as outlined above, host countries would have the capacity to exercise discretion over project approvals. Clearly it will also be important to ensure that rigorous methodologies are used to quantify emission reductions arising from CDM projects.

Recommendation 10

The Committee recommends that the Commonwealth Government take a leadership role in international negotiations on climate change, with a view to moving through Australia's treaty-making process in a timely manner to achieve ratification of the Kyoto Protocol, including:

- urging other countries to ratify the Protocol;*
- starting to work constructively with developing countries to encourage them to adopt binding targets as soon as possible and to ensure global emissions constraints; and*
- ensuring adequate targets are in place beyond the first commitment period to stabilise atmospheric concentrations of greenhouse gases.*

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

Australia has consistently taken a high profile role in the international negotiations. At the Sixth Session of the UNFCCC Conference of the Parties in The Hague (COP 6) Australia was commended by the Conference President, for its constructive approach, particularly through Senator Hill's effective chairmanship of the Umbrella Group. Australia will continue to take a positive and constructive role in the international negotiations.

The Government will not consider ratifying the Kyoto Protocol until international agreement is reached on all the outstanding issues. These issues include rules for the use of sinks, the rules, guidelines and modalities for the Kyoto flexibility mechanisms (International Emissions Trading, JI and the CDM), the compliance system and the engagement of developing countries. The Government intends to work with the international community on these issues at the resumption of COP 6 from 16-27 July 2001.

Australia is actively encouraging developing countries to work towards addressing their greenhouse gas emissions. At COP 6, Australia in its role as Chair of the Umbrella Group (which also includes Canada, Iceland, Japan, New Zealand, Norway, Russia, Ukraine and the United States) tabled a proposal on developing country issues that included a significant financial component linked to developing country emissions reduction commitments.

If there were to be international agreement on all outstanding Kyoto Protocol issues and the Protocol were to enter into force, the issue of emission targets for a second

commitment period would need to be addressed. It would be premature to speculate on likely targets prior to such agreement. According to the Kyoto Protocol (Article 3.9) consideration of commitments for subsequent periods shall be initiated at least seven years before the end of the first commitment period. In other words, those negotiations should commence by the end of 2005 at the latest.

Chapter 4 - Australia's Greenhouse Performance and Strategy

Recommendation 11

The Committee recommends that the first report on the progress of the National Greenhouse Strategy, which is to be tabled in Parliament in early 2001, should:

- include an assessment of the progress, implementation and effectiveness of each measure;*
- include an estimate of emissions reductions for each measure;*
- clearly identify where information is lacking and progress remains unsatisfactory;*
- and*
- assess performance against prior pledges, including performance against expected emissions reductions.*

Government Response

The Government considers that this recommendation has now been addressed.

The first report on the progress of the NGS was tabled in the Parliament in December 2000, as required by the NGS. It examines: Australia's progress towards its target under the Kyoto Protocol; progress in implementation by individual jurisdictions and through the Ministerial Councils; progress in implementation by measure; and the effectiveness of measures in addressing the Strategy's goals.

Recommendation 12

The Committee recommends that the major review of the National Greenhouse Strategy currently planned to be conducted during 2002 be brought forward to 2001 to immediately follow the release of the first report.

Government Response

The Government does not support this recommendation.

Undertaking a comprehensive review of the NGS requires a significant level of preparation and data gathering at both the Commonwealth and the State level. Bringing the review forward to 2001 is not feasible, as the underpinning data are not yet available. The impact of the 1998 NGS measures will be more readily assessed once relevant data from 2000 are available. As noted in the NGS, data that need to be considered includes:

- Analyses of trends in emissions, as indicated by the National Greenhouse Gas Inventory (NGGI) and projections of future emissions, especially in relation to Australia's target under the Kyoto Protocol. Key NGGI data for 2000 will not be available until 2002;*
- Developments in international agreements including the UNFCCC and the Kyoto Protocol;*
- Findings from research into opportunities and constraints relating to greenhouse policy and the benefits and costs of policy response options which will be collected throughout 2001 and into 2002; and*

·Developments in greenhouse science.

In addition advice from stakeholders and the views of the community would also need to be sought.

State and Territory input was sought in respect of this recommendation. Substantive responses were received from three jurisdictions, all of which support the Government's position that the review of the NGS should not be brought forward to 2001.

Recommendation 13

The Committee recommends that the Commonwealth Government incorporate the reduction of greenhouse emissions as a central objective across the whole-of-government and in all policy formulation. All relevant areas of Government, including transport and treasury, should be required to include greenhouse abatement in policy development and report on progress in their annual reports.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

Consideration of Government greenhouse policy is led by the Ministerial Council on Greenhouse comprised of the Ministers for Environment and Heritage; Agriculture Fisheries and Forestry; Industry, Science and Resources; Finance and Administration. Other portfolio Ministers such as Foreign Affairs; Transport and Regional Services; and Forestry and Conservation also participate where appropriate.

In 1997 the Government established the AGO, as the lead Commonwealth agency on greenhouse matters, as part of the Prime Ministers 1997 *Safeguarding the Future* package. A key function of the AGO is to provide advice to the Government on greenhouse issues with a whole-of-government perspective, obtained through consultation across portfolios.

These mechanisms have provided appropriate coordination of greenhouse issues where relevant in Government policy development across a range of portfolios.

Recommendation 14

The Committee recommends that all agencies of the Commonwealth Government be required to develop quantified emissions reduction targets for all emissions from their operations.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

There are already targets for improving the energy efficiency of Commonwealth operations. Energy related emissions are estimated to account for 95 per cent of Government agency greenhouse emissions. Progress towards these targets is reported annually to Parliament.

The Commonwealth Energy Policy contributed to a 10.6 per cent reduction in the energy used by Commonwealth agencies in 1999-00 and a 9.2 per cent reduction in associated greenhouse emissions against a 1997-98 baseline.

In addition, Government agencies are encouraged to join the Greenhouse Challenge.

Recommendation 15

The Committee recommends that performance against emissions targets should be monitored, independently and transparently assessed, and reported in annual reports.

Government Response

The Government does not support an independent assessment of agency performance against emission targets and considers that other aspects of this recommendation are already being addressed through existing measures.

In programs such as Greenhouse Challenge, where the quantity of emissions justifies such an approach, independent verification is already a design feature.

Other programs, such as Commonwealth Energy Operations, rely on agencies self-reporting. Over 95 per cent of emissions from Commonwealth agencies' energy consumption are reported under the Commonwealth Energy Policy. The Government has developed tools to ensure that agency emissions are transparently and accurately calculated.

In 1999 the Australian National Audit Office conducted a Performance Audit on Energy Efficiency in Commonwealth Operations (Audit Report No. 47 of 1998-99, tabled in Parliament on 15 June 1999) which examined how well agencies were implementing the Commonwealth Energy Policy. The Audit Office concluded that significant energy efficiency activity was occurring in many agencies. This activity included both the development of systems and procedures to comply with the Energy Policy, for example in implementing energy efficient building design, as well as the day-to-day management of work practices and facilities.

The Government is monitoring energy efficiency of Commonwealth agencies and reports annually on progress in reducing energy consumption. Agencies contribute towards portfolio energy efficiency targets of 15 per cent over 5 years, 25 per cent over 10 years against the 1992-93 base year. This approach has had considerable success.

Recommendation 16

The Committee recommends that government develop greenhouse accounting tools for the private sector and provide tangible recognition and encouragement to those organisations which apply in-house mechanisms such as emissions trading or de-facto carbon taxes.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

The Government already has in place a number of mechanisms to develop and provide greenhouse gas accounting tools for the private sector. These include action under the Greenhouse Challenge program and the National Carbon Accounting System (NCAS).

The Government will continue to view the Greenhouse Challenge as a mechanism for encouraging enterprises to take early action in the lead up to any possible future economy-wide measures, such as emissions trading. One of the founding tenets of the Greenhouse Challenge is to develop industry capacity to monitor and report greenhouse gas emissions to prepare for a future where such reporting requirements may be mandatory.

Companies on the Greenhouse Challenge develop technical expertise in identifying, monitoring and forecasting greenhouse gas emissions. The Greenhouse Challenge area of the AGO provides workbooks and information to participants to develop their emissions inventories and abatement actions.

In addition the NCAS within the AGO includes as part of its funding development of accounting tools suited to private organisations. For example, AGO has recently made publicly available, through its Internet site, the CAMFor carbon accounting model for forests (*see www.greenhouse.gov.au/ncas/files/consultancies/xtool.html*). Ongoing work will be undertaken in consultation with private sector interests.

The Government has developed methodologies to assess the performance of abatement projects under the Greenhouse Gas Abatement Program (GGAP). The Government encourages the private sector to apply these when considering their own abatement strategies.

Australian Democrats Recommendation 3

The Australian Democrats recommend that the Commonwealth Government apply a tax on all energy used within its departments at the rate of \$10/tonne of CO₂. These funds should be allocated to investments in emissions reduction for Government operations. Agencies could be allowed to determine how they spend those funds, or unallocated funds be allocated to the Australian Greenhouse Office to invest in the most cost- and greenhouse-effective manner. The Australian Democrats recommend that state and local governments be encouraged to match this measure.

Government Response

The Government does not support this recommendation.

The Government is not considering the introduction of a carbon tax on the operations of its own agencies due to the success of existing energy efficiency programs. Agency involvement in energy efficiency programs has resulted in improved energy management and reduced emissions. This has been translated into significant progress towards meeting the Government's energy performance targets by 2002-03. Although agencies currently retain savings from better energy management practices, several agencies are investing those savings in energy efficiency initiatives or other greenhouse abatement projects such as Green Power.

Recommendations 17-20

Recommendation 17

The Committee recommends that the states and territories set out emissions reduction benchmarks and objectives for all relevant areas of government. Areas such as energy use, buildings and planning, transport and vehicle fleets, and administrative services should be a priority. Performance against such benchmarks should be regularly, transparently and independently assessed.

Recommendation 18

The Committee recommends that state and territory governments adopt the reduction of the greenhouse intensity of energy supply and transport as a key criteria in the assessment of new projects.

Recommendation 19

The Committee recommends that states and territories with outstanding implementation plans submit them to the Commonwealth by the end of 2000. The

plans should, at a minimum, outline the measures they will implement under the National Greenhouse Strategy, any additional measures they will undertake, progress towards and timelines for their completion, and estimates of the emissions savings from the measures.

Recommendation 20

The Committee recommends that the states and territories support their greenhouse plans with adequate levels of budgeted funding.

Government Response

No Government response required.

Recommendation 21

The Committee recommends that the Commonwealth take a leadership role in facilitating the states and territories, industries and other key groups to set clearer directions on greenhouse abatement, based on what their 'fair share' of emissions limits under Kyoto and subsequent commitments is, and in particular:

- to assist parties to improve monitoring and accountability of greenhouse abatement performance, to identify trends and to evaluate performance against benchmarks (such as greenhouse gas emissions as a proportion of Gross State Product); and*
- to assist industry to achieve 'world's best' emissions levels per unit while preparing for a carbon constrained future.*

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

The Government has led by example, committing nearly \$1 billion to its greenhouse response across a range of programs. The Government has encouraged States and Territories to make commensurate efforts under the NGS, recognising that Australia's regional diversity means that States and Territories' responses will vary according to their circumstances.

There is scope, however, for States and Territories to benchmark their efforts against the most effective measures adopted by Australian jurisdictions and against world best practice in order to facilitate more effective design and implementation of policies and measures.

The Government is currently assisting industry to achieve "world's best" emission levels through initiatives such as the Greenhouse Challenge Program and the Voluntary Building Industry Initiatives program, and through a range of NGS measures such as Measure 4.16: Efficiency Benchmarking and Best Practice.

State and Territory input was sought in respect of this recommendation. The three substantive responses received support the position that Australia's regional diversity must be taken into consideration in tailoring Australia's greenhouse response. States and Territories that did not provide a specific response generally expressed the view that the recommendation would be taken into account in future policy development.

Recommendation 22

The Committee recommends that the Commonwealth Government make further efforts to assist smaller state and territory governments or regional communities develop greenhouse strategies and responses. The Committee recommends that the

Commonwealth Government improve communications, dialogue and technical cooperation between the Commonwealth and the states and territories.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

Regional Greenhouse Partnerships is one of the four major themes of the \$400 million GGAP. This theme will encourage significant and sustained reductions in greenhouse emissions across regional Australia including promoting: sustainable land management that incorporates greenhouse considerations into agricultural, forestry and vegetation management practices; promoting the development and uptake of sustainable energy, including biomass to energy and bio-fuels, in regional Australia; and catalysing non-government investment and cross-sectoral partnerships in regional Australia for greenhouse abatement.

The AGO is also facilitating a range of initiatives with local governments, individuals and communities to address greenhouse gas emissions.

Through the Cities for Climate Protection™ (CCP™) Program, local councils have an opportunity to draw on international expertise and world best practice in developing effective greenhouse solutions at the local level. The Australian CCP™ Program is the fastest growing CCP™ Program in the world through a strong commitment from largely urban councils. During his December 2000 speech at the National General Assembly of Local Government, Senator Hill highlighted the need for efforts to increase the involvement of rural, regional and indigenous communities in greenhouse action. The AGO is currently developing strategies to achieve this outcome.

The “Cool Communities” project is another AGO initiative which is being delivered under the Household Greenhouse Action Program. In 2001, “Cool Communities” will recruit communities across Australia, and will resource and assist them in developing tailored strategies to engage their residents, businesses and community groups in taking greenhouse action at the household level.

More generally, the Government is making substantial efforts to facilitate communication, dialogue and coordination with all State and Territory governments in the development of greenhouse strategies and responses. These efforts are supported by a High Level Group on Greenhouse, comprising senior Commonwealth, State and Territory officials, and through a number of joint Commonwealth/State Ministerial Councils, which coordinate national action on greenhouse in key sectors such as energy, transport and land management.

Recommendations 23 and 24

Recommendation 23

The Committee recommends that a clear strategy be developed and coordinated at the national level to effectively communicate the issues associated with greenhouse gas emissions and climate change to the broader community.

Recommendation 24

The Committee recommends that all levels of government take responsibility for raising awareness about climate change and current greenhouse gas abatement policies and programs.

Government Response

The Government considers that these recommendations are already being addressed through existing measures.

At the Commonwealth level communication activity is led by the AGO, with a focus on activities that have a national reach. In February 2001 the Government commenced a new national public information campaign aimed at getting Australians to help reduce greenhouse gas emissions. The campaign includes television, newspaper and magazine advertising and is being supported by a 1300 infoline. The AGO also hosts an informative and up-to-date Internet site, which receives approximately 350,000 unique hits each month (*see www.greenhouse.gov.au*) and produces and distributes a range of publications including quarterly newsletters and information fact sheets, reports and brochures.

A national greenhouse communication strategy, underpinned by community awareness research, is also being developed by the Commonwealth and the States and Territories under the NGS. Implementation of the communication strategy will be the responsibility of all jurisdictions.

Chapter 5 - Energy Use and Supply

Recommendation 25

The Committee recommends that the Commonwealth and the states and territories seek greater transparency from large electricity consumers about the prices they pay for electricity if those prices are fixed outside the pool.

Government Response

The Government does not support this recommendation.

Government intervention to mandate greater transparency in relation to financial contracts may compromise commercial arrangements, undermine competition between market participants and reduce incentives for the development of innovative risk management products, potentially increasing the cost of electricity for end users.

