Submission to Senate Select Committee on Climate Policy

Rising Tide Newcastle

PO Box 290

Newcastle 2300

risingtide@risingtide.org.au

Ph: (02) 4926 1641

April 8th 2009

Table of Contents

About the authors

Rising Tide Newcastle is a grassroots community group taking action against the causes of anthropogenic climate change and for equitable, just, and sustainable solutions to the global climate crisis. We are part of the global Rising Tide network for climate justice.

We live in the shadow the world's biggest coal port in Newcastle, which is Australia's single biggest contribution to the global climate crisis. For the past three and a half years we have campaigned against proposals to more than double coal exports from Newcastle. We advocate an immediate moratorium on new coal mines, coalfired power stations, and coal export facilities, and we call for a socially just transition for coaldominated communities into sustainable alternatives.

In 2008, Rising Tide helped organise Australia's Camp for Climate Action, which saw 1,000 people take direct action to halt coal trains on their way to the Carrington coal terminal in Newcastle. In 2009, we helped organise Australia's Climate Action Summit, which brought together hundreds of community climate advocates from around the country and adopted campaign objectives to oppose the proposed Carbon Pollution Reduction Scheme due to its fatal flaws, to work towards Australia producing 100% of its energy from renewable sources by 2020 and to advocate for Australia to adopt a position at Copenhagen to help the world agree to a strategy to stabilise greenhouse gas emissions in the atmosphere at 350 parts per million carbon dioxide equivalent. These are ambitious objectives, but the times call for strong and unequivocal action. Rising Tide strongly believes that people and communities around the world must take the opportunity presented to us to avert runaway climate change, as we are likely to be the last generation with the chance to do so.

Rising Tide appreciates the opportunity to submit to the Senate Select Committee on Climate Policy, and sincerely hopes that the recommendations made in our submission will be given serious consideration. At this time of uncertain future and increasing danger, all options for meeting and solving the problems posed by climate change must be considered.

Recommendations

- That Australia's State and Federal Governments announce and lead a national public mobilisation on the scale of the war effort of the 1940's in order to make the transition to a postcarbon society as fast as possible. This will involve not only technological change, but lifestyle change and reduced consumption, public awareness campaigns and significant oversight by Government agencies of all sectors of agriculture and industry.

- This emergency response must include government-sponsored radio and television advertising that communicates the scale and the urgency of the climate problem, to contextualise the Government's response. It is vital, however, that such advertising not merely be used as a tool to legitimate and promote halfhearted mitigation actions.
- That this emergenvcy response includes updating and actioning of the National Climate Change Biodiversity Action Plan, giving the Federal Deparmtent of Environment the power to require habitat and wildlife corridor protection and the funding of revegetation projects where necessary.
- That Australia adopt a target of reducing atmospheric carbon dioxide levels to a maximum of 350 parts per million by volume (ppmv).
- That Australia advocate at UNFCCC meetings for the "Greenhouse Development Rights" framework for a global climate treaty.Australia must not only make an emergency transition to a zero carbon society, we must help poorer nations to do the same – including paying some of their costs.
- That new coal mines, coal export facilities, and coalfired power stations be prohibited.
- That State and Federal Governments implement a Just Transition strategy to move coal dominated communities into sustainable alternatives.
- That coal exports and other scope three emissions are included in Australia's greenhouse accounts – with appropriate explanation to indicate which foreign national accounts these emissions are accounted under.
- That no further public resources are wasted on Carbon Capture and Storage research and development.
- That strong measures are taken to stabilise and then reduce demand for electricity, and discourage overconsumption of resources in general.
- That the urgent crisis of climate change be considered beyond the narrow economic terms of "costs," "benefits" and marketbased solutions, but is treated instead as a social and cultural problem, with impacts on values that are difficult to cost in dollar terms, like biodiversity and social security.
- That State and Federal Governments review the paradigm of economic growth, and the degree to which it is inconsistent with a sustainable society.
- That emissions from air travel on flights within and departing from Australia and all international shipping departing Australia be included in Australia's domestic greenhouse accounting, and that Australia advocate within the UNFCCC for all emissions from international air and shipping travel and freight be brought under national accounts for the nation of departure.

