Joint Submission by
66 Climate Action Groups

9 April 2009

Submission to Senate on Climate Policy

Executive Summary

Climate change poses risks of enormous magnitude, potentially affecting millions of people, species and habitats. Managing this risk is a shared responsibility, requiring involvement by all sectors of society and tiers of Government.

Australia's per capita emissions are already among the highest in the world and are forecast to increase by around 33% between 2006 and 2020 under a business-as-usual scenario[1]. Climate Action Groups believe that urgent mechanisms are required to dramatically reduce emissions growth across all sectors of the economy.

However, the Groups signing this submission do not believe there is a 'one-size-fits-all' mechanism that will deliver all of Australia's emissions reduction requirements.

While it is tempting to simply place a price on carbon (through either an emissions trading scheme or carbon tax), there is no guarantee that either mechanism (no matter how well they are designed) will reduce Australia's emissions quickly enough or at 'least cost' within the necessary timeframes.

Groups are disappointed with the Government's overall approach to date in designing Australia's emissions reduction framework. Officials from all aspects of society – including Government, Industry, Businesses, NGOs, Climate Action Groups and the media – have had to expend endless energy in a complex debate on the flaws and merits of emissions trading rather than having a rigorous and open debate on the climate goals and sector-by-sector policies needed to transition Australia to an emissions-free economy.

This type of narrow focus makes it easy for us to forget the point of the entire exercise. If we haven't set a clear vision for where we are going, how can we expect reduction mechanisms (such as the CPRS) to get us there?

[1] Treasury (Oct 08), "Australia's Low Pollution Future: The Economics of Climate Change", Chart 3.21, pg 48.

The Groups signing this submission believe the current form of the CPRS is so fundamentally flawed that it will hinder Australia's and, indeed, the planet's capacity to reduce emissions and avoid dangerous climate change.

The high level of compromise in the Scheme renders it virtually incapable of delivering any reductions in Australia's actual emissions and, in our view, fails to seize emergent opportunities or create an investment pathway for the development of an emissions-free economy in Australia.

It is in this context, that the 66 Groups signing this submission have decided to OPPOSE the Exposure Draft of the CPRS legislation and we urge the Senate to oppose the passage of this legislation unless it can be dramatically reformed.

We have prepared a separate Submission on the CPRS legislation (to be submitted on 14 April 2009), which highlights 24 major recommendations developed by Climate Action Groups to reform the Scheme and address the fundamental flaws (these have also been incorporated into this submission).

However, these recommendations do not mean we support emissions trading as an effective mechanism to deliver Australia's emissions reductions. It merely reflects that this is all that the Government has put on the table for us to consider. Groups agree that there is an urgent need for policies outside of the proposed CPRS, particularly in the areas of renewable energy, energy efficiency, public transportation and natural resource management, that will help to drive early emissions reductions across the economy.

When we combine all of the Government's current policies to address climate change (including the CPRS), we find no real desire or commitment to reduce Australia's emissions.

This lack of commitment is sending mixed messages to State and Local Governments, industry, businesses, local communities and individuals. These policies give little clarity to industry or business on where Australia is going on climate change and accordingly does not provide the leadership to a safe climate, nor does it promote investor confidence, green collar jobs, additional research and development or a just transition for affected sectors.

The Government was voted into power in November 2007 with a clear mandate to undertake urgent action on climate change. Despite this, the Government's current position on climate change appears to be so radically different to its election promises (see Section 3) that the Groups signing this submission have serious questions about whether the Rudd Government's climate change 'spin' could be considered as deceptive and misleading to both the Australian public and the international community.

In this context, Groups thank the Senate Select Committee on Climate Policy for giving us this important opportunity to outline our vision and policies for an effective, expeditious, fair and equitable transition to an emissions-free economy.

Summary of Recommendations – Groups Call on the Government to:

Returning the Planet to a Safe Climate Zone

1.1 Adopt a position of working towards returning global CO_2 to 300ppm within the next few decades and, in this context, push for global agreement at Copenhagen for a 300ppm target.

1.2 Take into account the need to sequester Australia's historical carbon debt when designing and implementing emissions reduction policies.