Gross pool arrangements were adopted for the physical wholesale electricity spot market to, among other things, provide greater transparency for market participants, to enable them to efficiently negotiate financial contracts for electricity. Financial supply contracts are negotiated bilaterally between market participants on a commercial-in-confidence basis. These contracts provide the means and incentive for market participants to manage their financial exposures to volatile wholesale electricity markets in an efficient, flexible and innovative manner.

Vesting contracts were only introduced as a transitional measure to enable wholesale market participants to manage their fixed price exposure to franchise consumers while they remained non-contestable. These arrangements expired on 1 January 2001, with the introduction of further tranches of retail contestability.

It should be noted that financial contracts are subject to the general regulatory provisions of the *Trade Practices Act 1974* and other corporations law administered by Commonwealth, State and Territory governments.

State and Territory input was sought in respect of this recommendation. The three substantive responses received generally support the Government's position on this recommendation. States and Territories that did not provide a specific response generally expressed the view that the recommendation would be taken into account in future policy development.

Recommendation 26

The Committee recommends that state and Commonwealth governments seek to publicly disclose details of any arrangements under which public monies are effectively subsidising large industrial users through the provision of low electricity prices.

Government Response

The Government does not support this recommendation.

Commercial arrangements between jurisdictions and large industrial electricity users are typically not subject to Commonwealth review, nor is the Commonwealth empowered to seek public disclosure of such arrangements.

However, the Government supports the principle of cost reflective pricing and transparency, to encourage efficient market based outcomes.

State and Territory input was sought in respect of this recommendation. The substantive input received from three State and Territory governments demonstrates that States and Territories are also generally supportive of the principle of cost reflective pricing. States and Territories that did not provide a specific response generally expressed the view that the recommendation would be taken into account in future policy development.

Recommendation 27

The Committee recommends that the states ensure that any future privatisation plans are the subject of full and open public debate and take account of the potential greenhouse implications of the sales. Prices should reflect a future market which is likely to be constrained by mandatory pressures to reduce emissions.

Government Response

No Government response required.

Recommendation 28

The Committee recommends that a national strategy be developed to reduce the emission intensity of, and constrain the growth in overall emissions levels, from the electricity generation sector. Such a strategy should include national emission intensity standards for electricity generators.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

In November 1997 the Prime Minister announced a package of measures to reduce greenhouse gas emissions in *Safeguarding the Future: Australia's Response to Climate Change*. Generator efficiency standards in power generation are part of this package. This measure was incorporated into the NGS.

The objective of the Generator Efficiency Standards measure is to:

- Achieve movement towards best practice in the efficiency of electricity generation using fossil fuels; and
- Deliver reductions in the greenhouse gas intensity of energy supply.

The Generator Efficiency Standards program commenced on 1 July 2000. Under this initiative the Commonwealth will enter into legally binding agreements with

generators to achieve agreed emission reduction targets. Standards will apply to new electricity generation, significant refurbishments and existing generation.

The program is projected to achieve about 4 million tonnes (Mt) per annum of greenhouse gas abatement at a cost of up to \$10/tonne carbon dioxide equivalent (CO₂-e). These savings are additional to any commitments businesses may have made under the Greenhouse Challenge. Annual reporting by businesses affected by the measure will provide a clear picture of progress towards these greenhouse savings.

In addition, the Government has implemented measures to significantly increase the supply of energy from renewable sources (see Recommendation 42 for further details).

Recommendation 29

The Committee recommends that the states and territories agree to set mandatory targets to progressively increase the total proportion of electricity generated from efficient power plants and low greenhouse intensity fuels.

Government Response

No Government response required.

Recommendation 30

The Committee recommends that the Council of Australian Governments designate the reduction of harm to the environment as a goal of ongoing energy market reform, with a specific requirement for the reduction of the greenhouse intensity of power generation.

Government Response

The Government considers that this recommendation is currently being addressed in the context of policy development.

The Government notes that the development of a Council of Australian Governments (COAG) national energy paper may provide an opportunity to address these issues.

COAG held its ninth meeting in Canberra in November 2000. The Council, comprising the Prime Minister, Premiers and Chief Ministers and the President of the Australian Local Government Association discussed development of a national energy strategy, *inter alia*, to take advantage of Australia's abundant energy reserves and to address associated environmental impacts. A paper on energy policy is to be prepared for the next COAG meeting planned for the first half of 2001.

State and Territory input was sought in respect of this recommendation. The three substantive responses received from State and Territory governments generally support the Commonwealth Government's position on this recommendation. States and Territories that did not provide a specific response generally expressed the view that the recommendation would be taken into account in future policy development.

Recommendation 31

The Committee recommends that the National Competition Council incorporate benchmarks for the reduction of the greenhouse intensity of power generation into its assessment of governments' progress on national competition policy reforms.

Government Response

The Government considers that this recommendation lies outside the current framework under which National Competition Policy payments are made to the States and Territories.

National Competition Policy reform benchmarks are established by COAG. The National Competition Council's (NCC) role is to assess jurisdictions' performances against these benchmarks for the purpose of recommending on the level of competition payments to be made to States and Territories.

From June 2001, the NCC is required to assess, on an annual basis, whether each relevant jurisdiction has demonstrated continued effective observance of reforms in electricity and gas. The reform commitments are specified in the 1995 inter-governmental Agreement to Implement the National Competition Policy and Related Reforms. This requires that relevant jurisdictions have undertaken effective implementation of all COAG agreements on the establishment of a fully competitive National Electricity Market and the introduction of free and fair trading in gas between and within States.

The NCC can only incorporate new benchmarks such as for the reduction of the greenhouse intensity of power generation, into its assessment process if agreed by COAG for this purpose.

Recommendation 32

The Committee recommends that the Government, the National Electricity Code Administrator and the Australian Competition and Consumer Commission work closely with the cogeneration industry to ensure that transmission pricing regimes truly reflect the costs and distance of transmission and contain no biases against embedded generation and cogeneration.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

Structural, legislative and regulatory barriers to cogeneration and renewable generators have been documented in recent reports including the impact of network pricing regimes on the competitiveness of embedded generators including cogenerators.

Initiatives to improve the cost-reflectivity of network pricing are being addressed by the National Electricity Code Administrator (NECA) and the Australian Competition and Consumer Commission (ACCC) in the context of the *Transmission and Distribution Pricing Review*.

NECA is also progressing the *Review of the Scope for Integrating the Energy Market and Network Services* with a view to improving locational pricing signals within the National Electricity Market.

Improved locational pricing signals and more cost reflective network pricing have the potential to favour generators that are located closer to load, compared to existing, remotely located generators, who will be required to pay for increasing transmission losses as electricity is transmitted across a greater number of regional boundaries, and could help create new competitive opportunities for embedded generators, including renewable generators and cogenerators.

The Government will continue to monitor progress on these initiatives to ensure that the benefits of further networks pricing reform is realised.

Recommendations 33-35 and 106

Recommendation 33

The Committee recommends the immediate introduction of amending legislation that will designate greenhouse gas emissions as matters of national environmental significance under the Environment Protection and Biodiversity Conservation Act 1999, and that it be designed so as to incorporate new projects, capacity expansions and recommissioned plant that would produce large amounts of new emissions sources.

Recommendation 34

The Committee recommends the proposed addition of a greenhouse trigger to the Environment Protection and Biodiversity Conservation Act 1999 be designed to ensure that transmission augmentation projects which will have a significant impact on electricity emissions will be subject to environmental impact assessment.

Recommendation 35

The Committee recommends that the introduction of a greenhouse trigger be accompanied by the announcement of general principles or other policy objectives that will guide the assessment of new projects.

Recommendation 106

The Committee supports the immediate addition of greenhouse emissions to the Environment Protection and Biodiversity Conservation Act 1999 to act as a trigger for environmental impact assessment of new projects which could cause the production of significant new greenhouse gas emissions.

Government Response

The Government considers that these recommendations are currently being addressed in the context of its consideration of possible further greenhouse policy options.

The Government is committed to a process of consultation with States and Territories on the potential application of a greenhouse trigger under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). In November 2000, the Minister for the Environment and Heritage wrote to the States and Territories seeking their views, in accordance with section 25 of the EPBC Act, on a draft regulation and attached a discussion paper outlining how such a trigger could be applied. The discussion paper outlined the general principles to guide the process for assessing new projects.

The proposed design of a greenhouse trigger under the EPBC Act would ensure that any action that results or is likely to result in emissions greater than 500,000 tonnes of CO₂-e in any twelve month period would be subject to environmental impact assessment. Effects on international competitiveness and regional development would be factored into the assessment and approval process.

Recommendation 36

The Committee recommends that a full evaluation be made of the long term greenhouse emission impacts of the Basslink project.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

The greenhouse emission impacts of the Basslink project are required to be taken into account in the joint Commonwealth, Tasmania and Victoria environmental assessment and approval process to meet the legislative provisions of the three jurisdictions including those under the Commonwealth *Environment Protection (Impact of Proposals) Act 1974*.

Recommendation 37

The Committee recommends that any decision to proceed with Basslink take into account the impact of the NEM reforms agreed to by the Australian governments under the National Greenhouse Strategy.

Government Response

This recommendation is outside the scope of Commonwealth powers.

The proponent of Basslink, National Grid International Limited, has announced its intention to develop the project as an entrepreneurial interconnector.

As an entrepreneurial interconnector, the final decision on whether to proceed with the project, following the various government approvals processes, lies with the proponent. Like all commercial decisions, its decision on whether to proceed will be based on detailed analysis of the project's commercial viability, taking into account all relevant information including the potential impact of the measures outlined in the NGS.

Recommendation 38

The Committee recommends that Australian governments streamline and coordinate their processes for developing and implementing world's best practice energy efficiency standards for products, manufacturing processes and building design, with a view to the earliest possible adoption of world's best practice standards.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

During 1999, the Australian and New Zealand Minerals and Energy Council's Standing Committee of Officials, agreed that the National Appliance and Equipment Energy Efficiency Committee (NAEEEC) adopt a program with standards that match the most rigorous minimum level imposed by our major trading partners for any product identified as significant contributors to Australia's growth in greenhouse gas emissions.

Through NAEEEC, Australian governments are working together to ensure national consistency and effective cooperative action in the national development and adoption of world's best practice energy efficiency standards for electrical appliances and equipment. Introducing regulatory measures lies with individual State and Territory governments, but the use of Australian and New Zealand Standards within the framework of regulations is a key means of achieving national consistency. Model regulations, Regulatory Impact Statements and community consultation are also being coordinated nationally through NAEEEC.

A number of programs at the Commonwealth, State and Territory levels collaborate and coordinate activities to facilitate industry adoption of best practice energy efficiency standards for manufacturing processes. For example, the Energy Efficiency Best Practice Program (EEBP) within the DISR and the AGO have worked together

on the Australian Motors Systems Challenge and are currently collaborating on energy performance contracting, commercial buildings and in the dissemination of best practice guides in the bread baking and wine sectors. Collaborative opportunities between the EEBP and several State government programs have also been identified or are being explored. The EEBP has also benchmarked world's best practice in the aluminium, bread baking and fleet management sectors.

In relation to building design see the Government's response to Recommendation 40 below.

Recommendation 39

The Committee recommends that Australian governments at all levels expand awareness programs for consumers, business and industry and encourage the development of expertise in energy efficiency solutions and programs.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

There is currently a range of voluntary Commonwealth, State, Territory and Local government programs that seek to raise awareness of energy efficiency and encourage and support the development and uptake of more energy efficient products, processes and practices.

These programs, which comprise a number of measures under the NGS, offer services that target consumers, business, industry and government and address a range of areas (eg appliances, buildings, motors and industrial equipment, processes and practices). In addition to raising awareness and supporting the uptake of energy efficiency initiatives, these programs also utilise and develop the energy efficiency skills of end-users and the energy services sector.

With the range of programs and services currently available, the main focus should therefore be on how to maximise their effectiveness. Key to this will be addressing current barriers to program participation and the implementation of energy efficiency initiatives, with programs needing to continue to focus their efforts on how to best structure and promote their activities (including inter-program collaboration) so that consumers, business and industry are provided with the best possible incentive to improve their energy efficiency.

The Government is currently compiling an inventory of existing State, Territory and Commonwealth government energy efficiency and greenhouse gas abatement information services targeted at industry, business and the residential sector. The inventory will be used to identify the gaps, overlaps and synergies in current energy efficiency and greenhouse gas abatement information and will help to enhance the effectiveness and efficiency of delivery of this information by all jurisdictions.

Recommendation 40

The Committee recommends that the inclusion of energy efficiency and greenhouse considerations into the Building Code of Australia be given priority for implementation.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

In July 2000, agreement was reached between the Commonwealth and the State and Territory governments for the introduction of minimum energy performance requirements into the Building Code of Australia. Through the Australian Building Codes Board, all governments and the building industry are working together to ensure national consistency and effective cooperative action in the national development and adoption of best practice energy efficiency regulation.

Recommendation 41

The Committee recommends that the Government set a target for the Australian renewable energy industry to capture 5 per cent of the global renewable energy market by 2015, and designate renewable energy as a strategic industry.

Government Response

The Government does not support this recommendation.

The Government has dedicated considerable resources towards the development of Australia's renewable energy industry. It has, in partnership with industry, developed the Renewable Energy Action Agenda to support the ongoing development of Australia's renewable energy industry. The Action Agenda addresses the critical strategic issues of importance to the industry's future development and identifies the actions required to place the industry on a sustainable long-term growth path.

Expanding Australia's renewable energy export market is a crucial component of the Action Agenda but the Government does not consider a target representing a proportion of the global market as appropriate. It is estimated that for the industry to achieve its Vision (of sales of \$4 billion per year by 2010), exports will need to comprise approximately 50 per cent of the forecast growth in sales. Estimates of the potential global growth in renewable energy demand reinforce the industry and Government's view that in the medium to long-term, industry growth will depend on capturing export market share.

Other key Government initiatives such as the Mandatory Renewable Energy Target, provided for in the *Renewable Energy (Electricity) Act 2000*, should contribute to the development of an internationally competitive industry which could participate effectively in the burgeoning global energy market (see Recommendation 42 for further details).

Recommendation 42

The Committee recommends that the Commonwealth Government in consultation with the industry develop an aggressive industry development program for the Australian renewable energy industry.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

The Government in consultation with industry has already developed the Renewable Energy Action Agenda to support the ongoing development of Australia's renewable energy industry. This Action Agenda addresses the critical strategic issues of importance to the industry's future development and identifies the actions required to place the industry on a sustainable long-term growth plan.

The Government has passed legislation to implement from 1 April 2001 a mandatory requirement for wholesale purchasers of electricity to increase the amount of

electricity purchased from renewable energy sources. Liable parties not purchasing sufficient renewable energy will face financial penalties.

The target of 9,500 gigawatt hours (GWh) of new renewable energy imposed by this measure will require a significant expansion of renewable energy capacity in Australia and represents a 60 per cent increase above 1997 levels of renewable energy generation. The measure, through establishing a guaranteed market for new on-grid renewable energy and penalties for non-compliance, is a cornerstone of the foundation of the Government's aggressive industry development strategy for the renewable energy industry sector.

