

Administration of Climate Change Programs

Audit Report No.26 2009-10

Opening comments by Peter White, Group Executive Director

JCPAA Review 16 June 2010

1. Chair, Members of the Committee, in April 2010, the Australian National Audit Office (ANAO) tabled its audit of the Administration of Climate Change Programs. The objective of the audit was to assess the effectiveness of the administration of five climate change programs, by the Department of the Environment, Water, Heritage and the Arts and the Department of Resources, Energy and Tourism. The audit followed four lines of inquiry:
  - development of program objectives and assessment of program risks;
  - assessment and approval of competitive grant applications;
  - assessment and approval of rebate applications; and
  - measurement and reporting of program outcomes.
  
2. The three grant programs (Greenhouse Gas Abatement Program, Low Emissions Technology Demonstration Fund and Solar Cities) reviewed and two rebate programs (Solar Homes and Communities Plan and Renewable Remote Power Generation Program) were designed to reduce greenhouse gas emissions and/or support the renewable energy industry. At a total value of \$1.7 billion over the life of the programs, successive Australian Governments have invested significant resources in climate change initiatives.

3. Funding under the competitive grant programs has been for innovative and high risk projects such as large scale demonstration projects supporting new technologies to reduce greenhouse gas emissions. Grants ranged from \$1 million to \$100 million. In contrast, rebate schemes provided lower value, but a higher volume of assistance to support renewable technologies.
4. Each program had different administrative issues and challenges and the effectiveness of some of these programs was constrained by weaknesses in program implementation and design.
5. The objectives of the five climate change programs were generally broad, with three of the five programs, (Solar Cities, Solar Homes and Communities Plan and Renewable Remote Power Generation Program), having multiple objectives. These three programs had very little specificity in terms of how much was intended to be achieved over the life of the program, making it difficult to target resources and set administrative priorities.
6. The control and management of risks could have been substantially improved. The nature of the programs examined, involving large grants and new or unproven technology, meant that they were inherently high risk. However, where programs had undertaken risk assessments, the treatment options or controls did not always mitigate the risks identified, and many of these risks materialised throughout the course of programs.

7. The assessment and selection of climate change projects under the Low Emissions Technology Demonstration Fund and Solar Cities programs was transparent, with criteria used to assess all proposals. Generally, there was a high degree of rigour and technical expertise applied to the assessment process. The assessment and selection process for projects under Greenhouse Gas Abatement Program was inadequate. Recommended (and subsequently approved) projects for the third funding round failed to meet the Government's guidelines and eligibility criteria, as no recommended project met the specified greenhouse gas abatement threshold.
8. Program achievements against objectives varied for the grant programs and rebate schemes. The high risk, large value grant programs have achieved minimal results to date. Actual achievements for the Greenhouse Gas Abatement Program, the longest running program, were substantially less than originally planned with only 30 per cent of planned emissions abatement being achieved. This underperformance was because of delays in finalising funding agreements and the termination of nine out of the twenty-three approved projects. Low Emissions Technology Demonstration Fund and Solar Cities are not sufficiently advanced for any meaningful comments on overall program results to be made to date.
9. In relation to the two rebate schemes (SHCP and RRP GP) demand outstripped available funds - particularly for SHCP. As a consequence, the SHCP has substantially contributed to growth in the up-take of renewable energy in Australia. However, in terms of abatement, this has come at a high unit cost (\$447/tonne/carbon dioxide equivalents) and at a significant cost to the budget estimated at the time of the audit to be \$1.053 billion. The abatement achieved by the Renewable Remote Power

Generation Program is also very expensive especially when compared to a possible emissions trading scheme market carbon price closer to \$20-\$30/tonne/carbon dioxide equivalents.

10. Across the five programs examined, performance reporting could have been substantially better in terms of accuracy and consistency. If Parliament is to make informed judgements about what these, (and any future climate change programs) have achieved, reporting by agencies will need to more closely adhere to the annual reporting guidelines. In particular, reporting actual performance in relation to performance targets; and providing narrative discussion and analysis of performance.

11. The overriding message for the effective management and success of future climate change programs is that greater consideration needs to be given to:

- setting clear and measurable objectives;
- assessing and implementing appropriate risk and mitigation strategies;
- applying rigorous merit based assessment of application for competitive grants; and
- effective measuring and reporting on performance.

12. This audit has made one recommendation aimed at improving grant administration in DEWHA and could also be taken into account by DCCEE in terms of the ongoing administration of relevant programs. It has also identified a number of lessons that may have application to other grant programs in the departments concerned.

13. I have Barbara Cass the Executive Director and Peter McVay the Audit Manager for the audit with me today and we would be happy to answer questions from the Committee.