Nature Conservation Council of NSW
The voice for the environment since 1955

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8 April 2009

John Hawkins, Committee Secretary
Senate Select Committee on Climate Policy
PO Box 6100
Parliament House
Canberra ACT 2600
Australia
Email: climate.sen@aph.gov.au

Dear Mr. Hawkins,

RE: Submission to Senate Select Committee on Climate Policy

The Nature Conservation Council of New South Wales welcomes this opportunity to comment to the Senate Select Committee on Climate Policy on its inquiry into policies relating to climate change.

The Nature Conservation Council is a non-profit, non-government organisation representing 120 community environment groups across NSW. It has been NSW's peak environmental organisation since 1955, and works closely with member groups, local communities, government and business to ensure a positive future for our environment.

This submission outlines the views of the Nature Conservation Council on the five issues under the first Term of Reference to this Inquiry.

In summary, our views are:

1. The Nature Conservation Council **does not support the choice of emissions trading as the central policy to reduce Australia's carbon pollution,** on the basis that emissions trading is not the most effective, efficient and equitable mechanism of doing so.

2. The Nature Conservation Council **supports complementary measures to emission reduction targets** that support an urgent transition to a low-carbon economy.

3. The Nature Conservation Council calls for a **minimum 50% reduction target on 1990 levels by 2020** and for the Australian Government to aim for **carbon neutrality by 2040.**

4. The Nature Conservation Council recognises that industrialised countries such as Australia must **lead the way** in initiating reductions in greenhouse gas emissions, and **Australia's special obligation to act**.

5. The Nature Conservation Council **does not believe** that the design of the proposed scheme will send appropriate investment signals for green collar jobs, research and development, and the manufacturing and service industries.

We look forward to your consideration of our submission and recommendations, and to the report of the Committee.

Yours sincerely,

Cate Faehrmann
Executive Director

Submission of the Nature Conservation Council

Term of Reference (1)(a)

> (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.

The Nature Conservation Council would support the choice of emissions trading as the central policy to reduce Australia's carbon pollution if it were the most effective, efficient and equitable mechanism to do so. The Nature Conservation Council does not believe that emissions trading meets these requirements for the following reasons:

Ineffective

The experience of the Emissions Trading Scheme in the European Union (the EU ETS) has been that the ETS has failed to reduce carbon emissions.

Emissions trading presumes that a price signal on carbon pollution will be established by the market, and this will create the most 'cost effective' reductions possible (the issue under the Inquiry's Term of Reference (1)(i)).

The European experience has been that the price of carbon has collapsed in both the first and second phases of the EU ETS. The price collapse in the first phase has been widely acknowledge to be a problem of over-allocating permits to industry – in 2005, the first year of the scheme, the relevant industries in Europe emitted 66 million tonnes less carbon pollution than the cap that had been allocated.

However the price collapse in the second phase has been triggered by the current recession. This suggests that **the problem of establishing a price signal through the market is fundamental to the design of carbon markets themselves.**

The issue of whether emissions trading reduces carbon pollution at the lowest economic cost is similarly dubious. The cheapest opportunities for emissions reductions will be realised first – **regardless of whether or not they lead to long-term structural change. These delays will increase economic costs over the long-term,** not to mention the economic, environmental and social costs associated with increased climate change impacts.

Inefficient

The Inquiry recognises the need to put in place long-term incentives for investment in clean energy and low-emission technology (Term of Reference (1)(ii)).

As mentioned above, emissions trading facilitates the cheapest cuts to greenhouse emissions – virtually guaranteeing delaying structural change or investing in technological innovation. This is the **opposite** of putting in place long-term incentives for investment in clean energy and low-emission technology.

At the same time as facilitating the cheapest emissions reduction, emissions trading provides an out-clause to emissions reduction through 'offset' credits. The 'offsets' market also rewards ingenuity in coming up with new ways to 'offset' emissions, instead of ingenuity in developing pathways to an urgent and permanent transition to a low-carbon economy. The Nature Conservation Council does not believe that 'offsets' provide long-term incentives for investment in clean energy and low-emission technology.

Inequitable
The role of 'offset' credits under emissions trading perpetuates global problems and inequalities associated with climate change (an issue under the Inquiry's Term of Reference (1)(iii)). 'Offset' projects have begun to be recognised as deeply problematic, including having **dubious environmental and social benefits whist disproportionately burdening the world's poorest countries.**

The role of 'offset' credits also **seriously undermines the environmental integrity of emissions trading.** The basis of emissions trading is that it is not concerned with how or where emissions reductions are made, so as to 'maximise' the cost-effectiveness of emissions reductions across a global playing field.

However, in 2007, almost two-thirds of the 'offset' projects in the pipeline under the Clean Development Mechanism of the Kyoto Protocol did not involve either the generation of renewable energy or the reduction in carbon dioxide emissions. Instead, many projects involve the creation of 'offset' credits through investment to make fossil fuel projects 'less bad'. Polluters profit twice under the growing international 'offsets' market – once from their fossil fuel project and again by being paid for their creation of 'offset' credits. Any requirement to reduce emissions can in turn be met by investing in other 'offset' projects.

It is particularly concerning that the proposed Australian emissions trading scheme features 100% international linkage. Any international 'offset' credits must be additional to the emission cuts Australia needs to make domestically. These credits must also not be created from projects that have a dubious impact on climate change.