The Government has also provided significant funding (approximately \$387 million) for grant and equity programs to boost the commercialisation of renewable energy technologies, to reduce costs and improve quality and reliability, to deploy renewable energy technologies and to help build the capacity of the renewable energy industry to meet the expected high growth in demand for its goods and services. This includes the package of programs announced in the Prime Minister's 1997 *Safeguarding the Future* Statement and the additional support measures announced in May 1999 as part of the *Measures for a Better Environment* Statement. These measures include the:

- Renewable Energy Commercialisation Program (RECP), which provides funding of \$29 million for renewable energy commercialisation, including a component for industry development;
- Renewable Energy Equity Fund (REEF), which provides venture capital of \$20 million for small innovative renewable energy companies;
- Renewable Remote Power Generation Program (RRPGP), which will fund special purpose grants of up to \$264 million to State and Territory governments to provide rebates for the installation of renewable energy equipment where it will reduce the use of diesel fuel for electricity generation and;
- Photovoltaic Rebate Program (PVRP), which provides funding of \$31 million will increase the utilisation of photovoltaic systems on residential buildings and community-use buildings.

Additionally, the renewable energy industry has opportunities to benefit from the \$75 million Alternative Fuels Conversion Program.

Recommendation 43

The Committee recommends consideration of a range of options for the renewable energy industry including tax incentives, R&D grants, market and regulatory reforms and continuing assistance with commercialisation.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

In light of the potential problems of tax incentives (such as targeting difficulties), the Government's policy is to limit tax incentives to instances where the tax system has clear advantages over outlays measures.

The renewable energy industry is eligible to apply for a range of Government support measures including tax incentives, R&D grants and assistance with commercialisation such as the R&D Tax Concession, the R&D Start Program and the Commercialising Emerging Technologies Program. The Government provides support for the industry

via its funding of the Australian CRC for Renewable Energy; CSIRO activities; Australian Research Council grants; and through general university funding. In addition, the Government provides support for technology diffusion, venture capital, and supports international science and technology collaboration.

See also responses to Recommendations 41 and 42 which provide detail of current programs supporting the renewable energy industry.

Australian Democrats Recommendation 4

The Australian Democrats recommend that carbon levy revenues also be considered as a source of funds for renewable energy programs.

Government Response

The Government does not support this recommendation.

The Government is not considering the introduction of a carbon tax. The Government is actively promoting the renewable energy industry through a range of strategies (see the responses to Recommendations 41 and 42 for further details).

Recommendation 44

The Committee recommends that the Commonwealth set up specific programs under Austrade and Ausaid to promote the export and transfer of Australian and sustainable energy technology to developing countries.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

A number of Government programs exist which aim to promote technology transfer and enhance the market access opportunities for Australian technologies. The IGP Program has the ability to facilitate the export and transfer of Australian sustainable energy technologies by helping establishing mutually beneficial greenhouse gas abatement projects with cooperating Annex I (developed, economies-in-transition) countries and non-Annex I (developing) countries. To date, agreement has been reached with 8 countries to implement 14 pilot projects which, *inter alia*, will utilise renewable energy technology and/or implement energy efficiency measures. The Program has been set up to progress the establishment of the CDM and JI projects which are aimed at generating carbon credits for developed countries and assisting developing countries to achieve sustainable development.

Other programs, including the Technology Diffusion Program and the APEC Market Integration/Industrial Collaboration Program, also aim to promote technology transfer and enhance the market access opportunities for Australian technologies. These programs target countries identified as priorities, but these countries are not necessarily developing countries.

Australia's overseas aid program aims to assist developing countries to reduce poverty and achieve sustainable development, but specific promotion of export is not a role for the aid program. The Government recognises the linkages between poverty and climate change and funds activities for abating greenhouse gas emissions and facilitating adaptation to climate change through the aid program. More broadly, the overall aid program strengthens the economies, governments and social institutions in developing countries, which improves their general capacity to address global warming. The transfer of technology is facilitated by assisting in the improvement of

the enabling environment within developing countries so that technology transfer through the private sector is encouraged.

Austrade is active in working with firms in promoting the export of Australian sustainable energy technology, products and services, having assisted over 46 companies and organisations in a total of 18 overseas markets in 2000, many of them in developing countries. Austrade is a member of the newly established Renewable Energy Export Network which brings together companies aiming to expand the exports of this sector. Consistent with this recommendation, Austrade will work with the network to promote the export of renewable energy technologies, products and services. Austrade will also implement a communication program to encourage eligible companies in this sector to take full advantage of the Export Market Development Grants scheme administered by Austrade.

Australian Democrats Recommendation 5

The Australian Democrats recommend that the Commonwealth Government conduct studies to identify the full costs of energy supply on a regional and time basis and that, where prices are below those costs, make compensating subsidies available to sustainable energy alternatives in those areas or satisfying loads at those times.

Government Response

The Government does not support this recommendation.

The Government is committed to undertaking appropriate studies on energy supply.

An open and competitive national energy market structure provides the most effective and efficient means of delivery of energy at appropriate prices, reflecting the true costs of providing that energy. Achieving this market structure is a high priority for the Government.

Further, in December 2000 Parliament passed the *Renewable Energy (Electricity) Act 2000*. The legislation supports the implementation of the mandatory renewable energy target, designed to increase the amount of renewable energy generated in Australia and as a result, reduce Australia's greenhouse gas emissions by a projected seven Mt in 2010. Under the measure, wholesale energy purchasers will have to purchase increasing amounts of electricity generated from renewable sources. Producers of renewable energy can benefit from this measure by creating and trading renewable energy certificates for each megawatt hour of eligible renewable energy. Regional producers of renewable energy will also be eligible to participate in this scheme. The renewable energy certificate represents an additional value for renewable energy which when sold, can reduce the cost (to generators) of generating electricity from renewable energy resources.

The Government already has in place programs to encourage the uptake of renewable energy opportunities, both in areas serviced by electricity grids and in the replacement of off-grid power supplies, including the PVRP and the RRPGP. Such programs have been noted in the Committee's report. These programs address the capital cost of renewable power supplies, which is the most significant barrier to their uptake by consumers.

Australian Democrats Recommendation 6

The Australian Democrats recommend that Australian governments prepare to set time frames to replace coal-fired power with a mixture of gas and renewables, with

the proportion of renewable energy steadily increasing until the Australian economy is predominantly based on renewable sources some time after 2050.

Government Response

The Government does not support this recommendation.

Fuel neutrality is a fundamental tenet of the National Electricity Market which permits efficient and transparent pricing of electricity. Efficient pricing signals are required to ensure efficient investment and electricity consumption decisions.

The Government has provided over \$1 billion to fund programs directed at the abatement of greenhouse gases, a significant component of which has been allocated to the promotion of renewable energy. The Government has legislated for mandatory renewables energy target to increase the use of renewable energy sources in electricity generation that will displace 9,500 GWh of largely coal-fired electricity from renewable generators by 2010.

The greatest impediment to increased market penetration of renewable energy remains its cost. On 20 June 2000, the Minister for Industry, Science and Resources launched the *Renewable Energy Action Agenda*. The Action Agenda establishes a policy framework to promote growth in a commercially viable and internationally competitive Australian renewable energy industry.

Furthermore the Government has worked with the electricity supply industry to develop a measure to assist in monitoring the greenhouse intensity of electricity trading pools. The greenhouse intensity measure complements the development of generator efficiency standards and voluntary abatement measures through the greenhouse challenge program.

Chapter 6 - Transport Emissions and Solutions

Recommendation 45

The Committee recommends that the Bureau of Transport Economics' report on the economic policy instruments relating to transport be made public immediately. The Committee recommends that the planned meeting of transport ministers to consider the report be broadened to include the respective environment ministers and/or ministers responsible for greenhouse issues.

Government Response

The Government supports this recommendation.

A draft of the Bureau's report, *Transport and Greenhouse: A Study of Policy Options*, was provided to State and Territory transport ministers in November 2000. It was distributed widely as an exposure draft for comment, including to Commonwealth and State government agencies. The period for comment has closed, but the report is still available (for information only) in hard copy and electronic form on request. For copies, phone 02 6274 7210, or email: bte@dotrs.gov.au. The final report is expected to be publicly available by July 2001.

Recommendations 46 and 56-60

Recommendation 46

The Committee recommends that the Commonwealth work with the states to consider the following measures proposed by the Institute for Sustainable Future University of Technology, Sydney:

- strengthen the role of Departments of Transport and/or Urban Planning in integrated transport solutions;
- increase taxes on car parking in centres that are well served by public transport;
- create and enforce an extensive network of transit lanes in cities;
- a national system of mass and distance charges for heavy trucks travelling in Australia's populous zone;
- integrated ticketing and fares for public transport within cities;
- local consultative committees in local government areas with the aim of improving local public transport services and use;
- improve funding for cycleways and bicycle parking at key local destinations; and
- create incentives for ownership and use of low-emission vehicles, including low-speed electric motor-assisted vehicles (such as scooters and buggies).

Recommendation 56

The Committee recommends that the Commonwealth Government cooperate with the states in developing proposals for new and improved rail infrastructure and services. Costings should include quantified greenhouse reductions and other health and pollution mitigation benefits.

Recommendation 57

The Committee recommends that the Commonwealth Government commit to provide substantial funding for new urban as well as regional rail infrastructure and improvements to existing infrastructure as part of a cooperative strategy with the states.

Recommendation 58

The Committee recommends that the Commonwealth Government cooperate with the states and territories in assessing priorities for the improvement of interstate mainline rail infrastructure, with a view to improving rail competitiveness and efficiency in the carriage of both passengers and freight. The assessment should consider needed improvements in track speeds and weight thresholds, improvements in access to ports, industrial sites and population centres, improvements in training and expertise, and ownership and organisational structures.

Recommendation 59

The Committee recommends that the Commonwealth Government work with state and local governments to urgently assess needs for new and improved public transport infrastructure and services as an additional measure to the 'forum' set up under the National Greenhouse Strategy and to be completed within 3 years.

Recommendation 60

The Committee recommends that the Commonwealth Government work with state and local governments to scope and develop new public transport proposals (including quantified projections for savings in greenhouse emissions) and develop cooperative long term funding models with the aim to achieve firm commitments to realise major new projects in the short-to medium-term.

Government Response

The Government considers that recommendations 46, 56, 58 and 59 are already being addressed through existing measures. The Government does not support recommendations 57 and 60.

The Government recognises the important role that States and Territories must play in implementing a comprehensive greenhouse response. These recommendations identify a number of transport areas where the Commonwealth is looking to work with State, Territory and local governments to achieve improved environmental outcomes.

The Government recognises that many of the improvements required in planning, infrastructure development and operations will be achieved more effectively and in some cases will only be achieved with complementary action by other governments and the private sector.

The Government uses its good working relationships with the States and Territories primarily through Australian Transport Council (ATC) Ministers and their officials as well as with the private sector in pursuing these improvements. Many of the cooperative initiatives covered by these recommendations are already being dealt with through existing Government measures and processes. However, responsibilities to implement transport reforms vary substantially between State, Commonwealth and local governments. The private sector is also playing an increasingly important role in transport reform as both Commonwealth and State governments look to privatise substantial components of the transport sector.

The Government is already actively funding and developing proposals to improve interstate rail infrastructure. Among other things, this work will evaluate the market share impacts of achieving network performance targets agreed by Commonwealth and State Transport Ministers and evaluate corridor performance required to enable rail to gain a higher share of the interstate freight task. However, responsibility for other rail infrastructure proposals and the development of new rail services are the responsibility of State governments and the private sector.

Integrated urban planning and urban transport is largely State responsibility. The Commonwealth will continue to encourage States to take action in this area and has provided some financial support such as extending taxation incentives for alternative fuels to cover urban buses. In addition, many of these measures are being considered as part of the National Transport Secretariat's (NTS) task on improving the environmental performance of the transport sector. The NTS reported to the ATC in May 2001.

The NGS provides a framework for Commonwealth encouragement of State and Territory action on urban planning and transport issues, including:

- Under Measure 5.7 of the NGS, improvements to public transport are to be pursued by States and Territories. Integrated public transport plans are to be developed to address service quality and network upgrades as well as information and promotional elements.

- Measures 5.2 and 5.3 of the NGS focus on land use planning and transport. All States and Territories are required to prepare and implement integrated land use and transport strategies for current or emerging major urban regions. In addition the application of subdivision features which support a reduction in car dependence of new residential developments is to be promoted.

Under Measure 5.9 of the NGS, the Australian Bicycle Council (ABC) was established in April 1999 to oversee and coordinate implementation of the national bicycle strategy, Australia Cycling--The National Strategy 1999-2004. The goal is to double bicycle use by the year 2004. The ABC has also commenced work on best practice guidelines for local councils on cycling policy, planning and infrastructure.

The Government agrees that low-speed electric motor-assisted vehicles (such as scooters and buggies) may offer a variety of social, economic and environmental benefits. State and Territories have responsibility for legislation concerning such vehicles. The Government encourages all jurisdictions to identify any existing barriers or disincentives to switching to these low-impact vehicles.

In addition the AGO is promoting the benefits of public transport to the general community through publications such as *Global Warming--Cool It*.

State and Territory input was sought in respect of these recommendations. The three States and Territories that responded directly were generally supportive of these recommendations and in particular the need for continued inter-jurisdictional cooperation. The responses generally qualified their support for individual recommendations based on the applicability of each recommendation in relation to the circumstances of each State or Territory in question. States and Territories noted that significant action in the area of public transport and urban planning is being undertaken at the State and Territory level under Module 5 of the NGS (*see <http://ngs.greenhouse.gov.au> and www.greenhouse.gov.au/pubs/ngs/progress_report2000.pdf for details*). States and Territories that did not provide a specific response generally expressed the view that these recommendations would be taken into account in future policy development.

Recommendation 47

The Committee recommends that the Government carry out a review of Fringe Benefits Tax legislation to remove the incentive for employers to include motor vehicles for private use in salary packages, to remove financial rewards for travelling more kilometres in a vehicle under a novated lease, and to generally remove barriers to employees using alternatives to single occupancy of cars in commuting.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

Car fringe benefits are currently valued under either of two methods - the operating cost method or the statutory method. Under the operating cost method, the taxable value of the benefit is based on the cost of owning and operating the car, reduced by the portion which relates to the business use of the vehicle. Employers are required to substantiate the business use of the vehicle by maintaining a logbook for a specified period.

The more widely used statutory method (to which this recommendation relates) is designed to provide employers with a low compliance cost alternative to the operating cost method, eliminating the need to maintain a vehicle log book. While the statutory method does not explicitly distinguish between business and private use of a vehicle, because a significant proportion of cars provided as fringe benefits will have some business use, the statutory formula effectively incorporates a business use element into the valuation of the benefit. This implicit business use element varies with the annual distance travelled by the vehicle.

Removing or reducing the implicit business use element in the statutory formula would disadvantage those employers whose cars are used for predominantly business purposes and who wish to avail themselves of a low compliance cost valuation method. This may force these employers to change to the operating cost method of valuing car fringe benefits, with a resultant increase in fringe benefits tax (FBT) compliance costs.

The FBT treatment of car fringe benefits was one of the issues considered by the 1999 Ralph Review of Business Taxation. The Review included recommendations to change the current treatment in its report. In September 1999, the Government announced that it would not be accepting the Ralph Review's recommendations covering changes to FBT.

The Government has recognised the need to ensure consistency between economic instruments relating to transport and fiscal, economic and environmental policy, including greenhouse objectives.

