TTF is a national member-funded CEO forum, advocating the public policy interests of the 200 most prestigious corporations and institutions in the Australian transport, property, tourism & infrastructure sectors.

Tourism & Transport Forum

SUBMISSION TO THE SENATE SELECT COMMITTEE ON CLIMATE POLICY

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TTF AUSTRALIA
Tourism & Transport Forum

Introduction

The Tourism and Transport Forum (TTF) appreciates the opportunity to provide input to the Senate Select Committee on Climate Policy inquiry on Australian Government policies relating to climate change.

TTF is a national, member-funded CEO forum, advocating the public policy interests of the 200 most prestigious corporations and institutions in the Australian transport, property, tourism and infrastructure sectors.

TTF recognises and supports the now widely accepted position that human activity – primarily the burning of fossil fuels for energy and transport – is causing changes to the earth's climate that pose unprecedented challenges to the global environment, human wellbeing and economic and social systems.

Climate change therefore poses a serious risk to the future of Australia's tourism and transport industries, directly through changes to the natural environment and consumer behaviour and indirectly through policy responses like the Carbon Pollution Reduction Scheme.

TTF acknowledges that tourism also contributes to the climate problem and therefore must contribute to efforts to reduce greenhouse gas emissions by both accurately accounting for its own emissions and through implementing effective abatement actions.

In response to the direct and indirect risks facing the industry, TTF engaged Kinesis[1] at the beginning of 2008 to work with its Climate Change Roundtable[2] to develop a sector position paper on climate change.

The paper illustrates that by showing an appreciation for the problem and taking meaningful actions that will improve business efficiency and reduce emissions, the sector can demonstrate its ability to adapt and achieve a competitive advantage over other countries.

The paper aims to ensure measures are in place to (1) reduce tourism and transport emissions, thereby reducing the industry's contribution to the problem and indirect risk from exposure to emissions trading and other policy measures; (2) mitigate the risk presented by changes in consumer behaviour and perceptions; and (3) give our natural attractions the best chance to adapt to the impacts of climate change.

A copy of *Responding to Climate Change: Tourism and Transport Sector Position Paper* is attached for the Committee's consideration.

With specific regard to the Committee's Terms of Reference, TTF would like to make the following comments.

[1] Kinesis is a Sydney-based firm working with government and business on climate change and innovative ways to reduce emissions.

[2] The TTF Climate Change Roundtable includes Accor Asia Pacific, Air New Zealand, Baker & McKenzie, Boeing Australia, Carnival Australia, Great Barrier Reef Marine Park Authority, InterContinental Hotels Group, Melbourne Airport, NRMA, Qantas Airways, Rolls-Royce Australia Services, Tourism Queensland and Virgin Blue.

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

TTF recognises the immediate need to reduce global greenhouse gas emissions. The latest scientific evidence, presented at the International Scientific Congress on Climate Change (held on 10–12 March 2009 at the University of Copenhagen) confirmes that the worst case IPCC scenario trajectories are being realised and rapid, sustained and effective mitigation is required to avoid dangerous climate change.

In this regard, TTF supports strong, equitable and effective measures to reduce carbon pollution and which come at the least cost to the Australian economy. A cap and trade scheme is recognised as the most economically efficient approach to reducing greenhouse gas emissions.

However, in its present form, TTF has concerns about the design of Australia's Carbon Pollution Reduction Scheme (CPRS) and its impact on domestic aviation.

TTF's submission to the Australian Government in September 2008 showed that the CPRS will negatively impact the aviation and tourism industry by increasing the price of travel and tourism.

The CPRS is expected to have particularly strong impacts on leisure and regional air services, where price rises will have a greater effect on demand. Regions such as Tropical North Queensland and the Northern Territory will therefore be hit hardest. Modelling undertaken by Access Economic shows that regional areas, such as Tropical North Queensland, would be the most heavily impacted by a general shock to tourism activity.[3]

TTF is also concerned by the potential for substitution between domestic flights and international outbound travel under the proposed CPRS. Raising the cost of domestic aviation will simply cause travellers to change their holiday preferences, which, from a climate change policy perspective, will lead to carbon leakage.