- That the Australia's CPRS adopt target of at least 40% by 2020.
    - That the CPRS contains no pice cap.
    - That there is a limit on the number of international credits that can be bought.
    - That there is a limit on the number of Land Use Land Use Change and Forestry (LULUCF) credits that can be bought within the Australian market.
- That the CPRS requires that emissions trading only occur within discrete sectors (land use reduction credits for land use emissions; stationary energy reduction credits for stationary energy emissions) to help make such credits equivalent and the outcomes measurable.
- The establishment of the CPRS in Australia must not impede, limit or disguise the primary objective of immediate and strong emissions reductions targets. If it can be shown that real and immediate reductions will occur while a trading scheme operates, there is no inherent problem with such a scheme, but the market for emissions reductions must not be confused with the Government's primary responsibility to ensure that emissions are reduced and the Government must retain discretion to shut down or dissolve such a market if it gets in the way of real reductions.
- No free permits for greenhouse pollution can be issued. There will be no benefit from emissions trading unless greenhouse pollution is made prohibitively expensive by it. This cannot occur if emissions permits at current levels are issued.
- A taskforce must be established which has power to review and recommend reform of Australian industry to find avenues for energy efficiencies and direct emissions reductions over the next two years. Industries of immediate priority are those which contribute most to our emissions profile: energy generation and transmission, aluminium production, cement production, cattle grazing and solid waste disposal.
- That Federal and State Governments undertake a concerted public campaign to promote vegetarianism/veganism and organic foods, accompanied by a Just Transition program to move graziers into more sustainable agriculture or other industries.
- That interstate train and intercity/town coach services are increased, and fares decreased, in an attempt to massively decrease the instance of cartravel (especially singleoccupant car travel). One method of doing this might include an additional fuel excise (albeit based on GHG emissions), to be funnelled back into public transport.

The problem

In many respects, further elaboration of the problem of climate change is unnecessary. The task of

reining in, mitigating and adapting to climate change has unfortunately been made more difficult by the length of time that it has taken the global community and the Australian community to recognise the problem and the need for action. Nevertheless, some aspects of the problem, notably the structural incentives to emit, the inequitable distribution and use of resources globally, and the problematic assumption that any solution to climate change must maintain the "standard of living" or even more problematically, the "lifestyles," of a relatively tiny population of the globe, remain unexplored in popular approaches to climate change, and deserve some further exploration.

Problems with Emissions Trading Schemes in General

We have seen over the past few decades how a free market in operation affects our greenhouse impact: emissions have risen exponentially (in line with growth). There is no reason to believe that a continuing free market will do any better. The only market-based solution that has a possibility of working is a market heavy with regulation and incentives to change the course of the market.
The primary action required by the Australian Government is the real and immediate reduction of greenhouse gas emissions with the majority of cuts occurring as soon as possible. The establishment of an ETS in Australia must not impede, limit or disguise this primary objective. If it can be shown that real and immediate reductions will occur while a trading scheme operates, there is no inherent problem with such a scheme, but administration of the market for emissions reductions must not be confused with the Government's primary responsibility to ensure that emissions are reduced and the Government must retain discretion to shut down or dissolve such a market if it gets in the way of real reductions.

The European Emissions Trading Scheme is a good example of how carbon trading schemes fail. Handing out free permits and cash payments to heavily emitting industries – exactly what has been proposed in the current form of the CPRS – meant that the worst polluting industries maintained, or even increased their emissions, without penalty, or even managed to make money by selling their excess.

The basic problem with ETSs is that permits are dealt out on a per-company basis, but companies are not quantifiable entities. Different industries emit different amounts, and operate at different efficiencies, and are of differing importance (a junk food factory is inherently less important than a fresh produce market), and different companies within those industries are different sizes, and also operate at different efficiencies. Any attempt to quantitatively compare such companies will be arbitrary and extremely subjective. It is Rising Tide's belief that any transtion assistance offered to

strongly affected industries, like coal power, or emissions-intensive trade-exposed industries under the Carbon Pollution Reduction Scheme or any other Australian emissions trading scheme must be conditional on key environmental and social outcomes being met. Specifically, no assistance should be give to coal power generators in the absence of clearly articulated and rapid phase-out plans.

One ETS that could overcome this is an equitable tradeable emissions rationing: each person is assigned a maximum carbon ration (based on a contraction and convergence world model, and it doesn't matter if Australia is the first), of which a safe portion is tradeable, and can be sold to other people who need it. This is mostly equitable, because the richest, who tend to be the highest emitters, have to purchase emissions rations from the poorest, allowing the poorest increase their standard of living, while lowering the total emissions.

Regardless, the downfall of many environmentally-based trading schemes is often the pressure from the outset to issue free permits and not constrain the market within the environmental measures it was designed to meet. This has occurred with pollution trading and in the more recent water trading schemes. There will be no benefit from emissions trading unless greenhouse pollution is made prohibitively expensive by it. This cannot occur if emissions permits at current levels are issued.