Pursuant to Measure 5.1 of the NGS, Commonwealth and State Transport Ministers commissioned a report by the Bureau of Transport Economics (BTE) into the effects of various economic instruments, including taxation, on transport, a draft of which is available for comment (see Recommendation 45 above for further details).

Commonwealth and State Transport Ministers have also directed the NTS to develop a cross-sectoral package of measures to improve the environmental performance of the transport system. The project will include an assessment of the impact of current FBT arrangements on transport emissions. Transport Ministers expect to consider the initial results of this work in mid 2001. The Department of Transport and Regional Services (DoTRS) and the AGO are involved in this project.

Recommendation 48

The Committee recommends that the Government introduce Fringe Benefits Tax deductions for the inclusion of public transport and cycling commuting expenses in salary packages.

Government Response

The Government does not support this recommendation.

It is a basic principle of the income tax and FBT systems that expenses of a private or domestic nature, such as the cost of commuting between home and work, are not allowable to individuals as deductions for income tax purposes and, where provided to employees as fringe benefits, are appropriately subject to fringe FBT. This basic principle is reflected in the FBT treatment of car fringe benefits, whereby a fringe benefit arises when a car is made available for an employee's private use--for example, for travel between home and work.

Applying FBT to benefits associated with employee commuting expenses ensures that there is equitable treatment between those employees who are provided with such benefits by their employer and those who are required to meet their commuting expenses from their own after-tax income. Allowing FBT concessions for commuting expenses would be inconsistent with this basic equity principle. However, where employees are provided with a public transport commuter pass which is used in part for business travel, the current FBT arrangements allow a reduction in the taxable value of the benefit in proportion to that business use.

As noted in the response to Recommendation 47, Commonwealth and State Transport Ministers have sought further research into and assessment of the potential for tax and other economic instruments to influence transport demand and environmental impacts.

Recommendation 49

The Committee recommends that public transport fares be considered for exemption from (or zero rated for) GST.

Government Response

The Government does not support this recommendation.

The Government's intention in introducing the GST is to apply the tax to as broad a base as possible rather than providing a range of exemptions for certain goods and services. Every additional exemption adds to the complexity of the tax system and creates new anomalies.

The Government considers that it is unclear whether the exemption (or zero-rating) of public transport fares from the GST would produce an environmentally significant gain in public transport patronage.

The behavioural changes needed to increase public transport patronage are unlikely to be significantly dependent on reductions in fares. These changes will be influenced by changing perceptions of the relative amenity and utility of public transport compared with private transport modes and therefore require continuing approaches to improving service quality that extend beyond cost reductions for individual patrons.

Any consideration of individual measures to increase public transport patronage for environmental reasons, including differential taxation treatment for public transport fares, should not be considered in isolation, but in the overall context of improving the environmental performance of transport.

Recommendation 50

The Committee recommends that the proposed new Energy Credit Scheme be used to gradually phase out diesel fuel rebates and credits. The Committee supports the use of other greenhouse-neutral compensatory measures to ensure that such a phase-out does not lead to greater hardship in rural and remote areas.

Government Response

The Government does not support this recommendation.

The Energy Grants (Credits) Scheme is scheduled to commence in July 2002 when it will replace the *Diesel and Alternative Fuels Grants Scheme* and the *Diesel Fuel Rebate Scheme*.

The purpose of the scheme is to provide additional encouragement for the move to the use of cleaner fuels. The Government is in the process of further developing its objectives for the scheme, and a wide range of options is being considered as part of this process.

While there may be environmental benefits from incentives to shift from diesel to alternative fuels, there is also considerable scope to improve the emissions performance of diesel fuelled engines. The Government is progressively introducing a number of measures to this end. They include the development of a Diesel National Environment Protection Measure to improve the emissions performance of the in-

service diesel vehicle fleet as well as the adoption of tighter emission standards for new diesel vehicles and improved diesel fuel standards.

Recommendation 51

The Committee recommends that a national strategy be developed with vehicle manufacturers to increase the availability of alternative fuel vehicles.

Government Response

The Government supports this recommendation.

The Government considers that an increased share of particular alternative-fuelled vehicles within both the private and commercial vehicle fleets would create significant greenhouse reductions, and other environmental and economic benefits.

The Government also considers that the benefits of an expanded alternative-fuel vehicle fleet will be maximised by other approaches designed to improve environmental and greenhouse performance, including measures designed to improve the performance of conventionally-fuelled vehicles.

A number of critical issues would need to be resolved before the strategy proposed under this recommendation can be developed. These include, on the supply side, developing the willing engagement of the automotive industry in the strategy to develop, warrant and provide post-sales service for alternative fuelled vehicles.

On the demand side these issues include the development of active public demand for alternative fuelled vehicles, although public response to the limited range of alternative fuelled vehicles currently available in Australia, such as the dedicated liquefied petroleum gas (LPG) Ford Falcon, provides an encouraging indicator of this potential demand.

Recommendation 52

The Committee recommends that agencies be encouraged to purchase alternative fuel and hybrid electric petrol vehicles as they replace their fleets and as one mechanism to achieve efficiency targets.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

Environmental performance is only one of several criteria for vehicle selection that agencies must take into account. Other priority issues include suitability for purpose, value for money and community expectations.

Within the current vehicle selection framework there is scope for the acquisition of alternative fuel and hybrid electric vehicles by the Government. For example, Ford is currently producing a dedicated LPG version of the Falcon while the Toyota Prius hybrid electric vehicle is expected to be marketed in Australia in 2001.

The Department of Finance and Administration is currently preparing a financial analysis of the implications of requiring the Commonwealth to source more fuel efficient vehicles, including alternative fuel vehicles, for its fleet.

The Government also recognises that the incorporation of alternative fuel vehicles into the Commonwealth fleet is one of several measures that could improve the emissions performance of the fleet. To this end, the AGO is preparing a paper

outlining a menu of actions that agencies can take within an integrated fleet management framework.

Recommendation 53

The Committee recommends that the Commonwealth Government facilitates joint purchasing arrangements for Commonwealth agencies to exercise maximum leverage over Australian manufacturers in providing fuel-efficient cars.

Government Response

The Government does not support this recommendation.

The Government currently has uniform guidelines for the selection of fleet vehicles by agencies and executive officers. This ensures that agencies choose vehicles within a common range, which is determined according to Government policy objectives, including consistency with public expectations. The Government believes that there is little additional scope to increase its leverage by using joint-purchasing arrangements.

Recommendation 54

The Committee recommends that the Government, in consultation with the states, develop a communications strategy to educate consumers about:

- the benefits of using public transport, walking and cycling;*
- the benefits of cleaner, quieter, more fuel-efficient vehicles;*
- the whole-life environmental impacts of second hand vehicles; and*
- the benefits of better vehicle maintenance and 'greener' driving.*

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

The Government is working cooperatively with States and Territories under Measure 2.9 of the NGS, to develop an overarching greenhouse communications strategy to raise community awareness of the NGS and to provide a coordinated approach to ongoing community information on greenhouse issues. Transport has been identified as a priority area for sectoral action under this strategy.

The Government supports the recommendation and already has in place a number of initiatives to educate consumers on the greenhouse implications of transport choices, most notably:

- The AGO is promoting the benefits of public transport, walking and cycling to the general community through publications such as *Global Warming--Cool It*.*
- On 16 January 2001 as part of the Environmental Strategy for the Motor Vehicle Industry, the Government introduced fuel consumption labels for all new vehicles up to 2.7 tonnes. A promotion campaign will accompany the introduction of the new labelling scheme, which is designed to generate greater demand for and hence the supply of more fuel-efficient vehicles, and produce significant environmental and greenhouse benefits.*
- Fuel consumption guides are also produced regularly by the AGO to inform consumers about the comparative fuel consumption of new passenger cars, four-wheel drives and light commercial vehicles. This information is available both in hard copy and on the Internet (see www.greenhouse.gov.au/transport/fuelguide).*

·The AGO has partnered with the Australian Fleet Managers Association (AFMA) to publish the 'Greener Motoring Guide' which outlines practical measures to reduce fuel use and emissions from vehicles. The DISR has been promoting similar messages to public and private fleet operators through the Fleet First - EEBP. The AGO has further sponsored the AFMA "Environmental Protection Award".

Environment Australia, through the Natural Heritage Trust's Air Pollution in Major Cities Program is continuing to fund the established national Smogbusters program that targets businesses, schools and the wider public with information about travel choices. Environment Australia is expanding its work relating to travel demand management, and is already developing an interactive exhibit to demonstrate to the community the comparative benefits of different modes of transport from an air pollution perspective.

The Commonwealth and States are also working together in the context of the NGS to make information available on the choice of transport modes. Activities include:

·The NTS project: Improving the Environmental Performance of the Transport System is considering a wide range of potential policies to encourage more greenhouse friendly transport modes, including potential incentives to promote public transport use and discourage the avoidable use of the private car, and the potential of travel demand programs to promote walking, cycling and use of public transport.

·The ABC was established in April 1999 to oversee and coordinate implementation of the Australia Cycling - The National Strategy 1999-2004. The DoTRS, Department of Health and Aged Care, and the Department of the Environment and Heritage represent the Government on the ABC, which has commenced work on best practice guidelines for local councils on cycling policy, planning and infrastructure. The Commonwealth Government and the States/Territories are also exploring options for the removal of legal, regulatory and planning barriers to walking and cycling, and to facilitate the integration of cycling into the transport network.

·Environment Australia has commissioned a report on the general environmental impacts of automobiles. While the primary focus of the study is on waste issues associated with end-of-life vehicles, other factors such as whole-life impacts are also considered. The report is expected to present a number of recommendations for Commonwealth action, some of which may include consumer education strategies.

·In response to Measure 5.13 of the NGS, the DoTRS has prepared a discussion paper for the national Motor Vehicle Environment Committee (MVEC), exploring a range of options for improving the level of information provided to the community on the environmental aspects of vehicle purchase and use, and alternative transport modes. MVEC will consider what measures it may be able to undertake in the first half of 2001. A number of relevant measures have already been identified as suitable to be progressed through MVEC. Of these, Environment Australia is considering involvement in the development of a Green Guide for motor vehicle purchases in Australia, a marketing strategy for the Green Guide and environmental components for driver education.

State and Territory input was sought in relation to this recommendation. The three substantive responses received in relation to this recommendation were supportive of the Government's position. States and Territories that did not provide a specific response generally expressed the view that the recommendation would be taken into account in future policy development.

Recommendation 55

The Committee recommends that a review be conducted to identify opportunities to improve environmental outcomes in vehicle maintenance, particularly in relation to frequency, service standards and personnel training.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

Studies of petrol and diesel vehicles have shown that regular maintenance is critical to maintain the lifetime emissions performance of vehicles. The National In-service Emissions Study of petrol vehicles conducted by the Federal Office of Road Safety in 1996 found that a well maintained passenger car fleet could reduce pollutant emissions by 9-25 per cent and yield a 1-2 per cent improvement in fuel consumption. Overall, this would yield significant reductions in greenhouse and other vehicular emissions.

The Diesel National Environment Protection Measure, currently being developed by the National Environment Protection Council, will specify a number of strategies to reduce diesel vehicle emissions. These include fleet audit, audited maintenance and inspection and maintenance programs, which all involve increased or improved vehicle maintenance and repair to achieve emissions improvements. Under *Measures for a Better Environment* the Government has allocated \$40 million to the establishment of diesel and petrol vehicle testing facilities to identify high polluting vehicles that would benefit from repair or tuning.

The review proposed by this recommendation offers the opportunity to ensure that the vehicle maintenance knowledge and skills are in place to support the implementation of the above strategies.

In addition to improving the environmental outcome of maintenance activities, the review should include consideration of:

- ways to encourage the public to undertake vehicle maintenance;
- securing the active engagement of the automotive and automotive repair industries, technical training institutions, motoring organisations and State and Territory regulatory authorities in the subsequent implementation of its recommendations.

State and Territory input was sought in relation to this recommendation. The three substantive responses received in relation to this recommendation were supportive of the Government's position. States and Territories that did not provide a specific response generally expressed the view that the recommendation would be taken into account in future policy development.

Recommendations 56-60

See Recommendation 46 above.

Recommendation 61

The Committee recommends that the Commonwealth adopts integrated transport planning so that all transport funding proposals include an assessment of environmental impacts and alternative transport solutions. Funding allocation decisions should be based on clear and accepted principles, and be subject to the highest standards of transparency and accountability.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

The Commonwealth practice in considering proposals for funding for road and rail projects is to assess them under a commonly-based benefit cost analysis which addresses relevant externalities and Government policies. Where an environmental assessment is required, an assessment of alternatives and the “do nothing” scenario typically forms part of the assessment framework.

As part of its commitment to the NGS the Government is currently progressing work to improve the integration of transport planning, including the options available to implement an ‘integrated investment assessment framework’ for urban transport funding decisions. Measure 5.3 (Promoting best practice in transport and land use planning) has a project aimed at developing an integrated transport assessment framework. The Allen Consulting Group has completed a report on options. This work will be considered in the ATC context, including by the NTS.

Recommendation 62

The Committee recommends that the consideration of bikeways and pedestrian access be required for all new Commonwealth-funded road construction.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

Bikeways and pedestrian access are currently considered for new Commonwealth-funded road construction. The Commonwealth definition of a road for the Commonwealth funded National Highway System and for the new Roads to Recovery Program includes bike paths and pedestrians facilities.

Most Commonwealth funded roads are in non-urban regions, so the overall demand for this option to date has been low. However, there are a number of examples of Commonwealth funded bike paths and pedestrian facilities in association with construction of the National Highway in urban areas, and further examples are expected in the new Roads to Recovery Program.

Under the NGS Measure 5.9, the Government is taking action to facilitate and encourage cycling and walking through the following measures:

- The Government is involved in promoting active transport through the development of the bicycle strategy, Australia Cycling: The National Strategy (see Recommendations 46, 56-60 and Recommendation 55 for details).
- The Strategic Intergovernment Forum on Physical Activity and Health has identified “active transport” as a physical activity priority and has embarked on a process to define a portfolio of policy interventions to promote physical activity in the transport environment. The promotion of supportive physical environments for cycling and walking will be a major objective of any intervention in this area. The Department of Health and Aged Care and the AGO have been participating in the development of active transport policy and strategies.
- Guidance and standards for the design of pedestrian and cycleways is provided by the Austroads Guide to Traffic Engineering Practice: Part 13 (pedestrians) and Part 14 (bicycles).

Australian Democrats Recommendation 7

The Australian Democrats recommend that the Commonwealth Government review the current road and transport funding model, with a view to incorporating road funds into a common transport fund. This common fund should be drawn on for a whole range of investments and projects: urban and interstate rail, public transport, major roads and cycling infrastructure. Greenhouse abatement, and the development of new rail and public transport infrastructure, should be priorities in the allocation of monies from such a fund. Allocation decisions should be based on clear and accepted principles, and be subject to the highest standards of transparency and accountability.

Government Response

The Government does not support this recommendation.

The division of responsibilities for funding land transport infrastructure between the Commonwealth, State and local governments, as well as the private sector means it is not currently feasible to combine funding sources for all road, rail and cycling infrastructure into a single fund.