Furthermore, the CPRS also works against other Government policies aimed at growing Australia's tourism and aviation industries, including the National Long Term Tourism Strategy and the National Aviation Policy White Paper process.

TTF believes in the presence of the CPRS the most effective way to achieve meaningful abatement from domestic aviation and tourism is through a suite of complementary measures, outlined below.

While the CPRS does not capture international aviation, TTF strongly believes that the Federal Government should recognise the International Civil Aviation Organisation's (ICAO) jurisdiction in this area. The Federal Government should also ensure that regulation of domestic aviation emissions is consistent with the future ICAO policy framework for international aviation emissions.

[3] Access Economics (2009) Vulnerabilities study: regions with a high dependency on tourism.

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

TTF considers complementary measures to be an important aspect of Australia's overall policy response to climate change, particularly in sectors such as aviation and tourism.

Accelerated aircraft depreciation

Australia's airlines are investing significant amounts of capital in new fuel efficient aircraft and in the context of addressing aviation emissions it is vital Government policy support this.

As a complementary measure, TTF strongly supports accelerated depreciation on the effective life of aircraft from 10 to 3-5 years. This would provide financial incentives to Australian carriers to reinvest in new fuel efficient aircraft.

TTF understands this issue is best addressed as part of the Government's wide ranging review of taxation (the Henry Review). However, we believe it is important that the matter also be given due consideration by Government in respect to climate change policy.

While accelerated depreciation would not reduce emissions under the CPRS, given emissions are set at a cap, it would lessen the cost of achieving this target.

A world leading biofuel industry

Sustainably produced biofuels have real potential to reduce aviation greenhouse gas emissions.

On December 30, 2008, Air New Zealand, in conjunction with Rolls Royce and Boeing, conducted the world's first flight test on a large passenger aircraft using fuel sourced from the jatropha plant. One of the Air New Zealand Boeing 747-400's Rolls Royce engines was powered by a blend of 50:50 jatropha and Jet A1 fuel. More than a dozen key performance tests were undertaken in the two hour test flight. The tests indicated that the jatropha fuel met or exceeded all requirements.

Jatropha fuel is promising because (1) the plant thrives in difficult growing conditions including arid and non-arable areas that do not compete with existing food crops; and (2) its carbon footprint could be as much as 25 per cent of conventional fuels given that CO_2 emitted in use is recycled by the CO_2 absorption in the next crop. It also contains less sulphur and trace metals than traditional jet fuel.

Australia is well placed to support a thriving second generation fuel industry due to its abundance of sunshine, land and water. Second generation feedstocks such as algae and Jatropha can be cultivated on marginal land using non-fresh water supplies.

The commercial development of aviation biofuels has made significant advances overseas with airlines, manufacturers and refiners teaming up to address issues relating to feedstock, refining and certification. Australia must leverage off this work and direct resources to

aviation biofuel commercialisation with emphasis on feedstock development and infrastructure and distribution.

Support from Government is therefore critical, and will become particularly important as the Carbon Pollution Reduction Scheme is established. The aviation industry requires clarity on the mechanisms to channel a portion of permit revenues to areas (such as biofuels) that will help to reduce absolute emissions (eg the Climate Change Action Fund).

TTF is seeking government funding and collaboration with the aviation sector to accelerate the commercialisation, at scale, of a world-leading aviation biofuel industry in Australia.

Improving Aircraft Performance

Airlines have dedicated teams focussed on improving aircraft performance and reducing emissions. Short term improvements of up to 5 per cent can be achieved through better air traffic management. Increased Government support is required to accelerate the introduction of Air Traffic Management initiatives.

Green depreciation for hotels and accommodation

TTF is concerned that the CPRS provides little scope or incentive for reductions in greenhouse gas emissions from the hotel and accommodation sector.

The Australian Sustainable Built Environment Council estimate that the Australian non-residential building sector accounts for 23 per cent of Australia's greenhouse gas emissions, which could be reduced by between 30-35 per cent through energy efficiency measures.[4]

TTF acknowledges that the CPRS will place a cost on carbon, providing a price signal for Australian consumers and industry to change behaviour and encourage, where possible, investment in low emissions technology.

