Environment Centre NT

Attention : Senate Select Committee on Climate Policy

Re: ECNT submission to inquiry

The Environment Centre of the Northern Territory (ECNT) is the largest membership based environmental non-government organisation in the NT. ECNT welcomes the opportunity to respond to the terms of reference of this Senate inquiry.

The choice of emissions trading

Emissions trading is just one macro-economic tool which presents ongoing incentive for investment in clean energy alternatives and energy efficient innovation. While other options, such as national carbon taxes, are alive and well in the realm of policy debate, emissions trading happens to currently be the tool which has the greatest currency at an international level. Unlike a carbon tax, emissions trading is built around an emissions reduction target, rather than the carbon price, and so, if structurally configured to be sufficiently agile and responsive, can be tuned to provide certainty for this environmental outcome. Further macro-economic tools, such as import tariffs on goods that have not been subject to an acceptable carbon pricing regime, may also be used in conjunction with emissions trading. ECNT is supportive of an emissions trading scheme which is well integrated to additional and complementary measures.

Capacity of the CPRS

ECNT are convinced that the draft CPRS falls well short of the mark. The Garnaut Report describes emissions trading as being most cost-effective and efficient when the application of the scheme is broad. As Professor Garnaut told the National Press Club in July 2008, *'the broader it is, the less costly the scheme is going to be.'*[1] Conversely, each of the exceptions, subsidies and compensations present in the exposure draft of the CPRS Bill necessarily increases the overall cost of the scheme to the Australian economy. Provision of exemptions and compensation to old-style dirty industries, along with low targets and penalties, ensures these existing polluters have minimal incentive to invest in alternatives and efficiencies, while new emerging low-emission technologies and clean energy alternatives are unfairly disadvantaged. Structural deficiencies in the proposed CPRS render it inadequate both to guarantee real reductions in the carbon intensity of our national economy, and too slow to respond to the rate of change in both measurements of climate impacts and our appreciation of necessary actions.

ECNT recommends that the following priority fixes are required before the draft CPRS could be considered adequate to reduce carbon emissions in real terms; to make a meaningful contribution to global efforts; and to provide incentives for investment in reducing emissions in existing industry and developing clean energy and low emission alternatives for our a safe-climate future :

1 National Press Club Address – Draft Report Launch, Professor Ross Garnaut, 4 July 2008

- an appropriate target.

Rather than the 2020 emissions reduction target of 5% from 2000 levels proposed by the draft CPRS, ECNT recommends 40% reduction on 1990 levels (ie. the upper bound of recommendations from IPCC). Given mounting evidence that all measurements of climate change are tracking at the high end of previous estimates[2], and that previously considered worst case scenarios are occurring right now[3], it is vital that Australia maintains early targets for substantial cuts in carbon emissions. This is essential, both to contribute to the shared global imperative to rein in net global emissions, and also to establish a sufficient cost to current polluting activities in order to provide an effective incentive both for old polluters to clean up their act, and for new innovators to be able to offer competitive alternatives. Structural flaws in the proposed scheme threaten to lock us in to the identified targets, which are demonstrably grossly inadequate to support even the government's stated aspirational target of atmospheric carbon concentration.

- limited international offsets

Without diminishing in any way recognition of Australia's responsibilities to come to the aid of our regional neighbours, the CPRS should maintain focus on encouraging investment in carbon-light innovation, alternatives and development. Particularly while international standards for the governance of emissions trading remain unproven, ECNT recommends that trading in international offsets should comprise only a small component of any liable entity's emission reductions efforts.

- no free permits

All emission units should be auctioned – this is the most fair, efficient and transparent way to establish a market for carbon. While some interim support for some trade exposed industries may be warranted, this should not come in the form of blanket provision of corporate welfare. Any short term support, where warranted, should not be additional to other perverse incentives already in place to encourage old polluting industries, and should not come at the expense of appropriate investment in adaptation, development of green jobs and support for regional neighbours. Any such interim assistance should be subject to timely review on the basis of relevant international policy developments.

- appropriate penalty

The penalty should be set well above the cost of allocation units, so as to represent a real disincentive for non-compliance. Where further allocation units are not available, the penalty should not be considered as a safety valve, or an economically viable alternative to other available options to reduce emissions. We propose a penalty of at least four times the derived cost of carbon.

