

4 September 2000

Mr Grant Harrison
Committee Secretary
Joint Standing Committee on Treaties
Department of House of Representatives
Parliament House
CANBERRA, ACT 2600

Dear Mr Harrison

Re: Inquiry into the Kyoto Protocol

The Chamber of Commerce and Industry of Western Australia welcomes the opportunity to provide the attached comments to the Joint Standing Committee on Treaties: *Inquiry into the Kyoto Protocol*.

The two attachments are:

- (a) Brief comments directly on the stated terms of reference, and,
- (b) A more detailed comment on the Greenhouse issue prepared at the end of 1999, as input to policy development with the Australian Chamber of Commerce and Industry.

We would be happy to discuss any issues arising from our submission.

Yours sincerely



Martin Taylor
Environmental Coordinator

CHAMBER OF COMMERCE AND INDUSTRY OF WESTERN AUSTRALIA

Submission to INQUIRY INTO THE KYOTO PROTOCOL

By the
Joint Standing Committee on Treaties
Parliament of Australia

4 September 2000

Background

The Chamber of Commerce and Industry of Western Australia (CCIWA) is the peak employer organisation in Western Australia and covers all major sectors of Western Australian industry. Through our membership, CCIWA represents over 6,000 businesses of all sizes.

Through its network of Councils and Committees, CCIWA identifies the concerns of its members and plans united action. Through this process, business policies are developed and strategies for change are implemented.

In summary, CCIWA does not support ratifying the Kyoto Convention in the absence of some key issues being finalised. These are:

- the rules governing sinks and accounting for land use change (i.e. sequestration and clearing)
- credit for early abatement actions by Australian businesses
- agreement on the framework of the flexibility mechanisms (Emissions Trading, Clean Development Mechanism and Joint Implementation) and,
- participation in the Kyoto Protocol by developing nations.

These issues are covered in more detail below under the Terms of Reference.

Term of Reference 1 – The implications for Australia of proceeding or not proceeding to ratify the Kyoto Protocol and meeting its target emission levels by 2008 with regard to anticipated and/or predicted economic, environmental and social outcomes both nationally and in specific regional areas

There are two issues with the wording:

Proceeding or not proceeding to ratify the Kyoto Protocol has little implication for Australia. The Protocol requires ratification by 50 of, and cover 55% of emissions from, those nations listed in Annex B before it comes into force. Australia may well make up the numbers but is insignificant in terms of total emissions.

On the other hand, the only measures that are available for **meeting Australia's target emission levels**, in the context of a growing economy, would result in major restructuring of the economy, with many losses and few gains. The social dislocation would be severe. There would be no environmental benefits, because Australian abatement will have no identifiable impact on global greenhouse gas levels.

It is also worth noting that, even if the Kyoto Protocol comes into effect, and all nations reach their emissions targets, there will be less than 10% difference in CO₂ concentrations in the atmosphere after 50 years compared with "business as usual". Differences at the 2008-2012 accounting period are insignificant.

Another way of looking at it, is that even if Australia achieved zero nett emissions by 2012, our decrease would be more than offset by the increase in emissions from international air travel and international shipping over the same period.

The question thus condenses to a choice between certain disruption of Australia's economy by forcing measures that go beyond "no regrets", and an assessment of the risks of what international sanctions might be imposed on Australia if we do not achieve our target.

Indications are that few of the potential signatories have a realistic possibility of meeting their targets, without adopting favourable definitions of emissions and sequestration, and rules governing flexibility mechanisms. At this stage it is not possible to determine what these definitions and rules are likely to be, so the impact on Australia is impossible to quantify.

However, it is becoming clearer that the definitions and rules will effectively be a "smoke and mirrors" mechanism with no effect on real global emissions.

Term of Reference 2 – The veracity of conflicting current scientific theories on global warming and any solutions proposed for it

The use of the term "veracity" and "global warming" belies the reality that what we have is a set of highly developed conjectures that do not seem capable of modelling current regional climate with any reasonable accuracy. The choice between models, and climate monitoring information, appears to be determined largely by the extent to which they support preset desired outcomes.