There are a number of energy efficiency measures available to the hotel sector which, if implemented, would provide significant abatement and are considered to be cost positive.[5] Despite this, uptake has been very limited due to a number of non-price barriers.

Reducing emissions from the hotel sector will therefore increasingly depend on the 'greening' of the current building stock. However, in a sector that is dominated by older, inefficient buildings, with no new investment and development of large accommodation in prospect, this will be a challenge.

It is not enough to encourage the construction of new green buildings, because new buildings only account for between 1-3 per cent of the building stock at any one time; it would take decades to make a substantive change to energy efficiency if measures were limited to new buildings.[6]

[4] CIE (2007) *Green depreciation: A preliminary analysis*, Prepared for the Property Council of Australia, Draft Report, pg. 5.
[5] McKinsey & Company (2008) An Australian Cost Curve for Greenhouse Gas Reduction.
[6] CIE (2007) *Green depreciation: A preliminary analysis*, Prepared for the Property Council of Australia Draft Report, pg. 5.

Moreover, applying an economy wide price signal would not be sufficient to encourage the refurbishment of current buildings, as noted by the Task Group on Emissions Trading[7]:

> *"It appears there are significant non-price barriers including lack of information, information asymmetries, split incentives, and other behavioural factors (Stern 2006). This suggests a role for well-targeted energy efficiency policies that would complement the introduction of an emission trading scheme."*

The Property Council of Australia (PCA) has proposed using green depreciation to provide incentives to invest in making existing buildings more energy efficient. Green depreciation would allow the deferment of tax by reducing taxable income in early years in exchange for increased taxable income in future years. Under the scheme, accelerated depreciation would only be allowed for capital expenditure on refurbishing existing non-residential buildings to meet a specified environmental standard.[8]

Supporting our natural assets

The tourism industry has a significant interest in re-forestation, and permanent carbon sequestration in natural assets such as National Parks and the riparian zones which protect the Great Barrier Reef.

TTF's Natural Tourism Partnerships Action Plan examined the impact climate change would have on Australia's natural environment and our national parks in particular. As custodians of over 10 per cent of Australia's land mass, park agencies face a major challenge in adapting to climate change and conserving bio-diversity.

Unfortunately, park agencies already face a funding crisis and the cost of climate change adaptation will be beyond their present means. Allowing land holders to generate permits in an emissions trading scheme from native forests would generate additional income for park agencies to fund land acquisition, climate change adaptation and ongoing conservation.

It must be recognised that forests established by park agencies are planted for the purpose of permanently storing carbon, unlike plantation forests, and therefore legitimately reduce greenhouse gas emissions.

In addition to providing a legitimate way to reduce Australia's greenhouse gas emissions, this serves multiple goals, including:

- Helps build the resilience of our species to survive and adapt to climate change;
- Native forests become income generating assets – this is particularly beneficial for indigenous Australians;
- Supports rehabilitation and restoration of natural landscapes and re-creates ecological linkages across the landscape; and
- Supports brand value for Australian tourism.

[7] Australian Government (2007) *Report of the Task Group on Emissions Trading*, pg. 134.
[8] CIE (2007) *Green depreciation: A preliminary analysis*, Prepared for the Property Council of Australia Draft Report, pg. 12.

Recent research has shown carbon sequestration by standing native forests is much greater than previously thought.[9] Protecting native forests should therefore be fundamental in meeting emissions targets.

Low emissions transport infrastructure

An integrated strategy is required to provide new transport links, and better manage existing links, for the efficient movement of freight and passengers within and between Australia's major urban centres. Expansion of integrated rapid transit networks and sustainable transport infrastructure within our urban centres, utilising the latest low emission transport technologies, would reduce emissions, ease congestion and make our cities more attractive destinations for tourists.

Peter Newman (one of Australia's leading academics in sustainable development) states that cities need to adapt radically reduced car travel, but this will only occur if the travel budget can be maintained at around an hour a day. Increasing transit opportunities and accessibility will therefore lead to a rapid decline in car travel.[10]

In this context, the MetroRail expansion in Perth represents an example of investment in mass transit infrastructure that has had a transformative effect on the patterns of transport in a major Australian city in the last 20 years.

