

BREAZE Submission to the **Senate Select Committee on Climate Policy**

Terms of Reference

(1) (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.

Andrew Bray, on behalf of BREAZE

e: andrewb@breaze.org.au

m: 0421 379 646

Wednesday, 8 April 2009

Table of Contents

Terms of Reference.....	1
BREAZE	3
Introduction.....	4
1 (a) The choice of emissions trading as the central policy to reduce Australia's carbon pollution.....	4
1 (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;.....	5
1 (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;.....	6
1 (d) an appropriate mechanism for determining what a fair and equitable contribution to the global emission reduction effort would be;.....	6
1 (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;	7
Conclusion.....	8

BREAZE

Ballarat Renewable Energy And Zero Emissions (BREAZE) Inc. is a community based climate action group based in Ballarat, Victoria. BREAZE currently represents over 1300 residents within the municipality and surrounding districts.

The principal objective of BREAZE is to protect and enhance the natural environment and increase environmental sustainability within the region by promoting and developing renewable sources of energy and significantly reducing the region's contribution to greenhouse gas emissions.

One of the strategies implemented by BREAZE to achieve this objective is to facilitate bulk-purchase schemes of renewable energy products. These schemes provide our members with the opportunity to purchase and install renewable energy appliances at affordable prices. It is our experience that there is a growing sector within the community that is eager and prepared to act immediately on reducing their own carbon footprint.

The BREAZE renewable energy installation schemes have achieved the following:

- over 200 installations of solar rooftop photovoltaic systems
- over 200 evacuated-tube solar hot water service installations
- As a result of BREAZE workshops, members have improved the thermal ratings of their homes and implemented other improvements in energy efficiency.

Furthermore, BREAZE provides education concerning climate change and information relevant to lowering personal GHG emissions.

The efforts of BREAZE and its volunteer members to reduce our greenhouse footprints is directly threatened by aspects of the CPRS that render voluntary abatement ineffective in contributing to Australia's greenhouse gas reductions.

Introduction

BREAZE believes that the opportunity to transform Australia's economy into one powered by clean energy will be lost under the proposed Carbon Pollution Reduction Scheme (CPRS) legislation.

The Emissions Trading System should be a mechanism whereby genuine cuts to emissions demanded by the current climate science are made at least cost to the economy. Instead, weak emissions reduction targets, massive, untied compensation to polluting industries and loopholes such as unlimited purchase of international permits will condemn our economy to an ongoing dependence on the burning of fossil fuels. This can only make us increasingly uncompetitive in the low-carbon world of coming decades.

By choosing to dodge the need to cut domestic emissions we are failing our duties as an international citizen to take responsibility for the amount of carbon we have already put into the atmosphere. As one of the highest per capita emitters, Australia must do better, not only because it is right, but also to persuade other countries that we are a genuine partner in emissions reduction.

1 (a) The choice of emissions trading as the central policy to reduce Australia's carbon pollution

BREAZE sees the value in the government's choice of an Emissions Trading System (ETS). Its primary advantage over other systems is that it allows us access to trading of permits in international markets with the cost benefits that brings.

We do, however, see the drawback that because the scheme is so administratively complex and will only be applicable to the 1000 largest polluters in the country it will forever remain a mystery to the majority of Australians. This greatly reduces the capacity of our citizens to understand the true ramifications of the scheme.

We also note the possibility for offsetting in the ETS framework. We believe the time for this practice has now well and truly passed. It is no longer sufficient for countries to be offsetting emissions; genuine cuts are now demanded by the science.

The main point to be made in regard to the choice of mechanism is that any mechanism chosen must be allowed to operate as designed and that loopholes can render a perfectly good solution useless.

Professor Garnaut recommended an ETS in which all permits were auctioned and the market was allowed to genuinely locate the price required to reduce emissions by the amount specified. Distorted as it is by compensation and free permits (see section 1 (e) below), the government's Carbon Pollution Reduction Scheme (CPRS) has lost the ability to deliver this, its central goal. The effect will be that many of the low cost emissions cuts

that could have eventuated from the scheme will not be found as the incentive for companies to find them has been removed.

The proposed cap on carbon prices of \$40/tonne will further act to skew the price incentives inherent in the scheme.

1 (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;

To further drive down emissions and transition our economy we support the use of National Renewable Energy Targets (MRET type schemes).

We support a MRET with a 50% renewable target by 2020.

We strongly support a national feed in tariff payable on electricity generated from renewable sources that is fixed for a minimum of 15 years, is paid on the gross amount of energy generated, is not limited on size, is progressively reduced to encourage early adoption, is calculated at a minimum of 3 times the standard domestic electricity tariff that would deliver a likely payback of less than 10 years for current Renewable energy solar PV and Wind technologies.

We support the use of planning policies at the state level to mandate the inclusion of solar PV and solar Hot water in all new buildings unless a specific exemption is obtained as per the current Spanish government policy.

We support the current policy and level of rebates in Victoria for the retrofitting of Solar Hot Water onto existing dwellings.

We believe the current rebate schemes to promote solar PV are complex, inconstant, do not deliver long term certainty to the industry, are applied with numerous restrictions, have perverse outcomes in terms of energy usage and are administratively onerous on the government and community and should be replaced by a National Feed in Tariff as soon as possible as outlined above.