1.3 Honour their election promise to "take strong measures to avoid dangerous climate change".

1.4 Urgently change Australia's 2020 emissions reduction target band to reflect the best available science to date, which calls for cuts of at least 40–50% by developed countries by 2020.

1.5 Set Australia's targets based on the UN reference year of 1990, not 2000, thereby enabling meaningful comparisons of national targets.

1.6 Assure the Australian people that it will do ALL that it can to facilitate international agreement for strong 2020 emissions reduction targets for other developed countries at the climate talks in Copenhagen.

1.7 Push for global agreement at Copenhagen for net global emissions to be reduced to zero as quickly as possible.

International Offsets

1.8 Urgently exclude international offsets (incl. international forestry offsets) from being counted towards Australia's 2020 emissions reduction targets, until forest carbon measuring deficiencies have been remedied, problems of leakage addressed, and the impact modelled of a range of international forestry offset restrictions on Australia's domestic emissions reductions.

Renewable Energy

1.9 Commit to a policy of 100% renewable electricity in Australia.

1.10 Establish a high-level Renewable Electricity Taskforce to report back to the Australian people by the end of 2009.

1.11 Delay the Energy White Paper Process until the findings of the Renewable Electricity taskforce have been finalised.

1.12 Urgently appoint no less than 3 Renewable Energy experts in the areas of solar-thermal / solar photo-voltaics, wind power and biomass to the high-level committee for the Energy White Paper process.

1.13 Urgently appoint at least 1 environmental NGO and 1 Organisation that represents energy users to the Energy White Paper Committee.

1.14 Replace MRET and existing State and Territory FIT's with a Gross National FIT modelled on the German FIT by July 2009.

1.15 Undertake that the residential solar PV rebate will not be changed for at least 2 years, unless the changes are to increase/ improve the rebate.

Coal-Fired Power Generators

1.16 Prepare a detailed review of existing coal power plants, with a view to preparing phase-out plans for each plant over the next 10 years.

1.17 Change requirements for assistance to coal-fired generators under the CPRS to be conditional upon a 10-year phase-out plan for generators.

1.18 Legislate a ban on all new coal-fired power stations in Australia, with the ban to be formally announced at the talks in Copenhagen.

1.19 Enact an urgent moratorium on: 1) new coal exploration and mining; 2) the expansion of existing coal mines; and 3) the expansion of coal related infrastructure.

1.20 Suspend all subsidies, tax incentives and financial support to the fossil fuel industry (incl. taxpayer funded coal infrastructure expansion).

1.21 Immediately redirect the $500million *Clean Coal Fund* and any other Government funding/support for CCS into advancing renewable energy, public transport and land practices that foster carbon sequestration.

Energy Efficiency, Transport

1.22 Prepare and implement a National Energy Efficiency Scheme in consultation with a wide range of stakeholders over the next 6 months.

1.23 Move jurisdictional control of public transportation from State/Territory Governments to the Federal Government.

1.24 Mandate that all design, development planning and urban renewal programs take into account proximity to public transportation systems, including walking/cycling paths and park-and-ride facilities.

1.25 Produce a discussion paper for public consultation on options to reform urban public transportation systems in Australia, with the primary goal of facilitating major investment in upgrading and expanding public transportation systems (including electrified rail, bus, cycle ways and footpaths) and increasing public transport usage.

1.26 Include co-benefits of investing in public transportation as a criterion for appraisal for all transportation projects by Infrastructure Australia.

1.27 Refer amended legislation on inclusion of co-benefits to bipartisan House of Representatives Committee on Sustainable Cities (2003).

1.28 Produce a discussion paper for public consultation on options to reform interstate and rural public transportation systems in Australia.

1.29 Mandate new fuel efficiency standards for all new motor vehicles, trucks and buses, commencing from 2012 or earlier.

1.30 Implement tax incentives to improve the competitiveness of alternative fuel vehicles and help to establish a viable market here in Australia.

1.31 Set a mandatory zero emissions vehicle target of at least 5% of our total new car fleet, commencing in 2015, and double it every 5 years.

1.32 Cancel the fringe benefits tax concession for company and leased cars.

1.33 Replace prohibitions/deterrents to cycling/walking to secondary/tertiary facilities with appropriate infrastructure and education programs.

