

**Senate Standing Committee on Finance and Public Administration**  
**ANSWER TO QUESTION ON NOTICE**  
**Prime Minister and Cabinet Portfolio**  
**Department of Climate Change**  
**Additional Budget Estimates Hearing—February 2009**

**Written question reference:** CC3

**Outcome/Output:** Response to climate change

**Topic:** Voluntary action

**Hansard Page:** F&PA 122

**Question:** (Senator Abetz)

**Senator ABETZ**—Could I ask, rather than winding down the clock: would the department please take on notice the article that appeared on page four of today's *Australian*. I am not advocating one way or the other; I just want to know whether a person who seems to have some eminence in this field is correct. And, if he is not, I would like to know. If you could go through the assertions in that article and respond to them on notice, I would be much obliged.

**Answer:**

John Stapleton's article in *The Australian* on 23 February 2009 relates to Dr Richard Denniss' claim that with the commencement of the Carbon Pollution Reduction Scheme (CPRS), household action to reduce emissions will no longer contribute to reducing Australia's national emissions.

The claims made in the article may be summarised as follows:

- 1.(a) More than 70 per cent of respondents to a recent Australia Institute poll believe their actions, such as turning off light bulbs and putting insulation in their roofs, have contributed to a reduction in greenhouse gas emissions.
- 1.(b) The tone and flow of the article imply that the author, John Stapleton, or Dr Richard Denniss, considers these respondents to be mistaken in their belief.
- 2.(a) More than three quarters of Australians believe that if they reduce their household emissions, the nation's total emissions would go down.
- 2.(b) The flow of the article implies that Dr Denniss considers these respondents to be mistaken in their belief.
- 3 According to Dr Denniss, the Australia Institute polling indicates massive public confusion about the way emissions trading would work.
- 4 Once emissions trading comes in, every tonne of emissions saved by households simply frees up an extra permit that will allow big polluters to increase their emissions. This is because emissions trading relies on a fixed number of pollution permits being in circulation at any point in time. While most people understand that emissions trading creates a cap above which emissions can't rise, it also creates a floor below which emissions can't fall.
- 5 That Dr Denniss claims that the Prime Minister, the Hon Kevin Rudd MP, does not appear to understand his own scheme, and that the Prime Minister appeared to mislead parliament recently by stating that, in spending \$4 billion on insulating 2.2 million homes as part of his economic stimulus package, greenhouse emissions would be reduced by 49 million tonnes. In fact, it is claimed, under an emissions trading scheme all it would do was transfer these emissions to large polluters.

- 6.(a) Almost 90 per cent of respondents to the Australia Institute poll believe that households and individuals should be able to contribute to reducing Australia's national greenhouse emissions.
- 6.(b) The tone and flow of the article imply that Dr Richard Denniss considers that the Government's proposed policy framework will not allow households and individuals to contribute to reducing Australia's national greenhouse emissions.

## **Response to claims**

### Response to claim 1(a)

Households that have implemented energy efficiency measures have contributed to reducing demand for electricity and thus have reduced domestic greenhouse gas emissions. The more than 70 per cent of survey respondents that are reported to believe that their past actions have contributed to a reduction in greenhouse gas emissions are correct in that belief.

### Response to claim 1(b)

The implied suggestion that respondents are mistaken in their belief is incorrect.

### Response to claim 2(a)

The more than three quarters of Australians who believe that reducing their household emissions contributes to national reductions in emissions, and will continue to do so in the future under the CPRS, are correct in that belief.

Furthermore, if households reduce their emissions through the voluntary retirement of emission permits, they will reduce national emissions below the cap set by the Government.

The exposure draft legislation for the CPRS, released on 10 March 2009, allows for the Government, when setting future national scheme caps, to take into account the extent of voluntary action taken by households to reduce Australia's greenhouse gas emissions.

Reductions in household emissions achieved through energy efficiency measures will contribute to national reductions in emissions, and allow more ambitious targets to be set over time, but will not of themselves reduce emissions more than is already required by the scheme cap in years for which scheme caps have already been set. Setting firm scheme caps gives business the confidence and information required for effective action, and guarantees that a minimum level of emissions reduction will be achieved. This is a central advantage of the CPRS, providing certainty that emissions will be reduced and aligning with our international commitments.

The Government is providing information to households and businesses on the options for them to reduce emissions and other aspects of the CPRS.

### Response to claim 2(b)

The implied suggestion that respondents are mistaken in their belief is incorrect. Australia's national emissions are the sum of all reductions or increases in emissions by households, businesses and other bodies, adjusted for permit banking (where the surrender of permits is deferred to a future year) and international trade in accredited permits. All emissions reductions, including reductions in household emissions, will thus contribute to the national emissions reductions that will be underpinned by the CPRS. Everyone can contribute, and play their part.

As noted above, the exposure draft legislation for the CPRS allows the Government to take into account voluntary action by households when setting future scheme caps.

### Response to claim 3

The Australia Institute polling, as reported, indicates that a very high proportion of Australians understand that if they reduce their household emissions they will be contributing to a reduction in Australia's national emissions.

This does not appear to constitute evidence of "massive public confusion" about how emissions trading will work.

### Response to claim 4

There are a number of reasons why it is not correct that "every tonne of emissions saved by households simply frees up a permit that will allow big polluters to increase their emissions ... [because emissions trading] ... creates a floor below which emissions can't fall."