- cap emissions, not reductions

The current draft effectively sets a cap on emission reductions that may be achieved in the prescribed period. If at any stage before 2025 we realise we want to achieve improved environmental outcomes, or perhaps to meet international obligations that exceed the proposed weak targets, the full cost of achieving higher reductions would appear to fall upon the Australian taxpayer, in the form of compensation to impacted industries or at the price of international offsets. ECNT recommends that the CPRS should not include explicit references to weak interim emissions reduction targets. Rather than providing maximum certainty for polluters, the CPRS should provide environmental certainty. Short of pursuing the high bound of IPCC recommendations (40% reductions on 1990 emissions) we may be best served by acknowledging global targets for atmospheric carbon concentrations, and offering an appropriate mechanism for equitable sharing of the burden of likely future requirements to accelerate our national emissions reductions.

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2 Union of Concerned Scientists http://www.ucsusa.org/global_warming/science_and_impacts/impacts/early-warning-signs-of-global-1.html

3 Ice bridge holding Antarctic ice shelf cracks up

- Include all units in the cap

The draft exposure bill suggests that the Government may apply downward pressure on the price of carbon by issuing cheaper units at a fixed charge. However Section 90 does not include fixed charge units in the calculation of the cap. ECNT is interested in an emissions trading scheme that provides certainty to the environment, not polluters – in fact this is the primary rationale for choosing emissions trading over carbon taxes, that an ETS can set a cap, rather than setting a price. While it is acceptable that at some point the Government may wish to influence the price of allocation units, this should not come at the expense of achieving emissions reductions targets.

- additionality

The CPRS has been roundly criticised for setting a ceiling on emissions reductions. The argument is that any efforts made by individuals, households and communities who do not qualify for allocation units – such as saving energy in the home – will simply reduce the pressure on liable entities to make the cuts themselves. Despite the eminent accountability of some such additional voluntary action – such as the purchase of Green Power, voluntary investment in offset schemes such as Green Fleet, in some situations, even the purchase of energy efficient light bulbs – no accommodation is provided in the draft CPRS for such measures. The bill should be amended to value additional voluntary action appropriately; to assign allocation units to such action, and enable the immediate unused retirement of these units.

- applied revenue

The CPRS offers a pitiful percentage to actual investment in developing clean alternatives to today's carbon heavy economy. Each of the above mentioned amendments would generate more revenue, and free up a greater portion for essential national investment in research of clean technologies, deployment of energy efficiency measures and development of renewable energy industries.

Complementary measures

The Environment Centre NT proposes a national $1.1 billion native vegetation and carbon management initiative to reduce emissions associated with land use change by 90%, or 62.4 million tonnes of carbon dioxide equivalent, by 2020. Significantly, this proposal will also help to limit perverse outcomes, particularly biodiversity loss and land degradation.

ECNT accepts that attempts to include agricultural activities and deforestation in the initial stages of the CPRS will hamper its expedient implementation, particularly given the large number of landholders across Australia and the complexities of the agricultural sector. However, as the CPRS currently stands, there are inadequate measures in place to safeguard against broadscale land clearing. Situations could potentially arise where native vegetation is cleared, without penalty, and replaced by an exotic plantation or crop that inappropriately earns the developer carbon credits. In this light, we propose a complementary course of action to be undertaken parallel to the CPRS to mitigate against perverse environmental outcomes. This course of action would involve:

1. Establishment of either federal native vegetation management legislation or nationally consistent regulatory approaches by jurisdictions that prohibit broadscale land clearing of both remnant (i.e. not previously cleared) and regrowth vegetation. Appropriate provisions should be put in place, however, for managing regrowth on important productive lands and for allowing the thinning of regrowth stands to promote vegetation succession. Such nationally consistent guidelines could be developed through a new COAG native vegetation and carbon management agreement.

2. Prohibition of native vegetation clearing for the establishment of 'carbon sink' forests. For example, land development on the Tiwi Islands over the past 9 years has demonstrated the significant emissions (and ecological impacts) that arise when native forests are converted to agro-forestry.
3. Purchase of the carbon stored in native vegetation owned by landholders whose clearing activities are inordinately constrained following the introduction of tighter clearing controls, as per (1). NCAS modelling could be used to determine the amount of money that needs to be paid to landholders in different parts of the country, depending on their environmental context and resource base.

In estimating the potential cost of (3) it is instructive to look at recent calculations of net greenhouse gas emissions associated with land use change. In 2006, greenhouse gas emissions were approximately 63 million tonnes of carbon dioxide equivalent for this sector. Working with a target of a 90% reduction in land use change emissions (i.e. allowing for minimal land clearing to still occur) and an assumption of CO2-e being priced at A$20/tonne, it would cost approximately $1.1 billion for the purchase of landholders' carbon. This would be a relatively cost-effective way of achieving a significant reduction in greenhouse gas emissions. Funding for such a compensation scheme could be sourced from the sale of permits through the CPRS.

