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SUBMISSION TO THE JOINT SELECT COMMITTEE ON

AUSTRALIA'S CLEAN ENERGY FUTURE LEGISLATION

CONTACT

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1 | Introduction

UnitingJustice Australia, the policy and advocacy unit of the Assembly of the Uniting Church in Australia, appreciates the opportunity to provide comment to the Joint Select Committee on Australia's Clean Energy Future Legislation on the 2011 Clean Energy Legislation Package ("the Package").

We provide these comments as a continuation of the Uniting Church in Australia's involvement in the public discussion and policy-making relating to action on climate change. Most recently, through UnitingJustice Australia and UnitingCare Australia, the Church has made comments on the proposals as they have developed for a Carbon Price Mechanism to the DCCEE and the Multi-Party Committee on Climate Change (MPCCC), as well as a submission to the Department of Climate Change and Energy Efficiency on the Draft Clean Energy Legislative Package. We have previously, throughout 2008-09, made submissions to the Department and a number of parliamentary committee inquiries into the Carbon Pollution Reduction Scheme. Additionally, we would like to draw the Committee's attention to the submission made by UnitingCare Australia: "Advice on compensating disadvantaged and vulnerable households following introduction of a price on carbon," which provides a more comprehensive survey of the Church's position on household assistance.

The Uniting Church's commitment to the environment arises out of the Christian belief that God, as the Creator of the universe, calls us into a special relationship with the environment – a relationship of mutuality and interdependence which seeks the reconciliation of all creation with God. We believe that God's will for the earth is renewal and reconciliation, not destruction by human beings. The Uniting Church regards human-induced climate change as a most serious threat to the future and integrity of life on earth.

In 2006, the Assembly Standing Committee of the Church resolved to adopt the statement 'For the Sake of the Planet and all Its People: A Uniting Church in Australia Statement on Climate Change'.¹ In part, the statement declares:

It is increasingly the case that some humans consume the earth's resources whilst other humans pay the price. Australia must acknowledge that it has a responsibility to reduce our reliance on fossil fuels. As long as we remain prepared to abuse the atmosphere and entire ecosystems for the sake of short-term economic gain for a few, we undermine our own future.

The statement also highlights the Church's particular concern with the fate of some of our most vulnerable Pacific neighbours. Our partner churches in the Pacific have called on their sisters and brothers in the Church throughout the world to act in solidarity to reduce the causes of human induced climate change by reducing energy use and developing clean, renewable energy sources. For the Uniting Church, social justice and environmental sustainability are inherently connected to each other and must always take precedence over the desire for increasing profits and the amassing of wealth by a relative few.

These beliefs inform the principles which underpin our responses to Australian climate change policy and the Clean Energy Legislative Package:

- We must urgently do all we can to reduce our greenhouse gas emissions.
- Australia's domestic action to reduce our greenhouse gas emissions has a major impact on our credibility in climate change negotiations in the international arena.
- As a priority we must ensure that low-income households and people supported by essential social services do not suffer further as a result of the introduction of this legislation.
- The protection of the environment for its own sake and for the sake of our children and future generations should take precedence over maintaining and growing the already large profits of big industry.
- Given developed nations' far greater responsibility for accumulated greenhouse gases, we have a responsibility to assist developing nations in climate mitigation and adaptation efforts.

¹ This statement is available at http://www.unitingjustice.org.au/images/pdfs/issues/living-sustainably/assembly-resolutions/11_asc_climatechange2006.pdf

- We must begin to transform our economy from one based on fossil fuels and limitless growth to a 'green' economy based on clean, renewable sources that respects the limited resources of the planet and the need for justice and equity among all people.

2 | General Comments

We believe that the primary objective of a clean energy plan must be to contribute effectively and appropriately to avoiding dangerous climate change, begin Australia's transformation to a low-carbon economy and allow Australia to act with credibility in the continuing international climate change negotiations.

The Uniting Church's support for the Clean Energy Legislative Package is premised on its capacity to effectively reduce greenhouse gas emissions in the short, medium and long term. We welcome the 80% by 2050 reduction target and congratulate the Government for taking a comprehensive, robust and long-term view in the design of the Package and its promised additional measures.