*Firstly, households are able to reduce emissions in a number of ways, including through mechanisms that tighten the national cap on emissions (such as retiring emissions permits) and so do not reduce the demand for permits or provide permits for other uses.*

*Second, reductions in household emissions achieved through energy efficiency and the use of renewable energy provide a range of benefits and so are important for a number of reasons.*

These include:

- Reducing energy use saves money, improves resource use efficiency and helps to offset the costs of moving to low emissions energy sources for individual households.
- Energy efficiency offers significant low cost opportunities for emissions reductions and makes an essential contribution to achieving our national and global emissions reduction goals.
- Increased use of renewable energy and low cost energy efficiency allows us to do more of our carbon pollution reduction task 'at home' and positions Australia for the low carbon economy of the future. These actions reduce the need to import emissions permits from overseas while fully meeting our international commitments and contributing to the global goal.
- The more quickly Australian households and businesses move to embrace and implement low cost abatement opportunities, the more quickly we as a nation will be able to commit to deeper reductions in emissions through setting more ambitious scheme caps over time.

Thus it is not correct to say that these actions are unimportant simply because they do not automatically reduce the cap in the year they are first undertaken. By that logic, nothing should be done in any sector. The opposite is true – we all need to do our bit, confident that policy settings ensure the effectiveness of our collective actions. It is the long run outcome that counts.

Because of this, the legislation for the CPRS expressly includes household action as one of the factors that the Government may have regard to in setting future annual scheme caps.

*Third, the scale of action required to achieve the 2020 target range will ensure emission permits are scarce, providing a clear economic incentive to reduce national emissions. A reduction in demand for permits due to household action will thus not result in available permits being 'free'.*

The introduction of the CPRS will, for the first time, put a price on carbon pollution emissions. The level of allowable national emissions will decline from the year the CPRS starts. All major emitters will be required to surrender permits and the number of permits will be reduced each year in order to meet the Government's ambitious national emissions reduction target for 2020. Consistent with international rules, the CPRS will allow obligations to be met using accredited permits from overseas thereby contributing to global emissions reductions.

Household electricity use accounts for around 10 per cent of total national emissions. This means that even dramatic reductions in household emissions would not alleviate the need for other emitters to reduce their pollution levels. Even in the most ambitious scenario, if every Australian household were to reduce their electricity related emissions to zero over the next few years, the reduction in national emissions to achieve the 2020 target range would still require other polluters to reduce their emissions from current levels, either by actions in Australia or the purchase of foreign permits.

Everyone – households and businesses, small polluters and large polluters – have to play their part if we are to achieve our national goals.

*Fourth, it is not correct that the scheme cap “creates a floor below which emissions can’t fall”.* As noted above, the CPRS allows for the voluntary retirement of emission permits and this action will reduce Australia’s national emissions below the scheme cap. The CPRS also provides for the banking of permits and this will reduce national emissions below the scheme cap in the year for which a permit is issued.

#### Response to claim 5

On 3 February 2009, in the House of Representatives, the Prime Minister stated that, by providing free insulation to 2.7 million Australian homes, the Energy Efficient Homes investment once fully implemented, “could result in reductions of greenhouse gas emissions by 49.9 million tonnes by 2020, or the equivalent of taking one million cars off the road. (...) The benefits will also show in the household budget, with a typical household able to save as much as \$200 per year off their energy bills.” This statement accurately reflects the Government’s estimate of the contribution of this policy measure to achieving the Government’s 2020 emissions reduction target range, through the reduction in household energy demand and associated reduction in carbon pollution emissions.

Consistent with the response to claim 4 above, the emissions reductions achieved through the Energy Efficient Homes measure do not mean that other polluters will be able to increase their overall emissions.

The Prime Minister did not claim that these reductions were in any way additional to the 2020 target range or associated national emission trajectory, rather than a contribution to achieving the national emissions target range.

The Prime Minister’s statement is accurate, and not misleading. The claim that he appeared to mislead Parliament is not correct.

#### Response to claim 6(a)

The claim that 90 per cent of poll respondents “believe that households and individuals should be able to contribute to reducing national greenhouse emissions” is consistent with other published survey results that suggest that the majority of Australians support policy action to reduce national emissions.

The proposed CPRS represents a historic economic and environmental reform. As a direct result of this policy, the vast majority of Australia's carbon pollution emissions will be covered by a policy that puts a price on emissions and provides a clear incentive to reduce them over time. Australia will no longer pretend that carbon pollution is harmless or costless, or that action to reduce this pollution can be put off to another day.

For the first time in Australia's settled history, our national emissions will fall rather than rise.

The introduction of the CPRS and associated policy framework will guarantee the reduction in national emissions. This is a significant change from past policy approaches, and outcomes.

Voluntary action by households and businesses in the past has had an important role in slowing somewhat the strong growth of Australia's national emissions. In contrast to the continuing rise in national emissions, the proposed CPRS and the associated policies will, for the first time, lead to a sustained reduction in Australia's emissions. These policies will enable all Australian households and businesses to contribute to national action that will result in reduced domestic and national emissions by undertaking energy efficiency measures (such as installing a more efficient heating system) or purchase of additional renewable energy (such as Green Power).

The proposed CPRS and the associated policy framework will also enable all Australians – if they so choose – to help accelerate those emissions reductions through voluntary action to tighten the cap, such as through purchasing and retiring carbon pollution permits.

#### Response to claim 6(b)

The Government agrees with the vast majority of Australians (as indicated by the Australia Institute poll) that all Australian individuals and households, as well as all Australian businesses and other organisations, should be able to contribute to reducing Australia's national greenhouse emissions.

The proposed CPRS and associated policy measures provide a robust and appropriate framework for achieving that goal, and for equipping Australia to play its full and fair part in ambitious global action to reduce the risks of dangerous climate change.