In 2007 the Perth Government completed has completed a $1.66 billion project to effectively double Perth's metropolitan rail network. The project involved the expansion of the Joondalup and Thornlie spur lines and the construction of the new Mandurah Line which links Perth and Mandurah. The new line consists of 72 route kilometres of double-track railway and 11 railway stations. 93 new rail cars were also delivered.

The new Mandurah Line is currently carrying 50 000 passengers per day. The previous bus service operating between the two cities carried 16 000 passengers per day. The new line provides a genuine alternative transport option for Perth and Mandurah residents. Trains on the new line travel faster on average than road traffic down the same transport corridor.

[9] Research from Australian National University has shown that the Australian Greenhouse Office and the Intergovernmental Panel on Climate Change have underestimated the amount of carbon held in native eucalyptus forests and soils by up to 400 per cent.

[10] Newman, Beatley, & Boyer (2009) *Resilient Cities: Responding to Peak Oil and Climate Change,* Island Press, pg. 90.

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.

Australia's tourism sector is highly exposed to the direct physical risks of climate change and extreme weather events. Resorts in places such as the North Queensland already deal with the threat of cyclones and severe storms and they will face greater risk if the severity and frequency of these storms increases.

Tourism operators that service natural landmarks such as Australia's alpine environments and the Great Barrier Reef are highly exposed to the potential physical damage that could occur to these environments.

The Garnaut Climate Change Review identified that climate change could potentially have catastrophic impacts on Australian tourism, including:

- Australia would be greatly diminished as an international tourist destination by climate change, given the likely effect on Australia's natural landscapes.
- A no-mitigation case would likely see the mid century effective destruction of the Great Barrier Reef, which will have serious ramifications for marine biodiversity and tourism.

Evidence presented in TTF's Climate Change Position Paper shows that a 1-2°C increase in temperature would see the Great Barrier Reef experience mass coal bleaching, snow area in alpine regions reduced by 66 per cent and tropical rainforest in North Queensland reduced by up to 50 per cent. A 2-3°C temperature rise would see the Reef dominated by non-coral organisms.

These are alarming projections given environmental assets are the foundation of Australia's $85 billion tourism industry - the Reef alone contributes over $6 billion annually to the economy.

The tourism sector is also exposed to reputational risks. Much of Australia's attraction and reputation as a world class tourism destination is underpinned by the health of our natural assets such as the Great Barrier Reef. Failure to adequately protect and conserve our valuable natural assets will affect consumer choices.

Evidence presented in The Garnaut Climate Change Review suggests that stabilising greenhouse gas (GHG) concentrations above 450 ppm would have dire consequences for the Great Barrier Reef.[11] Anything greater effectively means the destruction of the Great Barrier Reef as we know it – this is simply not an outcome Australia, or the tourism industry, can accept.

TTF therefore urges the Government to play its part in achieving an ambitious international agreement to stabilise GHG concentrations.

[11] Garnaut, R (2008) *The Garnaut Climate Change Review,* Final Report, Cambridge University Press, Melbourne, pg. 127.

The Garnaut Review goes on to state that a global agreement on stabilising GHG concentrations at 450 ppm would require Australia to reduce GHG emissions by 25 per cent by 2020 and 90 per cent by 2050 relative to 2000 levels.[12]

TTF is aware that strong action taken by Australia in the absence of a global agreement will have very little impact on global GHG concentrations. The only meaningful unilateral action which Australia can take is influencing global negotiations at the United Nations Climate Change Conference in Copenhagen, 7-18 December 2009.

TTF is aware of the enormity of the challenge governments face in securing a global agreement which would stabilise greenhouse gas concentrations at 450ppm. However we strongly urge the Australian Government to pursue this goal and be prepared to put the above targets on the table.

[12] Garnaut, R (2008) *The Garnaut Climate Change Review,* Final Report, Cambridge University Press, Melbourne, pg. 209.

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