In order to deliver the best environmental, social and economic outcomes, we encourage the Government to introduce the additional measures suggested in the Multi-Party Climate Change Committee Clean Energy Agreement. In particular, we are keen to see the establishment of the Clean Energy Finance Corporation and the Australian Renewable Energy Agency, the implementation of the National Energy Efficiency Strategy and the shut down on 2000MW of coal-fired power stations as soon as practicable.

We additionally suggest the Objects in Section 3 of the Clean Energy Bill be amended to include a commitment on the part of the Federal Government to enter into future negotiations and treaties concerning climate change. We believe that this is a genuine opportunity to ensure that legislation reflects Australia's dedication to being a leader in the international sphere.

3 | Clean Energy Bill

We strongly support the emissions reduction target of 80% below 2000 levels by 2050 laid out in the Clean Energy Bill and the commitment to support and participate in effective international responses to climate change (Part 1 s3). It has been determined by the IPCC and agreed by international climate negotiations (Copenhagen and Cancun) that we must act to keep global warming to less than 2 degrees above pre-industrial levels in order to avoid dangerous climate change. We support the Government's inclusion of a commitment to the international effort to ensure this happens within the Clean Energy Bill.

4 | Starting Price and Caps

We are concerned that the proposed short-term emissions reduction target of 5% on 2000 levels by 2020 is too low. The internationally agreed emissions reduction target to avoid dangerous climate change is 25-40% below 1990 levels by 2020 (IPCC). UnitingJustice has consistently advocated a short-term target of at least 25% and we recommend that the Government structure the carbon price and caps to meet this target.

Subsequently, we believe the starting price of \$23 per tonne CO₂e is also too low, and will continue to encourage an expansion of lower-emission fossil fuels, such as gas, over clean and renewable energy sources, such as wind and solar. Given the level of health, fugitive emission, water and land use (particularly farmland) concerns, we do not believe gas should play a significant role in the transition to a clean energy future. Treasury modelling predicts gas-fired power will increase 238% by 2050 under the current Clean Energy Package proposal. We are concerned that the level of gas extraction needed to fuel this increase would have grave impacts on environmental and human health. Instead, we urge the Government to set the carbon price such that it drives wide scale investment in renewable energy.

The provision for a default carbon pollution cap of 38 Mt in the first flexible year, 2015-16, is strongly supported.

5 | Offsets

We are pleased that there is a cap on international linkages (offsets) for the first five flexible years, though believe 50% is too high and that a cap should remain in place in perpetuity. Under the Clean Energy Legislative package there are no limits on offsets from 2020. This means Australia could, in theory meet all of its emissions reductions through offsets, international or domestic. Indeed, Treasury modelling indicates that 80% of Australia's emissions reductions could come from international offsets by 2050.

We are concerned about the lack of limits on offsets for a number reasons:

- The Kyoto Protocol stipulates that international offsets can only supplement domestic emissions reductions and should, therefore, not be counted towards national emissions reductions targets.
- The social justice implications of fostering an overseas offset market, whereby increased commodification of forest resources in developing countries provides cheap abatement for developed countries, with potential devastating impacts on native forests and subsistence farmers.
- The social justice and environmental implications of offsets from Clean Development Mechanisms that include large scale hydro power and nuclear power stations.

- The difficulties regulating the effectiveness of an international offset market to guarantee full delivery of promised carbon sink capacity of growing forests and clean power generation facilities that might not operate at predicted capacity (e.g. hydro and wind power).

Fundamentally, international offsets create a new market in which the costs and impacts of emissions reductions are externalised. Allowing an unlimited reliance on international offsets in the long term discourages taking responsibility for our carbon emissions reduction, and will fail to drive the technology or behaviour change we need to move our country to a clean energy future. We therefore recommend the Government to maintain at least a 50% cap on international offsets and that allowable international offsets are strictly monitored, preferably coming purely from renewable energy sourced Certified Emissions Reductions.

6 | Support for Households

The Uniting Church seeks to assist the most marginalised and vulnerable people in our community. It is the needs of the most disadvantaged that we are called to champion in the climate change debate. The Church is therefore particularly concerned with the potential impact of a carbon price on disadvantaged and vulnerable households. We appreciate that the Government has committed to compensating households and fully support this commitment.

