

Submission to the Senate Select Committee on Climate Policy

Dear Senators,

The government's proposed CPRS is not an adequate response to climate change for the following reasons:

1. Emissions trading should not be the primary response, but one of many. The growing evidence that the effects of climate change are occurring faster than anticipated means that the government's belief that energy efficiency form a second plank must be reconsidered, and every possibility to mitigate climate change must be seriously considered:
 - a. Legislation and Information: Energy efficiency, especially in the building sector, should be more strongly encouraged. 23% of greenhouse gas emissions are the result of energy demands from buildings in Australia. Two initiatives, raising the energy efficiency requirements of new domestic buildings to 6 or 7 stars or more, introducing compulsory energy efficiency requirements for new commercial buildings, would be an important step forward, but new buildings account for only a small percentage of all buildings.
 - b. Incentives: Information and legislation have an important role, but the response must go further, and include active encouragement through the use of fiscal incentives. The most effective way to reduce emissions is for the government to create incentives for the refurbishment of existing buildings.
2. The CPRS sets a fixed limit to greenhouse gas emissions which de-incentivizes energy efficiency. The actions that households and small businesses take to reduce their energy usage will have no effect on emission reduction beyond the cap. To the contrary, their actions will only free up permits for industry to either sell them or increase their pollution. This decreases the pressure on big polluters to invest in less greenhouse intensive energy sources. Climate change can only seriously be tackled if all levels of the community are encouraged to do their bit.
3. The CPRS is not economically efficient. Industry is currently damaging the atmosphere at no cost, yet at a huge cost to the community. Industry should be paying for their pollution. By putting a price on greenhouse gasses, it makes the polluters pay for the real cost of their production which includes the environmental impact, and that way they would either reduce their emissions or seek alternative sources of energy. The current CPRS proposal, by subsidizing industry through the distribution of such a large amount of free permits, eliminates the price signaling effects associated with putting a price on emissions, and thus eliminates any incentive to invest in less greenhouse intensive energy sources, and therefore renders the scheme inefficient and ineffective. It is understandable that industry should be helped transition into the scheme so as not to overly harm the economy, but the 60% and 90% allocation of free permits is too large, rendering the scheme ineffective, and another solution for this transition should be sought.

4. The CPRS alone is not a sufficient driver to lower greenhouse emissions. Like the EU has implemented, a scheme which combines a tax on emissions as well as a cap and trade system would be much more effective.
5. The target of 5-15% reductions is too low. This target focuses on achieving a 550ppm CO₂-e, which according to the Garnaut report and the IPCC, would result in catastrophic effects from climate change, for example the loss of Australian icons and important biodiversity through the bleaching of the Great Barrier Reef. This target should aim to achieve a 450ppm CO₂-e as a minimum, which may cost more initially but would reduce the cost in the long term of adaptation to serious effects of climate change. Australia should commit to an ambitious target of a 50% reduction from 1990 levels. Australia has much at stake, socially, environmentally, economically and defensively, and therefore must take the lead with a strong target to ensure governments around the world work together to help mitigate dangerous levels of climate change.
6. The 5-15% target is not achievable with the current CPRS because the scheme does not include agriculture or deforestation, two important sectors of greenhouse gas emissions. By not being included in the scheme, they have no incentive to decrease their emissions and their contribution will likely increase. Agriculture and deforestation should be included in the scheme.
7. The current CPRS is flawed because the unlimited access to the Kyoto protocol abatement mechanisms such as the CDM will give Australian industry the possibility to outsource its carbon emission abatement. This means that while industry may comply with the CPRS targets, Australia may not reduce its greenhouse emissions at home at all, and could actually increase them.
8. The CPRS over-compensates households for the cost of living increases which it would impose. For reasons of equity, low income households should be compensated, but not over compensated at 120% as is proposed. Middle income, on the other hand, should not be compensated. The money used would be more effectively used to create incentives and investment in new growth industries which would produce green collar jobs. Australia has the opportunity to be a world leader in alternative energy and this should not be missed to appease middle income voters.

Thank you for the opportunity to contribute to the discussion. Climate change is one of the most immediate and serious issues of our generation. I sincerely hope that the Senate urges the government to make sure more is done on all levels to help both mitigate and adapt to human induced climate change.

Yours sincerely,

George Stavrias
on the 7th of April 2009