Proposed major policies
The Nature Conservation Council calls for climate change policies that will facilitate the urgent reduction of greenhouse emissions, and a rapid, equitable transition to a low-carbon economy. It supports an end to perverse subsidies for fossil fuel and other energy-intensive industries, and supports direct Federal Government investment in renewable energy to achieve 100% renewable energy by 2020. The Nature Conservation Council also calls for sector-by-sector transition plans that are socially-just for affected workers and communities.

<u>Term of Reference (1)(b)</u>

> (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.

The Nature Conservation Council supports complementary measures to emission reduction targets that support an urgent transition to a low-carbon economy.

Renewable energy feed-in laws
The Nature Conservation Council strongly supports the introduction of renewable energy feed-in laws. The experience of feed-in laws in other countries and jurisdictions has shown that they are one of the most effective policy mechanisms to drive the

development and use of renewable energy. The Nature Conservation Council believes the design of feed-in schemes must include:

- An overall concern to **reduce carbon pollution** and **support renewable energy generation**
- Application to the **gross** amount of energy generated, not just the surplus exported to the electricity grid
- The tariff scheme should be **two-tiered**, with a lower final electricity tariff for low-income households
- The Government must underpin investment by guaranteeing the tariff for a **minimum of 20 years**
- The incentive should be available to **all organisations** willing to generate renewable energy, creating opportunities for large-scale renewable energy

Energy efficiency

The Nature Conservation Council strongly supports energy efficiency measures. Saving energy by reducing demand is the quickest and cheapest way to reduce carbon pollution, as well as to reduce energy costs.

The Nature Conservation Council supports the legislation of ambitious energy efficiency targets and the promotion of all strategies to conserve energy, including:

- The reduction of energy use in the industrial sector by reducing consumption of manufactured goods, especially those which are disposable and non-essential
- The accelerated implementation, tightening and broader coverage of new buildings standards; and
- The faster introduction of effective standards and legislation for the design, manufacture, marketing and labelling of energy efficient housing, cars, appliances, public transport and industrial processes.

Terrestrial carbon stores

The Nature Conservation Council strongly supports the protection of terrestrial carbon stores such as forests and soils. The Nature Conservation Council supports the legislation of ambitious targets to increase national forest cover in the medium-term. It calls for a legislated end to the clearing of native vegetation and the introduction of economic incentives for revegetation and agro-forestry. Further, the Mandatory Renewable Energy Target scheme should specifically exclude native forest biomass as a source of renewable energy.

Term of Reference (1)(c)

> (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 Climate Change Congress in Copenhagen in March released chilling facts and figures of the latest climate science. **The projected 'worst-case scenarios' are happening now.** The Artic summer sea ice is expected to melt entirely within the next five years – 80 years earlier than predicted in the 2007 Intergovernmental Panel on Climate Change (IPCC) report. Extreme weather events like bushfires and drought will become increasingly frequent.

The Nature Conservation Council is deeply concerned with the emission reduction targets in the Carbon Pollution Reduction Scheme. A 5-15% target on 2000 levels by 2020 is deeply inadequate in the face of runaway climate change, and the fast-closing window of opportunity to avert the devastating impacts of climate change.

The latest climate science tells us that more than 2ºC warming risks triggering runaway climate change. To aim for maximum 2ºC warming with the lowest probability of overshooting this temperature, the Nature Conservation Council calls for a minimum **50% reduction target on 1990 levels by 2020** and for the Australian Government to aim for **carbon neutrality by 2040.**

Term of Reference (1)(d)

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

The Nature Conservation Council recognises that industrialised countries such as Australia must lead the way in initiating reductions in greenhouse gas emissions. Australia has a special obligation to act given that we are responsible for more emissions that almost any other country per capita, and that our wealth has been partly built on emissions-intensive activity, the result of which now threatens many poorer nations.

The Nature Conservation Council calls on the Australian Government to show international leadership in reaching an agreement to keep global average surface temperature rise to as far below 2ºC as possible.

Australia should also commit to funding mitigation and adaptation measures in developing countries.

Term of Reference (1)(e)

> (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.

The Nature Conservation Council does not believe that the design of the proposed scheme will send appropriate investment signals for green collar jobs, research and development, and the manufacturing and service industries.

As discussed above, emissions trading does not provide a strong incentive for investment into long-term structural change in industries, investment in research and development, or investment that leads to the creation of green collar jobs.

The fundamental problems associated with emissions trading schemes are exacerbated by the design of the proposed Australian scheme:

- The creation of carbon pollution permits as **personal property rights.** This means that polluting 'property holders' have the right to be compensated under any future attempts to change the CPRS. Creating the 'right to pollute' also means that we will be privatising the atmosphere.
- The low emissions reduction **targets** prevent an urgent transition to a low-carbon economy that would see the creation of green collar jobs.
- **100% international linkage** means that emissions reduction do not need to be made in Australia, meaning no changes or green job creation in Australia.

- There should not be **free permits** to emissions-intensive industries. The revenue of any auction of permits should be invested in renewable energy, including research and development; the development of education and training for green collar jobs; international mitigation and adaptation; assisting low-income households in ways that further generates emissions reduction (for example, through energy efficiency measures); land stewardship payments; and local adaptation measures. Further, the community's **voluntary action** should not have the effect of freeing up permits for polluters.
- Any **assistance** to coal-fired generators should be contingent on a phase-out plan, in recognition of the need to move away from a fossil fuel and particularly coal-based economy. This phase-out plan should include a socially-just transition for affected workers and communities.