The Government must operate within the federal framework and therefore does not carry out strategic planning in isolation. Each level of government controls the transport planning for the transport infrastructure for which it is responsible. The Government provides the overall economic, competitive and fiscal framework for transport infrastructure provision through the tax system, management of the economy and the national competition policy.

The Government has attempted to establish clear lines of responsibility between levels of government on a cooperative basis and in the surface transport areas it operates through the ATC and its supporting structure of advisory bodies. ATC consists of Commonwealth, State and Territory Ministers responsible for transport and meets regularly to discuss transport issues of national concern.

The Government is working through the ATC to foster strategic thinking across all jurisdictions and a NTS has been established to advise the Council on transport issues so that it can best address cross-modal, cross-jurisdictional and strategic issues of national significance.

The current NTS work program (as set by ATC) contains two major projects that will be complementary to the aims of this recommendation (improving national strategic transport planning and improving the environmental performance of the transport system).

The NTS will greatly enhance ATC's ability to progress national planning and reform. The Government will use the cooperative ATC processes to develop a coherent national planning process for strategic land transport infrastructure.

More generally, the Government has been at the forefront of efforts to reform and improve the Australian transport system. The Government reform efforts have resulted in the commercialisation of many aspects of infrastructure provision, particularly in the aviation and maritime sectors, with increasing involvement in infrastructure funding and provision by the private sector. In the rail sector, while governments continue to fund certain rail improvements, there is an increasing trend toward the provision of services on a commercial basis. In the roads sector, governments have retained responsibility for roads funding and provision, with the Commonwealth responsible for funding the National Highway (wholly) and Roads of National Importance (partially).

State and Territory input was sought in respect of this recommendation. The three substantive responses received express conflicting views in relation to this recommendation. Those States and Territories that support this recommendation are amenable to the idea of an integrated transport investment framework. Those States and Territories opposed to this recommendation expressed concerns over the sovereignty and equity issues raised. States and Territories that did not provide a specific response generally expressed the view that the recommendation would be taken into account in future policy development.

Recommendation 63

The Committee recommends that greenhouse abatement and other environmental goals be incorporated into transport policies, and taxation and planning policies which affect transport, as fundamental and governing priorities.

Government Response

The Government supports this recommendation.

Module 5 of the NGS is designed to create a 'sustainable transport' system through the implementation of a range of policies across various sectors that aim to reduce the environmental impacts of transport. The NGS measures recognise the interrelationship between transport, economic, environmental and social policy and impacts.

Pursuant to the NGS, the Government has undertaken research and analysis on integrated transport and land use planning, integrated transport investment, transport system technologies and economic instruments (incentives/disincentives) and other factors influencing travel behaviour at both the Commonwealth and State level.

To build on the initial work completed under the NGS, the NTS is developing a strategy for transport that will present a package of integrated cross-sectoral measures designed to improve the environmental performance of the transport sector. This project is due to be completed by April 2001.

At the Commonwealth level, portfolios that have not traditionally had direct involvement in transport policy development are now pursuing sustainable transport initiatives. Alongside the work of the Transport and Environment portfolios, the Department of Health and Aged Care and the Department of Workplace Relations and Small Business are now active in promoting more sustainable transport by focusing on the synergistic relationship between sustainable transport, environmental quality, health and business productivity. Such initiatives have increased the Government's capacity for collaborative inter-agency work on transport policy development.

State and Territory input was sought in relation to this recommendation. The three substantive State and Territory responses received in relation to this recommendation were supportive of the Government's position. States and Territories that did not provide a specific response generally expressed the view that the recommendation would be taken into account in future policy development.

Recommendation 64

The Committee recommends that Commonwealth, State and local government should adopt challenging quantitative emissions reductions targets for their fleets within 2 years and that business be encouraged to do likewise.

Government Response

In relation to the Commonwealth fleet, the Government supports this recommendation.

An emissions target for government fleets is one of several measures that are currently being investigated by the AGO in consultation with relevant agencies, pursuant to Measure 5.10 of the NGS.

State and Local governments can also adopt challenging fuel efficiency targets for their fleets. Such a combined effort across all jurisdictions would generate more significant growth in demand and supply of fuel-efficient and low emission vehicles in Australia.

There is an opportunity for all Government agencies become members of a common fleet management program, such as Fleet First - Energy Efficiency Best Practice, developed by DISR following the successful completion of a pilot in South East Queensland. This initiative should create a competitive and dynamic fleet management culture across all levels of government which is likely to generate more significant emissions and cost savings.

In addition, the NTS is examining the potential for company fleet purchasing policy to impact on national fleet fuel consumption and the environment. The NTS has submitted for ATC consideration a number of options for addressing the issue including the development of a national Best Practice Guide for the purchase and use of company vehicles. This initiative could support the “Fleet First - Energy Efficiency Best Practice” project, which is intended to improve the efficiency and environmental performance of private and public fleets.

Recommendation 65

The Committee recommends that work be undertaken to ensure the regular and comprehensive reporting of transport statistics such as passenger motor vehicle and public transport usage, walking and cycling patterns, safety, rail and road freight, etc.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

The Government recognises the importance of regular and comprehensive reporting of transport statistics to support the development of transport policy generally, and the specific and growing importance of statistical information relating to the environmental performance of transport in particular.

Several Commonwealth agencies are actively involved in this task. The Australian Bureau of Statistics (ABS) collects and reports on a wide range of transport statistics. The DoTRS collects and analyses transport statistics including through the BTE, the Australian Transport Safety Bureau and the DoTRS aviation statistics team, Avstats. The BTE regularly makes available the results of its research in a wide range of printed publications and electronically via the Internet such as *Waterline* and *Indicators*. The DISR is investigating methods to establish an ongoing system of collecting and updating data on transport industry energy use.

The Department of Industry Science and Resources is investigating methods to establish an ongoing system of collecting and updating data on transport industry energy use. The objective is to develop a system that is more cost-effective than existing ad hoc data collections and analysis.

However, there are many inherent difficulties and constraints to collecting adequate data in relation to transport, therefore some results have reduced certainty or usefulness. For example, from the ABS Survey of Motor Vehicle Use, the accuracy of data on vehicle kilometres travelled and fuel efficiency of the fleet is questionable. The ABS is working on this problem, and the 2001 statistics should be an improvement. Problems in aggregating state data, for example on road crash statistics, also exist.

The BTE will examine the feasibility of developing sustainability indicators for transport and of reporting against these indicators on an annual basis. Effective and ongoing reporting of sustainability indicators will require ATC agreement and support.

Chapter 7 - Carbon and the Land

Recommendation 66

The Committee recommends that the approach taken by the Government to international negotiations on the inclusion of sinks should be based on the following principles:

- that sinks activity in the Clean Development Mechanism should be consistent with the principles of ecological sustainability and that appropriate project guidelines be included to minimise potential adverse socioeconomic and environmental impacts;*
- the sinks activity in the Clean Development Mechanism should complement other activities to reduce emissions at source;*
- that the credibility of the use of sinks relies on the credible, verifiable, and transparent recording and reporting of changes in carbon stocks and/or changes in greenhouse gas emissions by sources and removals by sinks;*
- that sink activities undertaken for climate change mitigation purposes should not result in native forests being cleared to establish plantations; and*
- that it is desirable for the second commitment period to start immediately after the first commitment so that reporting on sink activities is contiguous.*

Government Response

The Government considers that this recommendation is currently being addressed in the context of policy development.

A key purpose of the CDM of the Kyoto Protocol is to assist developing countries in achieving sustainable development. Participation is voluntary. In keeping with these objectives, the Government believes that developing countries hosting CDM projects are in the best position to assess whether specific CDM project proposals meet their socioeconomic and environmental development goals.

The Kyoto Protocol states that the certification of emission reductions for CDM projects will be based on real, measurable and long-term benefits related to the mitigation of climate change. The Government considers that sinks projects developed on this basis should qualify for emission credits under the CDM. The inclusion of sinks projects in the CDM will complement a wide range of potential emission reduction activities which could also meet the objectives of the CDM.

The Government agrees that measurement and reporting of changes in carbon stocks and greenhouse gas emissions from sinks activities should be verifiable and transparent. In its 1 August 2000 submission to the UNFCCC, the Government

proposed that the IPCC's work on good practice guidance be extended to cover sinks activities under the Protocol. This would include the development of procedures addressing choice of estimation methods, quality assurance, quantification of uncertainties, and data archiving and reporting requirements to promote transparency and facilitate verification.

The definition of deforestation before the negotiations (and which has a high degree of acceptance) requires that the deforestation activity be the product of direct human action, involve the conversion of forest land to non-forest land and have occurred since 1 January 1990. While the commercial forestry practices of clear-cut harvesting where it is followed by replanting, thinning or selective logging are unlikely to be regarded as deforestation events under this definition, neither will the replacement of native forests by plantations be eligible for credit as reforestation.

The Government agrees that it is desirable for sinks activities under Article 3.3 and 3.4 to be accounted for over contiguous commitment periods, and proposed this in its 1 August 2000 submission to the UNFCCC. There is a high degree of acceptance for this principle in the negotiations.

Recommendation 67

The Committee recommends that regular briefings for all stakeholders are held on the progress of the National Carbon Accounting System and the outcomes of work as it is finalised.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

The NCAS has taken strong focus on publication of strategies, methods and results as the NCAS develops. An electronic Internet bulletin providing updates of activities has recently been launched along with some 20 Technical Reports (NCAS Technical Report Series). Tools to assist in carbon accounting have also been released. They are available through the NCAS Internet site (*see www.greenhouse.gov.au/ncas*) or through a national distribution network.

One of the key mechanisms for direct stakeholder briefing is the High Level Steering Committee for the NCAS. Representation on this committee is drawn from government and non-government bodies covering scientific, industry and environmental interests. Avenues for briefing of stakeholders will undergo ongoing expansion.

Recommendations 68 and 71-73

Recommendation 68

The Committee recommends that steps be taken to ensure that no native forest/vegetation is cleared for the purpose of establishing carbon sinks, that no tradeable carbon credits be allocated under a domestic emissions trading scheme where this has occurred, and that an emissions debit be recorded.

Recommendation 71

The Committee recommends that any approach taken to credit carbon sinks should take into account uncertainties surrounding the international debate and should be consistent with any international framework.

Recommendation 72

The Committee recommends that the incorporation of carbon credits in a domestic emissions trading system be limited to Kyoto eligible sinks and:

- subject to monitoring and reporting requirements consistent with the Kyoto Protocol;*
- subject to an independent verification process to ensure transparency and credibility of reports;*
- subject to permanence and biodiversity requirements; and*
- complemented by activity aimed at reduction of emissions at source.*

Recommendation 73

The Committee recommends that sink rules comply with the Convention on Biological Diversity and that activity in native forests, woodlands and rangelands that threatens biodiversity protection, be explicitly excluded from eligibility for carbon credits under a domestic emissions trading system.

Government Response

For the most part the Government considers that these recommendations are currently being addressed in the context of policy development.

The Government has asked the AGO to examine the feasibility and implications of emissions trading for Australia, but has not made a decision on whether to include emissions trading (including carbon credits) in its national greenhouse response. While decisions on the design of any future emissions trading system have therefore not yet been taken, if carbon credits were to be issued under such a trading system, they would need to be in accordance with the agreed international rules.

With regard to Kyoto eligible sinks:

·The definition of deforestation before the negotiations (and which has a high degree of acceptance) requires that the deforestation activity be the product of direct human action, involve the conversion of forest land to non-forest land and have occurred since 1 January 1990. While the commercial forestry practices of clear-cut harvesting where it is followed by replanting, thinning or selective logging are unlikely to be regarded as deforestation events under this definition, neither will the replacement of native forests by plantations be eligible for credit as reforestation.

·The Government has proposed that accounting for sequestration and emissions under Article 3.3 and 3.4 of the Protocol should occur on a 'land based' approach across the first and subsequent contiguous commitment periods. Similarly, under a national emissions trading system, the Government could require emissions as well as sequestration on relevant parcels of land to be accounted for on a continuing basis.

·A national emissions trading system could potentially be extended to include additional sequestration activities that may be agreed under the Kyoto Protocol, or exclude activities if shown to be in the national interest.

·Sinks programs supported by the Government prior to the completion of definitions and accounting frameworks under the Kyoto Protocol will take into account the uncertainties in the international negotiations.

The accounting rules for implementing the sinks provisions under the Protocol will be determined by the Conference of Parties to the UNFCCC. The decisions taken by the Conference of the Parties are likely to acknowledge Parties' commitments to promote the sustainable management of forests and other ecosystems and to conserve

biodiversity, and the potential synergies between the Kyoto Protocol and action to meet the objectives of other international environment agreements.

Australia has a range of pre-existing legislation and policies for implementing the Convention on Biological Diversity. These include the *Environment Protection and Biodiversity Conservation Act 1999*, various State and Territory legislation, the National Framework for the Management and Monitoring of Australia's Native Vegetation, the National Strategy for the Conservation of Australia's Biological Diversity, and the National Forestry Policy Statement. These instruments address issues such as, the introduction of potentially invasive alien species, the clearance of native vegetation, and the protection of remnant native vegetation and protection of biological diversity (including communities such as wetlands, native grasslands etc as well as endangered species). In this manner, sink activity would be subject to the same checks and balances that apply to other activities with potential to impact on the environment.

Recommendation 69

The Committee recommends that the Tasmanian Government, in cooperation with local councils, farmers organisations and the forestry industry investigate the concerns about plantation developments raised by the Native Forest Network Southern Hemisphere.

Government Response

No Government response required.

Recommendation 70

The Committee recommends that the Government, in consultation with all stakeholders and the forestry industry, undertake a public inquiry into the potential for plantations as a carbon store, including an assessment of the broader regional environmental, social and economic implications.

Government Response

The Government does not support this recommendation.

Plantations for Australia: The 2020 Vision outlines the State and Commonwealth Governments' vision for the plantation growing and processing industries and points to broader implications including carbon sequestration and generation of regional employment. The Government's Action Agenda for the Forest and Wood Products industry includes a strategic focus to improve community awareness of the multiple values and community benefits of forests and forest wood products. This imperative includes plans to develop and implement a national community awareness plan and regional community awareness plans. There is no need for a further process such as a public inquiry.

Recommendations 71-73

See Recommendation 68 above.

Australian Democrats Recommendations 8 and 9

Australian Democrats Recommendation 8

The Australian Democrats recommend that a cap be set on the number of sinks credits that any one company or country can use to offset emissions.

Australian Democrats Recommendation 9

The Australian Democrats recommend that credits are issued based on a 'tonne year accounting approach' after third party assessment of the sequestration and under clear monitoring provisions.

Government Response

The Government does not support these recommendations.

Under a domestic emissions trading system, the Government would need to be able to issue credits and require acquittal in a way that was consistent with the provisions of the agreed international rules. The Government considers that notions of a cap on sinks credits would provide a disincentive for undertaking eligible *Land Use, Land Use Change and Forestry* activities which would reduce atmospheric concentrations of carbon.

At present, eligible sinks activities under the Kyoto Protocol are restricted to direct human induced afforestation, reforestation and deforestation that has occurred since 1990 under Article 3.3. This substantially limits the availability of sinks credits.

Article 3.4 of the Kyoto Protocol provides for further negotiation on including additional agricultural soils, land use change and forestry activities. At COP 6 in The Hague, the United States, Canada and Japan proposed including a range of broadly defined additional activities which could make a significant contribution towards their greenhouse abatement task. It is likely that, if the UNFCCC Conference of the Parties decides to include these broad additional activities, it will also place a limit on the credits that they may generate in the first commitment period.