Emissions Trading Schemes are not inherently flawed – whether or not they actually reduce emissions depends entirely on the way that they are designed and the number of caveats and concessions that they contain. Because carbon taxes imposes no cap on emissions, Rising Tide believes that, out of these two options, an Emissions Trading Scheme would be preferable. The main drawback with carbon taxes is the bluntness of the instrument. A combination of command-and-control emissions reduction requirements with social and industrial adjustment funding is the most effective and responsible option. Unfortunately, it is not what is currently being proposed by the Government.

Problems with the government's Carbon Pollution Reduction Scheme

1. The 5-15% target is too low

We have left it far too late for mediocre emissions reduction targets. Australia must play its full part in the global response to climate change. We can’t expect special treatment, when people around the world are already losing their homelands and farmlands to rising seas, we've just got to pull our

finger out and agree to nothing short of 40% reductions from 1990 levels, and advocate for all developed nations to do the same.

2. There is no emissions cap

Under the Exposure Draft for the CPRS, there will not be a cap on Australian emissions of greenhouse gases, not even the meagre 5% unconditional cap.
The Bill provides that a national emissions cap will be set, but allows Australian emissions units to be created and distributed that will exceed this cap. The national scheme cap, under this Bill, will limit only the total number of auctioned Australian emissions units, the total number of Australian emissions units given away for free under the emissions-intensive trade-exposed assistance program and the Australian emissions units given away to coal-fired generators under Part 9.

Crucially, it will not limit:

- Australian emissions units provided by the Government at a fixed price (Part 2 s13)
- Australian emissions units created by eligible reforestation projects (Part 10)
- International emissions units traded into the Australian scheme (Part 4)

There is simply no way that Australian emissions will be reduced under this structure and there is a real risk that all of our cuts will be pushed off-shore, to forestry offsets in the developing world and dubious Clean Development Mechanism projects.

In addition, we believe that there should be limits on the number of international units a facility and/or person can purchase to meet their pollution cuts. It is not desirable for Australia to offset the majority of our emissions cuts in developing countries, as such a strategy would significantly delay the transitions that would otherwise be prompted by the carbon price and of which other national economies will take advantage. As a carbon-intensive economy, Australia has a greater interest than many in ensuring that the impetus to reduce emissions, innovate and transition away from intensively polluting industrial and agricultural practices as quickly as possible. The sooner the business community is required to begin this transition, the less painful it will be. If companies are able to offset their emissions entirely on overseas projects – or reforestation projects locally – they will be left behind in the rapid international technological and economic shifts that global climate change mitigation will prompt.

3. The number of free units to be issued to EITEs is not capped

There is nothing in the Exposure Draft that limits the proportion of free permits that can be given

away to emissions-intensive trade-exposed industries. Even the 90% give-away proposed in the White Paper may end up being increased. Every free permit given to a polluting company means less money raised through the auction system will be available to compensate householders and invest in much-needed renewable energy development. The wealthy industries that have profited from pollution must be made, like everyone else, to pay their way in a carbon constrained world. There is a crucial difference between supporting communities that are currently economically dependent on fossil-fuels and polluting industries and handing out cash to companies involved in those industries, and this does not appear to be a distinction that the Government has so far been capable of making. Communities need adjustment funding, exit packages, re-training and investment in new enterprises that are low-carbon. Companies should be encouraged to

Under the Exposure Draft legislation, assistance to EITEs is left to the Regulations to determine.

This leaves open the dangerous possibility that the EITE industries will succeed in lobbying for even more free permits than the 60% and 90% levels offered under the CPRS White Paper.

We do not believe that permits allocated for free to EITEs or to coal fired power stations should be able to be sold for profit by those companies, (Part 4 s102 ss1 and 2) since the intent of this assistance is to cushion the impact of the carbon price, not provide windfall gains. This can easily be rectified by prohibiting the on-selling of free permits. This clause does have a sunset (Part 4 s102 (3)).

4. Assistance to coal-fired generators should be contingent on a phase-out plan.

We must set a timetable for withdrawal from coal power, and encourage companies in coal-power to diversify their energy portfolio and plan for the closure of their coal plants. This can be done in a strategic, fair and orderly fashion only if it is explicitly planned for. There is no doubt that we will have to phase out coal power and the earlier we acknowledge and plan for this, the better. The Government's hesitation to admit and plan for this eventually is irresponsible, since it leave both the country's energy supply, and potential energy investors suspended in uncertainty. Any assistance provided to coal fired power stations under the CPRS must be contingent on phase-out plans.

5. Reforestation projects under the CPRS do not exclude logging and can be "offsets" for industrial emissions

The scheme can (and will) be flooded with cheap credits provided for free beyond the cap to people growing forests, who will then be able to harvest those forests for timber unless the Regulations specifically prevent it.