We are pleased to note the inclusion of the Clean Energy (Household Assistance Amendments) Bill 2011. We would like to take this opportunity to reiterate our support for the proposed household compensation. Specifically, we support the proposed means of compensation delivery through the taxation and social security systems. However, we believe that more of the assistance should be directly tied to reducing energy use, and thereby reducing the impact of rising electricity bills. We also look forward to the release and rapid implementation of complementary programs, such as energy efficiency and financial stability. The submission offered by UnitingCare Australia details the most appropriate way to address the concerns we have raised here.

The Uniting Church sees the provision of electricity as an essential service which cannot be left without government intervention in ensuring supply for the most vulnerable households in Australia. We would welcome measures to introduce an energy affordability framework that would help to ensure energy access for customers who may struggle to maintain electricity supply. Such a framework would be based on the policy position that no household should spend more than 10% of its income on energy costs and include government oversight of pricing, further concessions for low-income earners and consumer protection.

Low-income earners

Low-income earners are the most vulnerable to even small increases in costs of living, as spending on food, fuel and utilities takes up a large portion of weekly income. While the Government's proposed compensation measures aim to support households according to income bracket, we are particularly concerned about the impact of rising electricity prices. We would encourage programs that require energy retailers and social services to implement programs to support those experiencing energy security issues, including difficulty paying bills. Such programs should be delivered in line with the emission reductions objectives of the Clean Energy Bill and implemented alongside energy efficiency and financial stability programs.

Indigenous Communities

We support the Government's recommendation, included in the Clean Energy Agreement, to implement a Remote Indigenous Energy Program to provide renewable energy generation in remote Indigenous communities. Many such communities currently suffer from energy insecurity and high diesel generation costs that negatively impact on the cost and standard of living. We hope to see this Program provide the assistance needed to bring energy services in these communities up to an acceptable standard, inline with those enjoyed by the majority of Australians.

7 | Energy Efficiency

Energy efficiency standards, retro-fitting, education and behaviour change will be a crucial means for households to respond to both climate change and rising energy prices. The Uniting Church urges the Government to target energy efficiency programs to the most vulnerable sectors of society by introducing targeted programs to help them reduce energy use and retro-fit to more efficient technologies. Accessibility of energy efficiency products and programs, including retro-fitting and education, to low-income earners and renters will be critical to the ability of these sectors of society to deal with rising electricity prices.

We look forward to receiving the details of the National Energy Saving Initiative and the Low Carbon Communities Program and encourage the Government to implement these programs as soon as possible, preferably early 2012, and in a way that meets the needs of low-income households, small business and the community sector.

8 | Renewable Energy

We are pleased to see a substantial portion of the revenue directed towards developing a renewable energy industry in Australia and encouraging the transition to clean energy. We are keen to see the Clean Energy Finance Corporation and the Australian Renewable Energy Association:

- established with independent boards free from real or perceived conflict of interest with the fossil fuel industry;
- fund research as well as investment in renewable energy generation;
- make funds available to household, community and industry renewable energy installation.

We welcome the exclusion of clean coal from the Clean Energy Finance Corporation's spending remit and would like to extend this to also exclude gas. It is important to Australia's successful transition to a low-carbon economy that the Government actively invests in truly clean, renewable technologies rather than less carbon intensive fossil fuels. Therefore none of the \$10 billion promised for the Clean Energy Finance Corporation in the first five years on the carbon price should go to gas power stations, so-called 'clean coal' or any other kind of fossil fuel technology.

We also welcome the commencement of a study by the Australian Energy Market Operator into the potential for our electricity grid to operate with 100% Renewable energy and urge the Government to direct this to be complete by the end of 2012.

9 | International Obligations

We are disappointed that none of the revenue from the carbon price will be directed to meeting Australia's international obligations to assist developing countries with climate mitigation and adaptation programs.

We welcome that Australia provided \$150 million over three years from 2008–09 to meet high priority climate adaptation needs in vulnerable countries. We further acknowledge this assistance will be scaled up by \$178.2 million over two years to 2012–13 to help the most vulnerable countries adapt to the impacts climate change.² We further note that the Australian Government has committed \$273 million through the International Forest Carbon Initiative (IFCI)—jointly implemented by AusAID and DCCEE—which aims to demonstrate that Reducing Emissions from Deforestation and Forest Degradation in developing countries can be part of an effective international response to climate change.³

We encourage the Government to announce further plans to fulfil its obligations to assist developing countries before the next round of UNFCCC meetings in Durban in December this year. The Uniting Church

believes Australia has an obligation to assist developing countries in their efforts to mitigate and adapt to climate change and looks forward to definitive commitment to this effect from the government.