For national-level accounting for emissions and sequestration from Article 3.3 and 3.4 sinks activities, the Government supports the use of the 'land based' accounting approach in combination with contiguous commitment periods. While the accounting rules are still being developed through international negotiations, this approach has a high degree of international acceptance.

For project activities under the Kyoto Protocol's CDM and JI, Australia is active in promoting the adoption of sound sinks accounting practices. For the CDM, both tonne-year accounting and land-based accounting approaches offer means of dealing with this issue.

Australian Democrats Recommendation 10

The Australian Democrats recommend that reforestation and afforestation credits are only made available for plantings that enhance local biodiversity and are not detrimental to water sources.

Government Response

The Government does not support this recommendation.

The Government supports Parties taking into account the potential synergies between afforestation and reforestation activities and other sustainable development objectives including efforts to enhance local biodiversity and protect water sources. However, the Government does not support applying additional restrictions to reforestation and afforestation credits under the Kyoto Protocol as it would be practically impossible to achieve an equitable outcome and it would increase the already complex verification task.

Recommendations 74 and 75

Recommendation 74

The Committee recommends that the Australian Greenhouse Office coordinate the development of a National Policy Framework for Greenhouse Sinks, which:

- is developed in partnership with state and territory governments and relevant stakeholders; and*
- is informed by the outcomes of the international negotiations on the scope of sink activities to be included in the Kyoto Protocol.*
- The policy framework should identify principles to guide the establishment of sink activities and consider, but not be limited to:*
 - the protection and enhancement of the native forest estate and native vegetation;*
 - the impact on the environment of plantations versus environmental plantings or revegetation;*
 - socioeconomic impacts on regional and rural communities;*
 - opportunities for the facilitation and development of new industries particularly in regional communities;*
 - the opportunities for broadscale activity to address significant environmental issues such as dryland salinity, land clearing, and sustainable land management;*
 - how sink activities may best be integrated with existing land uses such as grazing;*
 - legislative mechanisms for the recognition of carbon rights;*
 - cost effectiveness of the range of sink activities; and*
 - the role of partnerships in achieving outcomes.*

Recommendation 75

The Committee recommends that a National Policy Framework for Greenhouse Sinks do the following:

- give priority to actions that will protect and enhance the native forest estate and native vegetation;*
- provide for research and development into native species reforestation and revegetation activities which enhance carbon sequestration;*
- provide funds for rural strategies that will facilitate greenhouse abatement and broader environmental outcomes such as the establishment of fuel plantations in salinity affected areas, and biomass based cogeneration plants for agro-industrial plants in rural regions;*
- set out the accounting framework to be used and establish an independent verification process; and*
- establish the framework for the trading of carbon credits domestically and define the range and scope of sink activities that will be recognised in a national emissions trading system.*

Government Response

The Government supports these recommendations.

The development of this framework could build on policies already developed, including the National Action Plan on Salinity and Water Quality, the Regional Forest Agreements (RFAs), and other relevant forestry and agricultural policies.

The Government supports the concept of a National Policy Framework for Greenhouse Sinks. Such a framework could:

- raise awareness as to sinks eligible under the Kyoto Protocol and their accounting frame-work
- enhance coordination of Australia's action on greenhouse gas abatement across jurisdictions
- contribute to achievement of Australia's greenhouse commitments at least cost to the Australian economy
- allow for the appropriate integration of regional, natural resource management and greenhouse sinks objectives.

The Framework would usefully include focus on:

- the respective contributions that environmental plantings, revegetation and commercial plantations can make to greenhouse sinks;
- opportunities for the development of new industries and socioeconomic costs and benefits to regional communities;
- opportunities to leverage multiple greenhouse and natural resource management benefits; and
- legal and administrative frameworks for the recognition, registration and transfer of carbon rights.

The Government is already providing significant resources for abatement actions that will benefit rural Australia through the GGAP. The regional partnerships theme of GGAP is intended to support projects that deliver multiple benefits across regional Australia across various sectors, including promoting the development and uptake of sustainable energy and land management practices that incorporate greenhouse considerations.

The Government is also providing significant support for R&D into alternative forest products with greenhouse outcomes, such as the development of biomass fuel, and exploring the viability of commercial ventures from low rainfall forestry. This is occurring through initiatives under the Joint Venture Agroforestry Program supported by the Rural Industries Research and Development Corporation and through the AGO's RECP.

State and Territory input was sought in respect of these recommendations. The three substantive responses received generally support the Government's position on these recommendations. The need for inter-jurisdictional cooperation was recognised as these recommendations fall within areas of State and Territory responsibility. States and Territories that did not provide a specific response generally expressed the view that these recommendations would be taken into account in future policy development.

Recommendation 76

The Committee recommends that Australian government, industry and scientific community should continue to monitor research into alternative methods of carbon sequestration, and to support it where such methods seem promising and prudent.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

The Government has supported a collaborative research project examining the potential economic, social and environmental risks and benefits associated with the geological disposal of CO₂ for the oil and gas industry. This project, partly funded by the AGO, is being undertaken by researchers in CSIRO, Australian Geological Survey Organisation and a number of Australian universities under the auspices of the Australian Petroleum CRC. It has forged strong linkages with international researchers in this area and will produce a preliminary assessment report by mid to end 2001.

CSIRO participates in the Australian consortium for the International Energy Agencies Greenhouse Gas Research and Development Program. This Program facilitates international cooperation in the evaluation of mitigation technologies, especially capture and sequestration of greenhouse gases.

Recommendation 77

The Committee recommends that the reduction of greenhouse gas emissions from agricultural production be a focus of the Natural Resource Management Strategy currently under development.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

The Department of Agriculture, Fisheries and Forestry Australia, in consultation with the AGO and relevant Commonwealth Departments, has developed a plan of action to exploit the synergies between National Resource Management and greenhouse outcomes, including those relating to emissions from agricultural production. The Plan covers complementary initiatives in existing programs including the Natural Heritage Trust and the NGS as well as newer programs such as the National Action Plan for Salinity and Water Quality.

A number of other proposals are also being considered to broaden the Government's approach. The complex nature of the area may mean that a combination of proposals rather than a single strategy may be the more appropriate outcome.

Recommendation 78

The Committee recommends that a greater level of support be sought from governments and industry for research and development in emissions reduction opportunities in the livestock industries. This could be facilitated by provision of seed funding by the Commonwealth or matching funding from the Commonwealth to industry funds.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

It is recognised that there are strong economic incentives for more R&D into reducing methane production from livestock. There are two main reasons for this:

- While the impact on and role of agriculture in emissions trading has not been determined, the existence of low cost abatement opportunities would minimise the

cost of any constraint on emissions and enhance the capacity of the sector to appreciate a net benefit from trading; and

·Current methane research has a joint focus of reducing emissions and improving food conversion ratios. Any advances in the area would enhance industry competitiveness and may also have important spin offs in the areas of national and international licensing agreements.

Greater industry involvement at this stage is constrained by uncertainties surrounding research equities in a very disparate industry and the embryonic stage of much of the research.

The Government has supported world-leading research conducted by the CSIRO into an anti-methanogen vaccine and is now investigating other projects with outside agencies and industry to broaden its approach.

A major objective of the Standing Committee on Agriculture and Resource Management (SCARM) Work Program, extensive livestock component will be to raise awareness and better coordinate responses to this issue. This will result in a better assessment of need and improved targeting of future research efforts.

Recommendations 79

The Committee recommends that the Standing Committee on Agriculture and Resource Management (SCARM) work program be enhanced with the aim of:

- improving understanding of agricultural producers about greenhouse;*
- involving agricultural producers in identifying options and solutions; and*
- identification of options where sustainable land management leads to reductions in emissions and greater productivity.*

Government Response

The Government supports this recommendation.

The SCARM Work Program has evolved with time and many of the Senate's recommendations have now been incorporated.

Much thought has already been given to raising awareness of greenhouse issues amongst agricultural producers. A major thrust of the early part of the program will be to identify gaps in understanding and how they best may be filled. It is the Government's view that a coordinated communication strategy is essential to the advancement of the program.

Agricultural producers will be involved from the earliest stage of the program. The Government has taken the approach that the structure of the agricultural industry is such that there must be a cooperative approach between the Commonwealth, States and producers if the program is to succeed. The Government see the Commonwealth's role as that of a coordinating agency in a process that is very much 'bottom up' rather than 'top down'.

Agriculture has made many advances in recent years in the area of sustainable land management and many of these have led to improved productivity and lower emissions. One of the main aims of the program is to identify those practices and the areas where the Government can make investments to enhance outcomes. In particular opportunities for farmers to join the Greenhouse Challenge Program by taking actions that provide both economic and greenhouse benefits.

Recommendation 80

The Committee recommends that greater attention and priority be given by all governments to meet the objectives of National Greenhouse Strategy relating to agricultural management practices.

Government Response

The Government supports this recommendation.

Agriculture has been a difficult industry in which to achieve greenhouse gas abatement, a fact recognised internationally.

The large number of emitters, types of emissions and the fact that both emissions and sinks occur in the one production unit are just some of the issues that have added to the complexity.

However, significant progress has been made both in terms of dealing with this complexity and the development and implementation of positive strategies for the industry. Much of the early stage work involves identifying areas where the Government can best invest resources. When these have been identified, actions can target areas that will be most effective in achieving positive greenhouse outcomes.

To assist with this, the Greenhouse and Agriculture Taskforce has been established to improve information exchange between key stakeholders and support the further implementation of a greenhouse abatement measures across the agricultural sector.

Recommendation 81

The Committee recommends that the Commonwealth, states, and territories introduce strong national controls on land clearing as a matter of urgency.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

While regulation of clearing native vegetation for agricultural or forestry purposes is a State and Territory responsibility under the Australian Constitution, the Government is working with the States to develop better institutional arrangements for vegetation management, including planning, incentives and regulatory frameworks. All jurisdictions have signed Natural Heritage Trust Partnership Agreements with the Government which have the goal of reversing the decline in the quality and extent of native vegetation. The Agreements commit them to prevent any clearing of endangered ecological communities, any clearing which changes the conservation status of a vegetation community, and any clearing which is inconsistent with the sustainable management of biodiversity on a regional scale. Through the Trust programs, the Government is encouraging a major expansion of vegetation and plantation establishment and protection of existing vegetation.

The Government is also working with all jurisdictions through the Australian and New Zealand Environment and Conservation Council (ANZECC) and has jointly developed the *National Framework for the Management and Monitoring of Australia's Native Vegetation*. The National Framework is providing a mechanism through which to unify the various approaches to vegetation management of the jurisdictions and is setting best practice attributes for improved vegetation management, including regulatory arrangements for protection of threatened species and ecological communities and for control of land clearing.

The Government is negotiating an Intergovernmental Agreement (IGA) with the States and Territories for the implementation of the National Action Plan on Salinity and Water Quality. Queensland has now signed the agreement. The IGA includes the commitment that: “States and Territories agree to institute controls on land clearing by June 2002 or as otherwise agreed in Bilateral agreements, which at minimum prohibit land clearing in the priority catchments/regions where it would lead to unacceptable land or water degradation.”

For details relating particularly to land clearing in Queensland and Tasmania see the response to Senator Bob Brown Recommendation 7.

Recommendation 82

The Committee recommends the Commonwealth act with some urgency to provide protection for 'of concern' regional ecosystems, and provide compensation to landholders where warranted.

Government Response

As noted in the response to Recommendation 81, under the Australian Constitution, States and Territories have primary responsibility for land management, including their land clearing regime and the protection of 'of concern' regional ecosystems. The Government is however actively engaged in working with all jurisdictions, to improve vegetation management. All jurisdictions have signed Natural Heritage Trust Partnership Agreements which commit them to prevent any clearing of endangered ecological communities, any clearing which changes the conservation status of a vegetation community, and any clearing which is inconsistent with the sustainable management of biodiversity on a regional scale.

Recommendation 83

The Committee recommends that the Commonwealth allocate funds for rural strategies that assist in greenhouse responses such as fuel plantations in salinity affected areas and biomass-based cogeneration plants for agro-industrial plants in rural regions.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

The Government is committed to supporting the development of greenhouse responses in rural regions.

Regional Greenhouse Partnerships is one of the four major themes of the \$400 million GGAP. This theme will encourage significant and sustained reductions in greenhouse emissions across regional Australia including promoting sustainable land management that incorporates greenhouse considerations into agricultural, forestry and vegetation management practices; promoting the development and uptake of sustainable energy, including biomass to energy and bio-fuels, in regional Australia; and catalysing non-government investment and cross-sectoral partnerships in regional Australia for greenhouse abatement.

Implementation of Module 4 of the NGS (Efficient and Sustainable Energy Use and Supply) is contributing to the strategic development of renewable energy through a range of programs such as the RECP. The Government has now legislated for Mandated Renewable Energy Targets with the passing of the *Renewable Energy*

(Electricity) Act 2000. This initiative will promote investment in the development of renewable energy initiatives, including biomass energy.

Implementation of Module 6 of the NGS (Greenhouse Sinks and Land Management) is supporting the expansion and management of greenhouse sinks (related to forests, vegetation and plantations), and the reduction of greenhouse gas emissions from agricultural production. The *Plantations for Australia: The 2020 Vision Program* and the *Natural Heritage Trust's Farm Forestry Program* are supporting the development of forest plantations in rural areas.

Chapter 8 - The Greenhouse Challenge

Recommendations 84 and 85

Recommendation 84

The Committee recommends that the Greenhouse Challenge Program:

- establish benchmarks for emissions abatement by sectors of activity;*
- assess participants in relation to relevant benchmarks; and*
- assess participants in relation to Australia's overall target.*

Recommendation 85

The Committee recommends that the Australian Greenhouse Office develop its capacity to verify and compare the emissions output of individual enterprises to sectoral benchmarks and make these sectoral benchmarks publicly available.

Government Response

The Government considers that these recommendations will be addressed in the context of continuing policy development.

Benchmarking is not part of the current design of the Greenhouse Challenge Program, which is a voluntary program. It does not set targets for individual companies or sectors but rather works to maximise economically viable abatement actions with each company.

Greenhouse Challenge coverage of some sectors would need to be more comprehensive for benchmarking to be meaningful, and the data reported by members to the AGO would need to be more consistent and comparable between companies for it to be used to establish benchmarks.

The potential benefits and issues associated with possible application of benchmarks may be considered and discussed with industry as part of the ongoing evolution of the program.

Recommendation 86

The Committee recommends that the Greenhouse Challenge Program require participants to develop their emissions forecasts using business as usual methodologies.

Government Response

The Government considers that this recommendation is broadly being considered in the context of policy development.

The 1999 Evaluation of the Greenhouse Challenge examined this issue and concluded that methodologies to allow effective enterprise-based reporting on such a basis are

not available at this time, and that the costs for companies to attempt such reporting are prohibitive.

The AGO has however, developed “business as usual” methodologies for project-based reporting under GGAP. The Government will assess the effectiveness of the project-based methodologies under GGAP and at that time consider their application to enterprise-based reporting.

Recommendation 87

The Committee recommends that all companies be required to verify assessments of Greenhouse Challenge Program emissions savings and to publicly disclose details.

Government Response

The Government supports this recommendation.