Further opportunities for low-cost and efficient emissions reductions are evident in the NT in the area of improved management of wildfire. Examples such as the Arnhem Land Fire Abatement programs have demonstrated the capacity to reduce this significant contributor to NT emissions at a rate of around $15/tonne[4], while providing multiple environmental and social benefits to the regions and communities involved. The draft CPRS does not address this opportunity, and it remains unclear that these emissions would be covered by any international scheme. While this action may well qualify for national credits at a later date, a complementary program to encourage early investment in emissions reduction through improved fire management would be prudent.

ECNT has advocated for a minimum Mandatory Renewable Energy Target of 25% by 2020. We value MRET as an important existing complementary tool for advancing the significant strategy of growing domestic renewable energy industries and developing clean technologies for export. We urge the implementation of a gross national feed in tariff to further encourage domestic uptake of renewable energy.

Efficacy and equity

ECNT recognises that environmental efficacy will only really be evident at an international level. Australia can contribute to strong international action by both setting a standard for deep cuts in the next decade, and by ramping up development of renewable energy technologies and energy efficiency innovation. However if the weak draft CPRS target were to be adopted globally, our planet would be locked in to a future of catastrophic climate change, far over-shooting the Government's stated target for atmospheric concentration.

The Final Report of the Garnaut Review identified Australia's per capita emissions as the highest in the OECD. Given that ours is a developed nation which has profited by exploiting carbon heavy fuels and carbon intensive industries, it is fair and appropriate that Australia takes a leadership role in advancing a clean energy future. Australia also has an important responsibility in our region to assist neighbouring nations. Some of our regional neighbours, despite making minimal contribution to the global carbon burden, are facing significant impacts from climate change. While actions to reduce national emissions within a trading scheme such as the CPRS should not be diluted by the unlimited recognition of international offsets, Australia still has a role to play in fostering and supporting action in our region to adapt to and mitigate the impacts of climate change. But our capacity to meet these responsibilities is hamstrung by the allocation of free permits to some polluters, and the misdirection of revenue from the CPRS to compensation for others.

4 Whitehead, P.J., Purdon, P., Russell-Smith, J., Cooke, P. & Sutton, S. 2008, 'The management of climate change through prescribed savanna burning: emerging contributions of Indigenous people in northern Australia'

Rather than trying to soften the blow with freebies and subsidies, we should let the CPRS do its job of acting as a dis-incentive to outdated and polluting practices, while applying revenue to both developing local innovation and funding regional deployment and adaptation.

Stimulating green jobs

Appropriate investment signals must be sent to Australian businesses and industry so that they are encouraged to build-in mechanisms for meeting strong energy efficiency and emission reduction targets when formulating plans for expansion or development. We must refocus all sectors of the Australian economy immediately to take advantage of new growth industries in renewable energy and to ensure that we are not placed at a competitive disadvantage in light of the growing number of 'low carbon' industry initiatives that are emerging around the world.

Unfortunately, the Northern Territory Government has adopted a *fait accompli* stance with regard to future levels of NT emissions, stating that: "*...emissions are expected to increase across most sectors as a result of economic development and population growth*"[5]. This lack of leadership and vision paves the way for 'business as usual'. It entrenches a 'high carbon' pollution economy in Northern Australia, ignoring the opportunity for substantial jobs growth and economic transformation based on new 'low carbon' industries.

The Federal Government must support the development of a large renewable energy sector across the nation, and particularly in the Northern Territory, to grow the green economy, provide for long-term energy security, and assist households, government and industry with reducing their carbon footprint. We should be aiming for 'world's best practice' in research and development and across all areas of industrial and manufacturing activity. This support will come in part from an emissions trading scheme with targets high enough to encourage investment in the green economy, but must be supported by complementary measures such as MRET and a gross national feed in tariff. The so-called 'clean coal fund' is half a billion dollars of wasted opportunity; an opportunity that as yet has not been granted to the inevitable low-emissions renewable alternatives.

ECNT will endeavour to continue participating in relevant public discussions about an improved national and Territory response to climate change.

Thankyou

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5 NT Department of Natural Resources, Environment and the Arts, http://www.nt.gov.au/nreta/environment/greenhouse/emissions/future.html