10 | Industry

Jobs and Competitiveness Program

UnitingJustice submits the following comments with regards to the Jobs and Competitiveness Program:

- Compensation for coal-fired generators and coalmines, unless linked to performance against the objects of the Clean Energy Bill, is unacceptable and would be better spent supporting low-income households.
- While we recognise the need for some financial assistance to emissions intensive, trade exposed industries, we believe that 94.5% compensation is too high and should be scaled back more quickly than currently proposed (at 1.3% per annum). Rather than ongoing funding of polluting industries, money raised from the carbon price should go towards investment in clean, renewable energy solutions.
- The purpose of avoiding carbon leakage must be included as an object of the Program. We note despite widespread calls for this inclusion in the submissions offered for the Draft Clean Energy Legislative Package, the Government has remained silent on this issue.
- We welcome the plan for the Productivity Commission to review the Program. We recommend these reviews include a focus on whether established patterns of assistance are achieving the reductions outcomes needed to meet the long-term target of 80% below 2000 levels by 2050.
- Compensation for business should be linked with environmental and social outcomes and targeted to help communities where an absence of compensation would lead to unemployment and hardship.

Closure

We support the move to close 2000MW of Australia's dirtiest coal-fired power, seeing this to be a necessary component of the move to a clean, renewable energy future. Recognising this will impact on livelihoods and communities, we recommend the Government develop transition assistance plans for those impacted, including help with re-skilling.

² <http://www.ausaid.gov.au/keyaid/adaptation.cfm>

³ <http://www.ausaid.gov.au/keyaid/mitigation.cfm>

Jobs Training

Transitioning to a clean energy future will require strong investment in education and training to support the growth of the renewable energy sector. We therefore welcome the Clean Energy Skills Program and look forward to more detail on its funding and delivery timelines.

11 | Climate Change Authority

Principles

To ensure the strength of the Climate Change Authority and its ability to meet the objects of the Act, we recommend the Government include the principles of Ecologically Sustainable Development under Part 2 Division 1 S12.4 of the Climate Change Authority Bill. The principles of Ecologically Sustainable Development include:

- The precautionary principle
- Inter- and intra-generational equity
- Polluter pays

Without the inclusion of these internationally recognised principles, we are concerned that the environmental and social equity objectives of the package may be undermined.

Reviews

We welcome the establishment of an independent Climate Change Authority that will both recommend appropriate emission reduction targets based on science as well as take into account the voluntary reductions of individuals when setting emission caps. Encouraging voluntary action through counting them as additional emissions reductions is an important means to allow Australians to participate in the necessary and important collective effort to address climate change.

Constitution and Membership of the Authority

As the oldest continuous culture in the world, and representing 2.5% of Australia's population, we strongly recommend the inclusion of Aboriginal and Torres Strait Islander peoples on the Climate Change Authority. Indigenous peoples will provide a significant understanding of what is required to bring a sense of equilibrium to our land. As original custodians, we recommend that a dedicated place on the Authority is set aside to recognise the important contribution that Aboriginal and Torres Strait Islander peoples will bring to any discussions on addressing climate change.

Clean Energy Investment Plans

We note that the detail of what is to be included in the Clean Energy Investment Plans is not included in the Climate Change Authority Bill, but rather will be set by a 'Legislative Instrument' developed by the Resources and Energy Minister. These plans must be consistent with the long-term objects of the Clean Energy Bill and in accordance with other additional measures. To ensure consistency and effectiveness in this regard it would seem appropriate that these plans be the responsibility of the Climate Change Authority rather than the Resources and Energy Minister.

12 | Closing Notes

While there are areas for which UnitingJustice calls for improvement or more detail from the Government, overall, we believe the Clean Energy Package will begin Australia's transition to a low-carbon economy and allow Australia to act with credibility in ongoing international climate negotiations. The social, economic and environmental costs of inaction far outweigh the costs of actions to reduce emissions.

We therefore urge the Government to review necessary elements and move to implementing the Package without delay.