All companies joining the program already agree to random independent verification of their emissions data.

The first round of Independent Verification under the Greenhouse Challenge was completed in 2000 and covered more than 80 per cent of eligible companies. The results will be published on the AGO Internet site (see www.greenhouse.gov.au/challenge).

As the program is based on the principles of learning by doing and continuous improvement, the AGO is working with industry to improve the transparency and credibility of reporting of results in the future.

Recommendation 88

The Committee recommends that any changes to the level of forecast emissions savings by Greenhouse Challenge Program members made after the signing of Cooperative Agreements be publicly disclosed.

Government Response

The Government supports this recommendation.

As part of a current review of reporting arrangements under the Greenhouse Challenge the AGO is working with industry to investigate how to improve transparency of information on company performance under the program.

Recommendation 89

The Committee recommends that verification be funded by industry, while remaining independent of industry.

Government Response

The Government does not support this recommendation at this time.

The AGO funded the direct cost of independent verifiers in the first round, and this is the approach agreed with industry in the design of the program. Organisations participating in verification bear the cost of preparing for and supporting the process.

This approach would need to be revisited should membership of the Greenhouse Challenge be linked to any direct economic advantage, such as that flagged in *Encouraging Early Greenhouse Abatement Action: A Public Consultation Paper*.

Recommendation 90

The Committee recommends that the terms of advertising for the Greenhouse Challenge Program be made clear in each advertisement.

Government Response

The Government does not support this recommendation.

This recommendation is seen as unnecessary, as advertising under the program will continue to comply with all requirements for Government advertising.

Recommendation 91

The Committee recommends that advertising of the Greenhouse Challenge Program featuring one or more of its members, be funded through a contribution by all Program members to a consolidated advertising fund.

Government Response

The Government does not support this recommendation.

As the Greenhouse Challenge is a voluntary program, the Government may from time to time actively recognise the efforts of members and take steps to encourage further uptake of the program. Although some companies already use the Greenhouse Challenge logo as part of their own advertising there is no company specific advertising currently planned for the Greenhouse Challenge.

The Government is also concerned that acceptance of money from member companies could be seen to be compromising the independence and integrity of any future program advertising.

Recommendation 92

The Committee recommends that the Greenhouse Challenge Program give greater attention to the development of sectoral analysis and reporting. This should be consistent with international reporting guidelines.

Government Response

The Government supports this recommendation.

The Government is currently working to enhance sectoral data collection and analysis under the Greenhouse Challenge.

Recommendation 93

The Committee recommends that the Greenhouse Challenge Program be reviewed with a view to structure the Program as a transitional strategy to build industry capacity for a future emissions trading scheme.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

The Government will continue to view the Greenhouse Challenge as a mechanism for encouraging enterprises to take early action in the lead up to any possible future economy-wide measures, such as emissions trading. One of the founding tenets of the Greenhouse Challenge is to develop industry capacity to monitor and report greenhouse gas emissions to prepare for a future where such reporting requirements may be mandatory. The Greenhouse Challenge is currently considering improvements to reporting to facilitate members' capacity to cope with likely future developments, including emissions trading. The proposal for early crediting as a forerunner of

potential emissions trading includes a proposal to link crediting to membership in the Greenhouse Challenge.

Recommendation 94

The Committee recommends that a future emissions trading system be designed to ensure that companies are not penalised for early emissions abatement activity.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

In August 2000, the Government announced that it would avoid greenhouse policies and measures that disadvantage those companies which had moved early in undertaking emission abatement actions, or that discriminate against new industry entrants.

Australian Democrats Recommendation 11

The Australian Democrats recommend that the Government explore mechanisms for protecting the baseline of each Greenhouse Challenge Program member, on the basis that such baselines record reductions that are independently verified.

Government Response

The Government does not support this recommendation at this time.

Data currently provided by companies under the Greenhouse Challenge is unlikely to be sufficient for this purpose, and further work would be necessary on the practical and policy implications of such an approach.

Recommendation 95

The Committee recommends that the Australian Greenhouse Office assess whether proposals to extend the Greenhouse Challenge Program would be more effectively dealt with other programs or by legislation.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

The Greenhouse Challenge is one of a suite of greenhouse gas abatement measures delivered by the AGO. This suite includes a spectrum of measures from mandatory to voluntary, and the Government will continue to assess which approaches best meet its objectives.

Chapter 9 - Emissions Trading

Recommendation 96

The Committee recommends the early introduction of a domestic emissions trading system, with the aim to build capacity and experience, encourage uptake of fuel switching and energy efficiency and position Australia to lead the international debate in the development of a global trading scheme.

Government Response

The Government does not support this recommendation.

In August 2000, the Government announced that it will only implement a domestic emissions trading scheme if the Kyoto Protocol is ratified by Australia, has entered into force and there is an established international emissions trading regime.

This decision does not rule out the subsequent introduction of such a scheme if further analysis demonstrates that this would be in the national interest. The Government expects the AGO, in its analysis of a national emissions trading system, will provide advice to the Government on this issue.

The Government has asked the AGO to examine the feasibility and implications of emissions trading for Australia, and has not made a decision on whether to include emissions trading in its national greenhouse response. The Government's consultation process is ongoing, and it is not in a position to speculate on the design decisions of any future national emissions trading system. The Government expects the AGO, in its analysis of a national emissions trading system, will provide advice to the Government on the introduction of a voluntary scheme. Responses to Recommendations 97-104 below should be considered in the light of this caveat.

Recommendation 97

The Committee recommends a phased introduction of an emissions trading scheme, with the possible introduction of a voluntary scheme in advance of a mandatory scheme, designed to direct the economy on a path to meeting Australia's Kyoto target in the first commitment period, and to meet potentially lower targets in the subsequent and later commitment periods.

Government Response

The Government considers that this recommendation is currently being addressed in the context of policy development.

In November 2000, the Government announced in-principle support for the development of a system that would credit early abatement action occurring within Australia, if there is sufficient demand for access to "early action credits" and a satisfactory program design can be arranged. Early crediting arrangements would allow industry to earn credit for new and additional investment in abatement actions that help reduce Australia's greenhouse gas emissions profile in the commitment period. Participation in this program would be voluntary, and would provide credits that could be traded on a voluntary basis.

The Government has made no decision in relation to the possible introduction of a national or domestic emissions trading scheme. There are a number of complex technical and equity issues that need to be resolved before such consideration can be given. Further work is being undertaken by the AGO, in conjunction with other key Departments to examine these issues. Until international agreement occurs on the implementation of the Kyoto flexibility mechanisms as well as outstanding methodological issues relating to carbon sinks, precipitate Government decisions on emissions trading may add to the costs of adjustment or make good outcomes harder to achieve in years to come.

Australian Democrats Recommendations 12 and 13

Australian Democrats Recommendation 12

The Australian Democrats recommend that the Commonwealth Government, in advance of a domestic emissions trading system, phase in a small carbon levy from 2003 to provide a signal to Australian industry. Where industry can demonstrate that

this levy adversely affects its international competitiveness some or all of those payments could be rebated or returned as a contribution to fund investment in emissions abatement actions within that industry.

Australian Democrats Recommendation 13

The Australian Democrats recommend that the Commonwealth Government use the revenue from the carbon levy to fund a 'Reverse Carbon Tax' incentive program. The program should provide financial incentives linked to the size of lifecycle emissions savings (at a rate of \$x/tonne of CO₂ avoided) for the manufacturers of low greenhouse impact appliances and equipment and builders of energy-efficient buildings and other approved projects.

Government Response

The Government does not support these recommendations.

The Government is not considering the introduction of a carbon tax but is exploring least cost ways of assisting Australia in meeting its Kyoto Protocol commitment using a suite of voluntary, mandatory and market based measures, including emissions trading.

The Government has invested \$400 million over five years in the GGAP, which is designed to support projects that can deliver the greatest amount of greenhouse gas abatement per dollar invested.

Recommendation 98

The Committee recommends that a future emissions trading scheme be as comprehensive as administratively feasible, taking in a wide range of sources and emitters.

The Committee acknowledges that an emissions trading scheme will not achieve all desirable emission reductions, and recommends that consideration be given to complementary policy measures.

Government Response

The Government considers that this recommendation is currently being addressed in the context of policy development.

It is generally recognised that by extending the scope of a national emissions trading system to be as broad as is administratively possible (both emitters and sources), the cost burden associated with meeting an emission target can be spread fairly across the economy and provide emitters access to the most cost effective greenhouse mitigation options. This could also possibly reduce the overall economic cost to Australia in meeting its Kyoto target.

If the Government were to proceed with a national emissions trading system, it would need to examine the extent to which complementary greenhouse measures would need to be introduced or existing measures modified or removed. It may be of value to consider complementary policy measures that address market failures, deliver long-term strategic objectives where market signals are not expected to be strong enough, or which address gaps in the coverage of a trading system.

Australian Democrats Recommendation 14

The Australian Democrats recommend that a future domestic emissions trading system be designed so that the environmental costs of transport are internalised into market decisions and consumer behaviour. The Committee recommends that, if

necessary, emissions trading be supplemented by a range of policies which reward more responsible technologies, investments and behaviour, and which can ensure the availability of high quality transport alternatives that are less emissions-intensive.

Government Response

The Government considers that this recommendation is currently being addressed in the context of policy development.

The ultimate design of a national emissions trading system will determine the extent to which an abatement incentive via a price signal is delivered to emitters and consumers in the transport sector. The AGO is considering all options as part of its feasibility study on emissions trading. The extent to which additional greenhouse measures can be introduced to improve the efficiency of the transport sector is not known at this time. Policy measures that address market failures or deliver long-term strategic objectives where market signals are not expected to be strong enough may deliver significant reductions in greenhouse emissions. For example, the Government's transport reforms aim to increase the efficiency and market share in the less emission-intensive rail and maritime sectors. Work currently being undertaken as part of the NGS and by the NTS is considering a wide range of additional transport measures.

Recommendation 99

While recognising that a hybrid approach to permit allocation may be desirable in the short term, the Committee recommends that allocation of permits by auction be considered as the basis for a domestic emissions trading system.

Where interim concessional allocations are made, the Committee recommends that they be made on the basis of clear and widely accepted principles (such as life-cycle greenhouse benefits, a severe loss of international competitiveness, or credit for early action) and require recipients to agree to emissions reduction targets.

Government Response

The Government considers that this recommendation is currently being addressed in the context of policy development.

There is a range of permit allocation options available to the Government that combines elements of administrative and market-oriented approaches. Meeting Australia's Kyoto target would necessarily impose adjustment costs and changes in relative competitiveness of different parts of the economy. However, there is a range of permit allocation options available to the Government which can create opportunities to provide compensation to disadvantaged parties. Further examination of these options will be important to the Government's assessment of the feasibility and design of emissions trading in Australia. In choosing between alternative allocation options, the Government will aim to minimise the socioeconomic impact of meeting Australia's international obligations.

Further exploration of all allocation options, and the issues that they raise, is required to assess the feasibility and design of emissions trading in Australia. In November 2000, the Government announced in-principle support for foundation principles for developing a program for crediting (ie sourced from Australia's Kyoto Protocol assigned amount) early greenhouse gas abatement action within Australia. These three principles state that a 'credit for early action' program should:

- be accessible on a voluntary basis and enhance opportunities for businesses operating in Australia to hedge against greenhouse uncertainties;
- make early action credits fully exchangeable for Australian issued emission permits, in the event a mandatory national emissions trading system is introduced (or recognised as an offset to emission liabilities arising out of any future economy-wide taxation arrangements), linked to the Kyoto Protocol entering into force; and
- encourage new and additional investment in abatement within Australia.

Recommendation 100

Where carbon leakage is likely because an activity competes with activities in countries not bound by emissions reduction targets, the Committee recommends that measures be implemented to minimise the disadvantage. This may include the allocation of concessional permits on the basis of clear and transparent criteria.

Government Response

The Government considers that this recommendation is currently being addressed in the context of policy development.

The Government has committed to future greenhouse gas abatement policies and measures that will promote cost effective actions which minimise the burden for business and the community, so that industry can remain competitive.

At the time of Australia's signature of the Kyoto Protocol, the Government indicated several outstanding issues that would need to be resolved before Australia could consider ratification, including the engagement of developing countries (which do not have emission reduction targets under the Kyoto Protocol). There is no agreed timetable for dealing with this issue. Australia is actively encouraging developing countries to work towards addressing their greenhouse gas emissions. The engagement of developing countries in greenhouse action will help avoid carbon leakage, and preserve the relative competitiveness of Australian industry.

Australia ratified the UNFCCC, and is therefore bound by all the obligations under the Convention. Article 3.5 of the Convention states "... Measures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade."

Measures such as administrative allocation based on disadvantage, import surcharge and /or export rebates, introduced to assist sectors or groups identified as bearing a disproportionate share of the national adjustment task will have to be consistent with Australia's international rights and obligations, including Australia's membership of the World Trade Organisation.

Recommendation 101

The Committee recommends that Government seek to ensure that a future emissions trading system does not penalise early action to reduce greenhouse emissions.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

In August 2000, the Government announced that it would avoid greenhouse policies and measures that disadvantage those companies which had moved early in undertaking emission abatement actions, or that discriminate against new industry entrants.

Recommendations 102 and 103

Recommendation 102

The Committee recommends that any use of permit allocation to reward early action to reduce greenhouse emissions be treated with caution, and ensure that reductions are verifiable and calculated from a date following the announcement of a reward for early actions scheme.

Recommendation 103

The Committee recommends that businesses that comply with specified accounting practices and protocols should be guaranteed that the emissions reduction actions will be considered in future policy development.

Government Response

The Government considers that these recommendations are currently being addressed in the context of policy development.

In August 2000, the Government announced that it would avoid greenhouse policies and measures that disadvantage those companies which had moved early in undertaking emission abatement actions.

In November 2000, the Government announced in-principle support for the development of arrangements that would allow industry to earn credit for new and additional abatement actions (beyond business as usual) that help reduce Australia's greenhouse gas emissions profile in the first Kyoto commitment period.

It is anticipated that the integrity of the crediting system would be supported by rigorous and transparent monitoring and verification procedures.

The Government is presently conducting a comprehensive public consultation process through the preparation in November 2000 of a Discussion Paper, Encouraging Early Abatement Action, available on the Internet (*see www.greenhouse.gov.au/emissionstrading*) or on request. For further detail on the Government's position on credit for early action see the response to Recommendation 99.

Recommendation 104

The Committee recommends that a national emissions trading system be supplemented by a range of policies which will stimulate emissions reductions in sectors for which it is difficult to provide coverage or which do not respond to price signals.

In particular, policies to provide public transport alternatives to the use of private motor vehicles, and to promote the development and takeup of renewable energy, need to be a priority.

Government Response

The Government considers that this recommendation is currently being addressed in the context of policy development.

If the Government were to proceed with a national emissions trading system, it would need to examine the extent to which additional measures would need to be introduced in the transport and renewables sectors. It might be of value in that context to consider additional policy measures that address market failures, deliver long-term strategic objectives where market signals are not expected to be strong enough, or which address gaps in the coverage of a trading system.

Chapter 10 - Convention on Climate Change (Implementation) Bill 1999

Recommendation 105

The Committee does not support the passage of the Convention on Climate Change (Implementation) Bill 1999 in its current form.

