

Chapter 1

Introduction

Terms of reference

1.1 This report sets out the findings of the inquiry by the Select Committee on Climate Policy into:

- (a) the choice of emissions trading as the central policy to reduce Australia's carbon pollution, taking into account the need to:
 - (i) reduce carbon pollution at the lowest economic cost,
 - (ii) put in place long-term incentives for investment in clean energy and low-emission technology, and
 - (iii) contribute to a global solution to climate change;
- (b) the relative contributions to overall emission reduction targets from complementary measures such as renewable energy feed-in laws, energy efficiency and the protection or development of terrestrial carbon stores such as native forests and soils;
- (c) whether the Government's Carbon Pollution Reduction Scheme is environmentally effective, in particular with regard to the adequacy or otherwise of the Government's 2020 and 2050 greenhouse gas emission reduction targets in avoiding dangerous climate change;
- (d) an appropriate mechanism for determining what a fair and equitable contribution to the global emission reduction effort would be;
- (e) whether the design of the proposed scheme will send appropriate investment signals for green collar jobs, research and development, and the manufacturing and service industries, taking into account permit allocation, leakage, compensation mechanisms and additionality issues; and
- (f) any related matter.

The conduct of the inquiry

1.2 The Senate created the Committee on 11 March 2009 to report by 14 May 2009.

1.3 The inquiry was advertised in the national press and details of the inquiry were placed on the Committee's website. The Committee invited submissions from a wide range of interested organisations, government departments and individuals and continued to accept submissions throughout the inquiry. The submissions are listed in Appendix 1, and are available on the committee's website. The Committee expresses its gratitude to all those who made submissions.

1.4 Public hearings were held in Canberra (15, 16 and 30 April and 1 May), Perth (20 April), Sydney (21 April), Melbourne (22 April), Hobart (23 April) and Brisbane

(28 April). Some witnesses from other locations, such as Mount Isa, Gladstone and Newcastle, were heard via teleconference. In total over 200 witnesses appeared before the Committee. A list of witnesses is found at Appendix 2. The Committee thanks these witnesses and apologises to the many aspiring witnesses that could not be fitted into the programme.

1.5 The Committee believes that the conduct of this inquiry has had an influence on, and makes a contribution to, the debate on this important issue.

1.6 In the week before the Committee's report was due to be tabled, and after the scheduled public hearings had been completed, the Government announced modifications to its Carbon Pollution Reduction Scheme. These including delaying the start date, increasing the conditional target for emissions reductions, increasing assistance to some companies and recognising some household contributions to reducing emissions.

1.7 So that consideration of these changes could be reflected in the Committee's report, the Committee requested an extension of its reporting date. The Senate agreed to extend the reporting date to 15 June 2009. The Committee then held an additional public hearing, in Canberra, on 20 May, to discuss the impact of the proposed changes to the CPRS.

Structure of the report

1.8 The Report is structured as follows:

- (a) Chapter 2 sets out the evidence given to the Committee concerning the cause and extent of climate change and the extent to which climate change is a consequence of anthropogenic behaviour. It includes evidence from witnesses about:
 - (i) potential ethical and moral dimensions;
 - (ii) a global response to climate change; and
 - (iii) economic modelling.
- (b) Chapter 3 considers the various policy options to reduce greenhouse gas emissions.
- (c) Chapter 4 considers the effectiveness of the proposed CPRS as an emissions trading scheme. It notes that the model adopted by the Government is a cap and trade production-based emissions trading scheme.
- (d) Chapter 5 considers complementary measures to address mitigating climate change.
- (e) Chapter 6 considers agriculture and land use issues including the treatment of agriculture, the role of both native and planted forests, and biosequestration. There was broad agreement within the Committee that more work needed to be done on these issues, and that in particular there may need to be improvements to the current 'carbon accounting' treatment.