Land clearing and logging native forests have significant emissions that are not dealt with, but carbon sink forests attract an offset. At relatively low carbon prices, it will be more profitable to manage plantations as carbon sinks than use them for wood. This will increase the demand for native forest timber, increase native forest logging, and increase total emissions. Because deforestation and native forest logging is not addressed, the CPRS could also promote the burning of native forest biomass, because emissions from such activities are "zero rated".

1 (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;

The call of scientists studying climate change and its impacts is deafeningly clear – we need to be reducing our global carbon emissions urgently with a view to achieving zero net emissions within two decades. We must then begin to drawdown carbon from the atmosphere to achieve a carbon stabilisation of below 350ppm CO₂. This figure may eventually turn out to be more along the lines of 300ppm.

Globally, this equates to cuts of at least 40% of 1990 emissions levels by 2020 and zero net emissions by 2050. Chairman of the IPCC, Rajendra Pachauri, has said that global emissions must peak by no later than 2015. Treasury modelling, however, suggests that domestic emissions will continue to grow in Australia as a result of international purchase of permits (see section 1 (d) below). This is clearly against the direction the world must take.

In the past, Australia has pleaded for special consideration in regard to emissions cuts because of our economic dependence on fossil-fuels. This has only resulted in us avoiding our responsibility to cut our own emissions and delaying what is now an inevitable journey of reform our economy must take. Given the absolute deadlines the science is imposing on us, BREAZE sees no reason why we shouldn't now throw aside these pleas, put our immense intellectual capital to work and begin the job of building ourselves a clean economy that we can depend on into the future.

1 (d) an appropriate mechanism for determining what a fair and equitable contribution to the global emission reduction effort would be;

BREAZE supports the ultimate move to a contraction and convergence model to determine appropriate carbon emissions for all countries. As Professor Garnaut argued, this is the only basis upon which a fair and equitable global deal can be founded as each global citizen is allowed an equal share of our carbon emissions.

As one of the largest per capita greenhouse gas emitters on the planet we have a very long way to go before we 'converge' with the emission levels of the rest of the globe. A cut in the order of 80% of our emissions will be needed to approach a global per capita carbon 'ration'. As argued in section 1(c) above, this cut will need to be rapid for the globe to avoid catastrophic climate change. In this light, cuts of anything less than 40% by 2020 will be highly inequitable and will seriously degrade our standing amongst other nations in the international negotiations in Copenhagen later this year. This is particularly so for

poorer nations who have not benefitted from the historical emissions of carbon that have allowed industrialised countries such as Australia to reach the level of wealth we currently enjoy.

1 (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;

There are a number of fundamental flaws in the proposed CPRS legislation that will ensure Australia's economy remains hopelessly dependent on high-polluting ways of doing business. These flaws benefit only a handful of industry players and are directly against the national interest, which would be served instead by the establishment of a prosperous, clean-energy economy. As carbon emissions inevitably begin to be priced around the world our fossil-fuel-dependent industries will become more and more uncompetitive. Our economic future requires that strong reforms are made now that encourage an economy based on our vast natural resources of solar, geothermal and wind energy.

The compensation given to coal-fired electricity generating companies and emission intensive trade exposed (EITE) industries will directly hinder the economy-wide uptake of clean energy.

Consider the example set forward by Professor Tim Flannery in his recent Quarterly Essay of high-polluting mineral processing industries, such as aluminium smelters, shifting to the Cooper Basin to take advantage of the vast reserves of geothermal power there. For this to occur, the price of coal-fired electricity would need to increase substantially and a cut-off point would need to be placed on any compensation available to these industries to ensure there was incentive for change.

Under the CPRS, there will not be an effective price signal as a low carbon price for generators brought about by weak targets and unlimited access to cheap Clean Development Mechanism (CDM) permits will keep coal-fired power costs cheap. In addition, EITE compensation together with extra compensation for the increased power costs for EITE industries will cover the small increases that actually occur. Clearly, the end result will be that aluminium smelters can carry on as before and no shift to clean energy will take place.

Astoundingly, compensation is given out under the CPRS with no legislated requirements regarding industry transformation or cut-off dates for compensation. We do not see how this massive transfer of commonwealth money from the hands of citizens into the pockets of polluters is in any way equitable or will help deliver the clean energy future citizens demand.

We do not believe the 'doom and gloom' claims of many polluting industries that they will take their business offshore if carbon trading is too expensive. Firstly, Australia has a very low sovereign risk compared to many other countries and secondly, these kind of threats imply that other countries will never implement carbon trading - a most unlikely outcome.

Another serious flaw in the legislation is one that threatens to derail all the work that BREAZE does in Ballarat to help local residents cut their emissions footprint.

The floor aspect of the legislation means that emission allocations can only fall by the amount legislated by the government. Any reductions in emissions that individuals make through their own initiative (such as installing solar panels, energy efficient lightbulbs, riding bikes instead of driving cars etc.) actually reduce demand for permits which drives down prices and enables polluting industries to buy more and cheaper permits.

Households and individuals cannot decide to increase Australia's emissions reduction target through their own actions because no matter what individuals do, Australia will only reduce its emissions by 5% or 15% by 2020.

Conclusion

After more than a decade of inaction under the Howard government, BREAZE welcomes the rhetoric of the Rudd government that it understands the implications of the climate science and that it will take a lead in international efforts to cut greenhouse gas concentrations. However, the proposed CPRS legislation is a pale imitation of the rhetoric and must be greatly improved for it to be counted as a genuine attempt at cutting global carbon concentrations.