The irreversibility of climate change demands that we be precautionary and that we make every effort available to reduce emissions and draw down atmospheric carbon. Any vegetated area that is set aside for a carbon sink – thus providing a source of income for the landholder via the CPRS – should not be allowed to be disturbed by logging or grazing.

6. There are no third party rights

Third party prosecutions have made a significant contribution to environmental and social law in Australia, and given the immense importance of this Bill for the future of Australian society, it is vital that third party rights be established under any CPRS Act.

A global solution

The impasse

It is widely acknowledged that global climate change negotiations have been at an impasse for several years. Rich industrialised nations (most vocally Australia and the US, but the position is fairly universal) are unwilling to commit to the required wholesale reductions in greenhouse pollution unless fastdeveloping nations (China and India are usually cited) commit to some form of pollution cut as well. On the other hand, developing nations argue that they should not have to cut their emissions until their living standards have reached the same level as those enjoyed in developed countries. This seems a fair position to take.

It is true that developed nations are almost totally responsible for the present climate crisis, due to our historical and percapita greenhouse emissions, which dwarf those of even China and India. It is true that endemic and grinding poverty is a far more pressing concern than climate change for many people in the developing world. It is ethically and politically untenable for people in the developed world to ask people in the developing world to remain in poverty in order to fix a problem which

we are largely responsible for creating. Such arguments as are put forward by developed nations like Australia and the US equally ignore the growing imbalance of development and industry across the globe, where developing nations like China and India produce consumer goods for export to developed countries. This further undermines the “not until China agrees” position, since China's rapid economic growth (and corresponding emissions growth) are intimate with the excessive consumption of developed nations.

However it is also true that the climate crisis is so urgent, and the scale of pollution cuts required is so great, that virtually all nations must make greenhouse reductions in the near future if catastrophe is to be averted (catastrophe that would be visited earliest and most severely on the world's poorest people). Certainly, if all the world's nations go down the development trail blazed by rich countries like Australia, the world's climate will be radically altered, and life on earth as we know it would cease.

At its essence, the global political impasse stems from the apparently competing demands of the climate crisis, and the development crisis. How can the impasse be resolved?

The Greenhouse Development Rights framework

Rising Tide would like to bring the attention of the Government to a proposed solution to this impasse, known as the “Greenhouse Development Rights” (GDR) framework14. The GDR framework has been proposed by the US think tank EcoEquity, and in our view it meets the essential

criteria for a effective and realistic global climate framework. These are:

- Efficacy . The GDR framework is designed to meet an atmospheric carbon dioxide target that would keep average global warming below 2 degrees.
- Fairness . The GDR framework shares the burden of climate change mitigation and adaptation fairly amongst the world's people, according to their responsibility for the problem and their capacity to act.
- Consistency. GDR does not allow rich people in poor countries to hide behind their poor populations. It uses the same logical methods to allocate the global burden amongst people,

regardless of the country they live in. Although allocations are still made on a national basis (by necessity), there is just one set of rules for all countries. The GDR framework thus avoids charges of inconsistency and unfairness.

GDR – the principals

The central tenet of the GDR framework that an effective global climate regime must explicitly secure the right to human development. It does not prioritise the global development crisis ahead of the global climate crisis, or vice versa. Rather it acknowledges that neither can be solved in isolation, and attempts to marry the two.

Critically, the GDR framework is founded on a sound understanding of the urgency of the climate crisis, and notes that “even if industrialised country emissions were to be suddenly and magically halted today, the climate crisis calls for such a dramatic reduction in global emissions that the developing countries would still urgently have to decarbonise their economies, and indeed do so while they were still combatting endemic poverty.” The GDR's authors therefore dismiss other framework proposals that are based on “emissions rights”. Under the GDR framework, no country has a right to carry on polluting the climate.

GDR seeks to take “inequality within countries as seriously as inequality between countries”. It does not “aim to protect the rights of countries to unfettered economic growth, but rather the rights of people within countries to a 'global middle class' level of sustainable human development.” Essentially, the GDR framework requires greenhouse emissions everywhere to fall, deeply and soon.

But it requires the people and countries that are most responsible for climate change, and those with the most capacity to act, to carry the costs. Importantly, the GDR also requires that the burden of

14 Unless otherwise stated, all statements in this section are referenced to: The right to development in a climate constrained world – the Greenhouse Development Rights framework, (September 2007), Paul Baer and Tom Athanasiou, EcoEquity (www.ecoequity.org) adaptation costs are distributed in the same way. This is essential, because the people least responsible for climate change, and with the least resources to respond, are already facing the harshest impacts of the problem.