The Committee recommends that comprehensive greenhouse legislation be developed as soon as possible and when greater certainty is established in relation to domestic and international greenhouse gas abatement targets and measures.

Government Response

The Government supports this recommendation.

The Government does not support the passage of the *Convention on Climate Change (Implementation) Bill 1999*.

The Government will consider developing comprehensive legislation in the event that Australia decides to ratify the Kyoto Protocol and it comes into force.

Recommendation 106

The Committee supports the immediate addition of greenhouse emissions to the Environment Protection and Biodiversity Conservation Act 1999 to act as a trigger for environmental impact assessment of new projects which could cause the production of significant new greenhouse gas emissions.

Government Response

The Government response to this recommendation is considered jointly with Recommendations 33 and 34.

Consolidated Response to Additional Recommendations by Senator Bob Brown, Australian Greens

Senator Bob Brown Recommendation 1

That Australia plan to reduce its greenhouse gas emissions by 90 per cent compared with 1990 levels, by 2050, as its contribution to stabilising CO₂ levels in the atmosphere at twice pre-industrial levels.

Government Response

The Government does not support this recommendation.

The Government has signalled Australia's strong commitment to reducing the growth of our greenhouse gas emissions by signing the Kyoto Protocol. Under the Protocol, Australia has been allocated an emission reduction target of 8 per cent above our 1990 emission levels by 2008-2012. Although this represents a significant challenge and is broadly consistent with the reduction beyond business as usual which other developed countries were assigned in the Kyoto Protocol, it is a realistic target that reflects Australia's national circumstances.

Australia's Kyoto target is for the first commitment period only and emission reduction targets for future commitment periods have not yet been negotiated. Australia will participate actively in any negotiation on future emission reduction targets. According to the Kyoto Protocol (Article 3.9) consideration of commitments for subsequent periods shall be initiated at least seven years before the end of the first commitment period. In other words, those negotiations should commence by the end of 2005 at the latest.

At this time, it is not scientifically possible to determine what global atmospheric concentration of greenhouse gases is required to meet the objective of the UNFCCC (which is to stabilise greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system).

Senator Bob Brown Recommendation 2

Ratify the Kyoto Protocol without delay.

Government Response

The Government does not support this recommendation.

The Government will not consider ratifying the Kyoto Protocol until international agreement is reached on all the outstanding issues. These issues include rules for the use of sinks, the rules, guidelines and modalities for the Kyoto mechanisms (International Emissions Trading, JI and the CDM), the compliance system and the engagement of developing countries. The Government intends to work with the international community on these issues at the resumption of COP 6 from 16-27 July 2001.

Senator Bob Brown Recommendation 3

That the Government implement the National Greenhouse Strategy on time and in full.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

The NGS provides the strategic framework for advancing Australia's domestic greenhouse response in the decade leading up to the first Kyoto commitment period (2008-2012). In endorsing the NGS, the Commonwealth, States and Territories have indicated their commitment to responding effectively to the challenge of climate change and to meeting Australia's international commitments on greenhouse.

The Government is committed to implementing all elements of the NGS for which it is responsible, and is actively encouraging States and Territories to implement NGS measures lying within their areas of responsibility. Considerable progress has been made in the first two years of the strategy in setting in place the majority of the measures encompassed by the NGS. This is detailed in the *National Greenhouse Strategy 2000 Progress Report* tabled in Parliament in December 2000.

Senator Bob Brown Recommendation 4

That the Government commission a comprehensive accounting (financial where relevant) of the environmental, economic and social impacts of climate change. It should focus on Australia and the Asia Pacific region, and include an assessment of the risks of sudden catastrophic change to key weather systems and the costs of remedial plans for such an emergency.

Government Response

The Government considers that this recommendation is already being addressed through existing measures.

The IPCC Third Assessment Report for Working Group Two (Climate Change Impacts, Adaptation and Vulnerability) which was made public in April 2001

provides an analysis of the impacts of climate change on Australia and the Asia Pacific region.

In addition, the NGS and the Greenhouse Science Advisory Committee Greenhouse Research Plan for 2000-05 identify the need for investigation of environmental, economic and social impacts of climate change.

Senator Bob Brown Recommendation 5

That the Government -

·Boost environmental technology industries and ensure that greenhouse polluters pay by introducing a carbon tax of \$30 - \$40 per tonne from 2002.

·Establish a national analogue of the NSW Sustainable Energy Development Authority to promote and invest in energy efficiency and renewables, funded from the carbon tax.

·Legislate to require electricity retailers to disclose greenhouse gas emissions on consumer's bills.

·Fund a national program to make street lighting energy and cost efficient.

·Abolish tied road funding and replace it with a Transport Fund, that can allocate money to works and strategies after an open consultative process.

·Implement the Sun Fund through which farmers and others using diesel generators can swap part or all of their entitlement to the diesel fuel rebate for an equivalent amount to invest in renewable energy.

Government Response

The Government does not support this recommendation in particular the reference to "a carbon tax".

Existing Government programs are addressing many of the issues raised in this recommendation.

The Government has not included a carbon tax as part of its range of greenhouse policies.

The Government has established the AGO which is unique amongst OECD countries. It actively promotes and invests in energy efficiency and renewable energy.

Government and industry jointly fund the programs. Some programs that promote and invest in energy efficiency and renewables are the GGAP, REEF, RECP, RRP GP and PVRP.

Through the NGS, State and Territory governments are working with electricity retailers on cooperative programs to reduce greenhouse emissions.

The Government is already providing \$13 million over five years for the CCPTM Australia Program--the largest single contribution to this global campaign by any government in the world to date. In participating in the CCPTM Program, Australian councils commit to progress through five milestones to reduce their greenhouse gas emissions. This includes addressing corporate emissions resulting from street lights through improved energy efficiency.

The AGO is also currently working with the Electricity Supply Association of Australia to identify the potential for improved energy efficiency in street lighting on major traffic routes. In addition, the AGO is surveying councils to assess their

education and training requirements in relation to maximising the uptake of energy efficient street lighting.

The Government considers that there is in-principle merit in examining funding requirements for the transport sector in an integrated way which assesses the merit of each mode to provide improved access while also considering the environmental, social and economic impacts.

The Government recognises the advantages of an outcome-oriented process that allows flexibility and the comparison of a wide range of options, with appropriate assessment and open consultation. However, the Government does not consider that this approach is best achieved by a common Transport Fund. See Australian Democrats Recommendation 7 for further details.

The Government recognises that renewable energy offers opportunities to reduce the use of diesel for electricity generation in those areas not serviced by a main electricity grid. The \$264 million RRP GP provides support for the installation of renewable generation technologies in remote areas of Australia. States and Territories will be allocated funding on the basis of the relevant diesel fuel excise paid in that State or Territory by public electricity generators. The funds will be used to provide a rebate for the installation of renewable remote area power supplies. Potentially eligible installations are those where renewable energy replaces diesel for all or part of the energy source for off-grid electricity generation.

State and Territory input was sought in respect of this recommendation. The three substantive responses received generally support the Government's position. States and Territories that did not provide a specific response generally expressed the view that the recommendation would be taken into account in future policy development.

Senator Bob Brown Recommendation 6

Reinstate the National Energy Research and Development Corporation with a budget of at least \$30 million pa to fund research into sustainable energy and energy efficiency.

Government Response

The Government does not support this recommendation.

The Government is actively engaged in this area and has committed substantial resources to R&D and, particularly, the commercialisation of technology in support of its energy efficiency, renewable energy and greenhouse objectives. They encompass initiatives which address key areas of priority such as:

A range of initiatives administered by the AGO to support the development and commercialisation of appropriate technologies;

The establishment of a REEF which will help provide the capital required for innovative businesses specialising in renewable technologies to become established;

Funding for the Australian CRC for Renewable Energy.

Broader R&D support programs, such as the R&D Start program are also available to, and are used by, businesses in their development of renewable and energy efficient technology.

Applications for the first round of grants under GGAP are currently being considered. The Program provides further funding opportunities for the commercialisation and diffusion of abatement technologies.

COAG will discuss national energy strategy at its next meeting, expected in the first half of 2001. This meeting will provide an appropriate forum for consideration of whether there is a need for further R&D support for sustainable energy and energy efficiency and, if so, how this support might be provided most effectively.

Senator Bob Brown Recommendation 7

Reduce greenhouse gas emissions immediately by-

- Implementing national clearing controls, to intervene in Queensland and Tasmania.*
- Protecting remaining old growth forests.*

Government Response

The Government does not support this recommendation.

Under the Australian Constitution the States are responsible for activities relating to land management, including the protection of vegetation from land clearing and the management of old growth forests. The Government recognises the importance of these issues however, and is implementing a number of initiatives that address the issues raised in this recommendation.

Queensland has primary responsibility for land management in that state, including for its own land clearing regime. However, the Government recognises the important implications of current Queensland land clearing rates, in particular that Queensland's current land clearing regime does not provide an acceptable greenhouse outcome. The Government considers wide community acceptance, particularly by farmers and landholders, as essential if vegetation management is to be effective and if sustainable land management is to be achieved.

The Prime Minister has made it clear to the Premier of Queensland that the Government is prepared to consider funding assistance in relation to land clearing restrictions on a basis that meets the Government's greenhouse objectives. He has also agreed to discussions on this issue between Commonwealth and Queensland government officials. The Government is also continuing to have discussions with senior Queensland farming representatives, with a view to achieving a mutually acceptable outcome.

Similarly, Tasmania is primarily responsible for these issues in that State. The Government is actively engaged in enhancing native vegetation management in Tasmania through the Natural Heritage Trust. The national goal of the Trust's *Bushcare* program is to reverse the long-term decline in the quality and extent of Australia's native vegetation cover. In signing the Natural Heritage Trust Partnership Agreement, Tasmania agreed to contribute to achieving the stated national outcome of putting "Effective measures in place to retain and manage native vegetation, including controls on clearing." (Partnership Agreement between the Commonwealth of Australia and Tasmania, 7 October 1997).

The National Framework for the Management and Monitoring of Australia's Native Vegetation, an initiative of ANZECC, also provides a mechanism to implement the Natural Heritage Trust goal. Tasmania's Interim Work Plan for the ANZECC vegetation framework commits the Tasmanian Government to "pursue options and recommendations for implementation of vegetation clearance controls".

The RFAs between the Commonwealth and the States recognise the special value of old growth, and have made considerable advances in the identification and protection of old growth forests throughout Tasmania. As part of the Comprehensive Regional

Assessments (CRA), old growth was mapped in each of the RFA regions. As a result of this assessment we have a thorough knowledge of the extent and distribution of old growth in forestry regions in Australia. This information, along with other assessments undertaken as part of the CRAs, has provided a solid information base for land use decisions in the RFA and has resulted in a Comprehensive, Adequate and Representative (CAR) reserve system.

The CAR reserve system now includes over 2.8 million hectares of old-growth forest, with over 840,000 hectares added to the reserve system as a result of the RFA. Nationally, this represents more than 65 per cent of all old-growth present in the RFA regions. The Government is investing around \$30 million in the Tasmanian Regional Forest Agreement Private CAR Reserve Program to protect high conservation values on private lands. Eighty-six per cent of Tasmania's old-growth forest on public land is now protected in reserves, or through restrictions on logging.

Of the 31,000 hectares of public forest in the Styx Valley--the "land of the giants", some 8,500 hectares or 27 per cent is in National Parks. A further 3,050 hectares, or 10 per cent, is set aside for conservation and protection purposes as a result of the RFA, signed by Commonwealth and the State in November 1997. Forestry Tasmania has recently given a public assurance that no trees over 85 metres tall will be logged.

In recent years the wood production industry has relied less on old-growth forests and drawn increasingly on regrowth native forests and plantations. The Commonwealth and State governments' agreed approach to conserving and managing old-growth forests will help this transition to continue.

Senator Bob Brown Recommendation 8

Negotiate at the Sixth Conference of Parties (COP6) (November 2000) for international accounting rules that -

·Are consistent with the goals of the convention on Biological Diversity, the Ramsar Convention on Wetlands, The Regional Seas Convention, and the UN Convention to Combat Desertification;

·Allow carbon credits to be created only when the carbon stock on any given parcel of land is greater than it was in 1990;

·Include logging of native forests and clearing of native forests for plantations within the definition of 'deforestation';

·Are 'symmetrical' with respect to the inclusion of new activities - that is additional sinks can only be counted if additional sources are included too.

Government Response

The Government considers that this recommendation is currently being addressed in the context of policy development.

The Government supports Parties taking into account the potential synergies between the implementation of the Protocol and actions to meet the objectives of the Convention on Biological Diversity, the Convention to Combat Desertification, the Convention on Wetlands and Agenda 21.

Consistent with key provisions of the Kyoto Protocol, Australia is only interested in receiving credits for sinks that are the result of human action and are real, measurable and verifiable. To achieve this outcome, Australia is therefore investing considerable

effort and resources to develop the NCAS that will provide world class measurement of land based emissions and sinks.

The definition of deforestation before the negotiations (and which has a high degree of acceptance) requires that the deforestation activity be the product of direct human action, involve the conversion of forest land to non-forest land and have occurred since 1 January 1990. While the commercial forestry practices of clear-cut harvesting where it is followed by replanting, thinning or selective logging are unlikely to be regarded as deforestation events under this definition, neither will the replacement of native forests by plantations be eligible for credit as reforestation.

Article 3.4 of the Protocol provides for additional human-induced activities within the agricultural soils and land-use change and forestry categories to be included in the set of activities accounted for in achieving Kyoto Protocol targets. These additional activities may be either sources of emissions or sinks and each will be considered on its merits by the Conference of Parties. However, there is no requirement under the Protocol that only allows additional sinks to be counted if additional sources are also included and the Government does not support such a position.

Senator Bob Brown Recommendation 9

Negotiate at COP6 for the contribution of sinks to be capped under any international emissions trading system.

Government Response

The Government does not support this recommendation.

The Government considers that sinks are a valid tool to complement other measures to reduce atmospheric greenhouse gas emissions such as reduced energy consumption. Articles 3.3 and 3.4 of the Kyoto Protocol implicitly acknowledge that sinks activities are an environmentally effective response to global warming. At present, eligible sinks activities under the Kyoto Protocol are restricted to direct human induced afforestation, reforestation and deforestation that has occurred since 1990 under Article 3.3. This substantially limits the availability of sinks credits.

Article 3.4 provides for further negotiation on including additional agricultural soils, land use change and forestry activities. At COP 6 in The Hague, the United States, Canada and Japan proposed including a range of broadly defined additional activities which could make a significant contribution towards their greenhouse abatement task. If the Conference of the Parties decides to include these broad additional activities, it is likely to consider placing a limit on the credits that they may generate in the first commitment period.

Senator Bob Brown Recommendation 10

That Basslink should not proceed.

Government Response

The Government does not support this recommendation. See response to Recommendation 36 above.

Senator Bob Brown Recommendation 11

That the Government introduce legislation to implement the Climate Change Convention, based on the Climate Change Implementation Bill.

Government Response

The government does not support this recommendation.

The Government does not support the passage of the *Convention on Climate Change (Implementation) Bill 1999*.

The Government will consider developing comprehensive legislation in the event that Australia decides to ratify the Kyoto Protocol and it comes into force.

Requests for printed copies should be directed to the Manager, Policy and Planning, Australian Greenhouse Office, GPO Box 621, Canberra ACT 2601.

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