

Department of Climate Change

6.1 The Department of Climate Change sits in the Prime Minister and Cabinet portfolio, but produces a separate Portfolio Budget Statement that also incorporates the Office of the Renewable Energy Regulator. The committee took evidence from the Department of Climate Change on Friday, 29 May 2009.

Main issues discussed

School essay competition

6.2 The committee questioned the department on the subject of the 'Think Climate Change, Think Change Competition', which is an essay competition for school children. Concerns were raised about the judging for the competition as the website appeared to indicate that the department would be responsible for selecting winning entries. In response to these concerns, Dr Martin Parkinson, secretary of the department, commented that three judges will undertake the final judging: two educators and Mr Parkinson as the third member.¹

6.3 Dr Parkinson went on to inform the committee that the competition had been quite successful so far with more printed material required because of demand:

There have been 422 requests for materials as of 19 May, 566 requests for school packs, 722 poster packs and we are told by the consultants who we have been working with on this that this is, at this stage, one of the most successful competitions that they have ever seen.²

Carbon Pollution Reduction Scheme 2009 Exposure Draft

6.4 The committee, following up on a question on notice from the Senate Standing Committee on Economics, asked for clarification of a statement made in the commentary attached to the Carbon Pollution Reduction Scheme 2009 Exposure Draft. The statement included the term 'major economies' and a definition of this term was sought.³ Mr Blair Comley, Deputy Secretary of the department provided the following response:

Firstly, the point to note is that document is not now the most recent document because the bill is now in parliament and therefore it is the explanatory memorandum that is the most relevant document. Secondly, that was released before the 4 May announcement by the government which clarified the target-setting process and put more specificity around the economies. The Prime Minister's press release with the Treasurer and the Minister for Climate Change and Water of 4 May indicated that the conditions hooked off advanced economies and major developing economies and that the:

1 Dr Martin Parkinson, DCC, *Estimates Hansard*, 29.5.09, p. 7.

2 Dr Martin Parkinson, DCC, *Estimates Hansard*, 29.5.09, p. 7.

3 *Estimates Hansard*, 29.5.09, p. 8.

... 'major developing economies' refers to non-Annex 1 members of the Major Economies Forum.⁴

6.5 The department tabled a list of these economies at the hearing, which is available from the committee website. Subsequently, the committee also asked for clarification of the term 'advanced economies' and was informed by Mr Comley that the term:

... refers to the Annex 1 parties to the UNFCCC 'and at least some other high/middle income economies'. The press release also makes it clear that the precise nature of which high and middle income economies are not part of the Annex 1 would be a matter for negotiation.⁵

Treatment of the coal industry under the Carbon Pollution Reduction Scheme

6.6 The department provided an explanation as to why coal was not considered an emissions-intensive trade-exposed industry for the purposes of the Carbon Pollution Reduction Scheme (CPRS). Mr Comley, stated:

There are two principal reasons why certain coal activities were not considered part of the EITE regime. The first is the dispersion of emissions in coal production. If you look at the emissions intensity of producing a tonne of saleable coal, it varies across different mines by a factor of around 1,000. So the most emissions-intensive mine is around 1,000 times the emissions intensity of the least emissions-intensive mine. Therefore, if coal were to qualify under the EITE program and you applied the standard EITE rules, you would be providing significantly more permits than the actual emissions of a large number of mines. That was the principal reason. That led to the use of the coal sector adjustment scheme, which targets emissions of the gassiest mines directly rather than using the EITE principles.

The second question that would also have to be addressed is the question of, to put it bluntly, whether coal is coal. As you would be aware, Senator, different qualities of coal are actually quite different. They command very different prices in both domestic and international markets. So often when people talk about the 'coal industry', you would have to ask the question: is thermal coal and coking coal et cetera the same thing?⁶

6.7 Following on from this, there was a discussion of the department's progress in developing activity definitions. The department stated that they were making good progress, with 14 activity definitions thought to be finalised as at 1 May 2009.⁷

Prime Minister's press announcement

6.8 Questions were asked about a joint announcement by the Prime Minister, the Treasurer and the Climate Change Minister on 4 May 2009. The announcement included a statement that the Government was committed to a reduction in Australia's

4 Mr Blair Comley, DCC, *Estimates Hansard*, 29.5.09, p. 8.

5 Mr Blair Comley, DCC, *Estimates Hansard*, 29.5.09, p. 9.

6 Mr Blair Comley, DCC, *Estimates Hansard*, 29.5.09, p. 15.

7 *Estimates Hansard*, 29.5.09, p. 16.

carbon pollution by 25 per cent below 2000 levels by 2020 if the world agrees to an ambitious global deal to stabilise levels of CO₂ equivalent at 450 parts per million or lower by mid century.⁸

6.9 The department confirmed that the words 'by mid-century' were in error, and that the statement should not have set a target date.⁹ The department pointed out that the error was confined to the press statement. The explanatory memorandum before Parliament, the white paper and previous speeches did not repeat the error.¹⁰

Consideration of Waxman-Markey Bill

6.10 The committee asked the department to elaborate on the assistance to industry provided by the proposed US climate change legislation commonly known as the Waxman-Markey Bill. Specifically, the department was asked to make comment on suggestions that assistance to industry under the Waxman-Markey Bill was more generous than under the proposed CPRS in Australia.

6.11 The department informed the committee that the emissions intensity threshold used to establish whether an industry qualified for assistance was in fact set higher under the Waxman Markey Bill compared to the CPRS. Secondly, the Waxman-Markey Bill did not include eligibility criteria taking into account 'value-added', and was restricted to the manufacturing sector. Thirdly, there was more flexibility under the CPRS for an industry to qualify as trade exposed. Finally, the department informed the committee that unlike under the CPRS, the proportion of permits that can be allocated to emissions-intensive trade-exposed industries is fixed, initially at 15 per cent, with the proportion set to reduce over time.¹¹ The department agreed to provide further detail on notice, including a comparison of how the electricity sector is handled under each proposed scheme.

Other issues

6.12 Other issues discussed with the department included the proposed operation of the Australian Carbon Trust, costs of a call centre and advertising campaign administered by the department, a report by Concept Economics, the Renewable Energy Target, the methodology used to account for carbon stored in forests and coal-fired power stations under the CPRS.

Senator Helen Polley
Chair

8 *Estimates Hansard*, 29.5.09, p. 17

9 *Estimates Hansard*, 29.5.09, p. 17.

10 *Estimates Hansard*, 29.5.09, p. 20.

11 *Estimates Hansard*, 29.5.09, p. 21