How it works

- It defines a global development threshold. This is an income level above which a person is regarded to be of the "global middle class". Below this threshold, individuals have the right to prioritise development, and should not have to bear the costs of climate change mitigation or adaptation. If you're above it, you have to shoulder some burden, regardless of the country you live in.
- It calculates the development threshold to be US$9000 per year (calculated in PPP terms, it therefore translates to a lower figure in developing nations). It notes that this is well above the global median income of $3500, and higher too than the global average income of $8500.
- It defines and calculates a national Responsibility and Capacity Indicator (RCI) for each country, in a manner that takes explicit account of the distribution of income and emissions – inequality – within countries. A country's "capacity" is calculated based on the proportion of its population with income in excess of $9000. The more individuals within a country that are below the $9000 threshold, the lower the countries capacity will be. A country's "responsibility" is calculated based on it's cumulative per capita carbon dioxide emissions from fossil fuel consumption since 1990. (1990 was chosen because it was the year of the first IPCC climate change report, and the point at which nations had no excuse to carry on with businessasusual greenhouse pollution. Note that this is fairly generous, considering that a) some nations [including our own] had high levels of greenhouse pollution for many decades before this point, which made the problem of climate change what it is today; and b) informed policymakers would have known of the risks of climate change before the first IPCC report was published.) While there are several ways to calculate appropriate RCIs, the GDR framework proposes the equation:

$$RCI = R^a \cdot C^b$$

Where the sum of 'a' and 'b' must equal 1, "which confers the property that, as the paired weights go from a=1 and b=0 towards a=0 and b=1, the RCI goes from being exactly equal

to responsibility (R) to being exactly equal to capacity (C). Perhaps more importantly, the sum of the RCIs calculated for parts (say nations within a region) is equal to the RCI of the whole, which means that RCI calculation behave appropriately whether you're looking at countries, fractions ofcountries, or multicountry regions." The GDR framework document lets a = 0.4 and b=0.6, therefore giving more wieght to capacity than responsibility.

- The framework calculates an RCI figure for all nations, and uses it to estimate the amount of money that each country would be obliged to contribute for each one percent of global GDP that is spent to mitigate and adapt to climate change.
- The GDR framework calculates a global mitigation requirement, which is the difference between baseline emissions projections and the global emissions pathway required to keep average global warming below 2 degrees (the GDR Framework sets an atmospheric carbon dioxide limit of 400 ppm, which in our veiw is too high). This is then divided into national mitigation obligations, based on a country's RCI. Each country is then assigned a national mitigation budget, which is equal to its baseline trajectory minus its national mitigation obligations.
- The GDR framework finds that "for key wealthy countries, reduction obligations exceed even total baseline emissions. So that even if these countries were to reduce their emissions to zero, they'd still be obligated to pay for emissions reductions elsewhere." Conversely, the mitigation obligations of many developing nations are smaller than the global requirement. What this effectively means is that developed countries pay for emissions reductions in developing countries.
- To facilitate this, the GDR framework proposes a strict capandtrade global emissions trading system. It does this while acknowledging that carbon trading currently has a very poor record of success, and has a history of being captured, gamed, and manipulated by vested interests. It also notes that "in principle, alternatives based on taxes, public funds, and other financing mechanism could do the same." Rising Tide is inclined to prefer these alternatives.

Application to Australia

The proponents of the GDR framework have developed a computer program15 to calculate the obligations and costs of countries, based on varying the input figures. Using the default weighting of 0.4 for Capacity, 0.6 for Responsibility, and $9000 for the Global Development Threshold, Australia is allocated 1.81% of the global Responsibility and Capacity Indicator.

If the cost of climate mitigation and adaption turns out to be 2% of Gross World Product annually, which is in the range of common estimates, then Australia's bill (based on 1.81% of global RCI) would be 3.24% of GDP annually.

Conclusion

Australia's greenhouse pollution reduction policies must not be based on political expediency, must not be done in a spirit of compromise with other conflicting concerns such as business profit margins or the maintenance of affluent and consumptive lifestyles. Policies must be based on the imperative to minimise the impact of climate change on humans and other species.

Developed countries, including Australia, must reduce their greenhouse pollution by much more than 60%, much sooner than 2050. Also, global greenhouse gas concentrations in the atmosphere must not be allowed to to rise as high as 550ppm. To allow GHG concentrations to rise this high would almost certainly result in massive and unacceptable impacts on species and societies. It would likely also result in the crossing of climate tippingpoints, making worsening climate change impossible to avoid.