It is interesting to note that water vapour accounts for some 70% of the greenhouse effect. This is accounted for in most models, but not in the Kyoto Protocol and the Framework Convention on Climate Change.

This scepticism on modelling does not detract from the seriousness of our approach to the Greenhouse issue in general and the Kyoto Protocol in particular. CCIWA recognises that the Protocol is a significant issue for Western Australian business, and has been actively involved since 1988.

Term of Reference 3 – Definitions and criteria

Greenhouse is, and always was, a trade and economic debate.

If the intention is truly to have a measure of global greenhouse gas flows and the global balance, anything that releases those gases into the atmosphere is an “emission” and everything that removes the gases from the atmosphere is a “sink”. There also needs to be a “stock” account of carbon stored on land and in water and in the atmosphere to complete the model.

Separation of this global information along national boundaries has created a number of definitional difficulties. Division of nations, into those that would be bound by the Kyoto Protocol and those that would not, has inserted further distortions. To cater for these distortions, and to increase the participation rate of developing economies, the Kyoto Protocol introduces flexibility mechanisms such as Joint Implementation, Clean Development Mechanisms and Carbon Trading.

The flexibility mechanisms will be significant in assisting countries to adopt a range of measures and strategies to achieve reductions. Without them, there will be no opportunity for spreading the load, i.e. for least cost abatement measures to be adopted globally. This would mean that countries like Australia would be in a position of implementing high cost carbon reduction to achieve its target and not be able to take advantage of lower cost opportunities elsewhere around the world.

However, some major emitters are intent on using the Kyoto Protocol to protect and improve their trade position, either ignoring or at the expense of Australia’s position. They are therefore developing definitions which restrict rather than improve flexibility.

CCIWA believes that the flexibility measures, and the supporting definitions and rules, need to be uncapped, i.e. there should be no limits placed on them. Their goal should be to maximise opportunities for the reduction of global emissions.

Term of Reference 4 – ESD implications of punitive measures targetted on industry

Australia is making some determined efforts to reduce its greenhouse emissions. Organisations covering some 85% of emissions from industry and electricity generation are signatories to the Commonwealth Greenhouse Challenge program. The Commonwealth government has outlaid nearly \$1 billion on a range of programs tackling key sectors of the economy. These programs have already made reasonable contributions to greenhouse gas emission reductions below “business as usual” and will continue to do so in the coming decade up to, and beyond, the first commitment period under the Protocol (2008-2012).

Australia can justly point to its greenhouse actions as examples of measures for reducing emissions on a global scale.

Western Australia is rich in energy resources, particularly natural gas. There are coal reserves which provide base load electricity generation. Population growth and improved economic prosperity during the 1990s has brought with it rises in the consumption of energy in electricity generation, transport and mineral processing. These sectors are projected to continue to rise over the next decade, while emissions from agriculture and forestry sectors will be relatively stable or decrease.

Until recently, reductions in emissions below “business as usual” in the industry and electricity sectors have been based on “no regrets” measures such as energy efficiency improvements and fuel switching. Some of the latest measures, such as the additional 2% of renewable energy, go beyond “no regrets”.

This type of measure will impact directly on Australia’s domestic economy as increased costs of energy are passed through. They can also impact on our international trade position as a result of higher energy prices, carbon taxes or costs of carbon trading adversely affecting the competitiveness of exports or import competing goods and services.

CCIWA strongly supports the recent affirmation by Federal Cabinet, through the Minister for Industry, Science and Resources, of the Prime Minister’s Greenhouse Statement of November 1997 in the lead up to the Kyoto Conference.

The Minister announced that the Government had taken a number of key decisions relating to greenhouse policy to give greater certainty to Australian industry. “While Government remains fully committed to honouring Australia’s international greenhouse obligations, it also recognises the imperative of maintaining the competitiveness of Australian industry. Sacrificing economic growth and jobs is not in Australia’s interests.” He also said, “Measures that would see Australian industries move overseas make no economic or environmental sense. The national interest lies in maintaining the competitiveness of Australian industry.” Against this background the Minister announced that the Government is committed to the pursuit of cost effective greenhouse gas abatement policies and measures in order to minimise the burden for business and the community so that Australian industry can remain competitive.