Land Use, Agriculture and Forestry

1.34 Urgently estimate the emissions from agriculture and work on a timetable of promoting / supporting biosequestration to facilitate a draw-down of historical carbon in our atmosphere.

1.35 Reassess all current land management practices, and formulate an early emissions reduction strategy that supports a just transition in the agricultural sectors and structural adjustment in the forestry sector out of native forest logging and into using Australia's plentiful plantation supplies for virtually all of our domestic and export wood needs.

1.36 Urgently rectify the Australian accounting deficiencies in relation to forests by establishing accounting methodologies which cover all anthropogenic sources and sinks and which disaggregate emissions from sequestration, thereby ensuring that emissions generated by logging (including turning native forest logs into woodchips for export) are no longer counted as 'carbon-neutral'.

1.37 Urgently close the loophole that currently assigns logging emissions to the importing country, rather than assigning them to the source country (as per the IPCC's rules).

1.38 Negotiate a new post-Kyoto accounting framework for forests at the upcoming Copenhagen talks, that addresses the fundamental flaw of classifying intensive logging of publicly owned multi-aged carbon dense 'managed' forests as 'no land use change', thereby treating emissions from logging as 'carbon-neutral'.

1.39 Develop new domestic forestry policies that promote: a) protection of native forests and other natural ecosystems; b) restoration and ecological recovery of disturbed/damaged forests and other natural ecosystems; and c) ecologically appropriate re-afforestation and re-vegetation practices.

1.40 Exclude harmful land management practices from these new national forestry policies, including the exclusion of: a) conversion of natural forests and other natural ecosystems to plantations and agricultural land; b) deforestation / de-vegetation; c) carbon credits for harvested wood products; d) bioenergy, biochar and biofuel created from native forests and other natural ecosystems; and e) MRET eligibility for bioenergy from native forest and other natural ecosystem.

Other Major Flaws with the CPRS Requiring Urgent Amendment

1.41 Exclude both reforestation and deforestation from the CPRS, thereby alleviating the current market distortion in the CPRS in favour of increasing native forest logging (resulting from the current treatment of including reforestation and excluding deforestation).

1.42 Keep Australia's 2020 emissions reduction targets out of the CPRS legislation until after a new climate deal has been negotiated in Copenhagen, unless the Government sets a target in line with the most up-to-date science (which calls for cuts of at least 40–50% by 2020).

1.43 Include all fixed price Australian emissions units in the CPRS cap, noting that this can be achieved by adjusting the cap in later years.

1.44 Replace all free-permits in the CPRS with a system of Border Adjustments, to ensure these sectors transition to a lower emissions intensity without being unduly disadvantaged in the international market.

1.45 Remove the emissions floor in the CPRS so that individual, community and local council efforts achieve additional emissions abatement.

1.46 Enable additional abatement opportunities for sectors not covered by the Scheme (forests, land use, agriculture and waste).

1.47 Amend the legislation to ensure that all permits issued as part of the CPRS are made instruments of compliance rather than property rights.

1.48 Direct all money raised through emissions reduction mechanisms into: renewable energy; an intelligent electricity grid; energy efficiency; public transport; new land management practices; assistance for affected communities, low-income households and developing countries.

1. Global CO_2 – Moving Towards 300ppm

Climate scientists from around the world are making it clear that strong, urgent action is required to dramatically reduce emissions and facilitate a global agreement that aims to return our planet to a safe climate zone as soon as possible.

Climate Action Groups recognise that "if humanity wishes to preserve a planet similar to that on which civilisation developed and to which life on Earth has adapted" then "CO_2 will need to be reduced from its current 385ppm"[2]. At this level, we are already observing:

- Increased aridity in the southern United States, Mediterranean region, Southern Australia and parts of Africa.
- Alpine glaciers in retreat, posing substantial threats for millions of people dependent on fresh water supplies originating in the Himalayas, Andes and Rocky mountains.
- Accelerated mass losses from Greenland and West Antarctica ice sheets, increasing evidence and concerns about ice sheet instability and predictions of sea level increases of at least several metres.
- Increased extremes in Australian climatic conditions, with the current combination of destructive and lethal floods, fires and continuing drought having a profound impact on the environment and Australian communities, as well as placing enormous strain on the national purse and, more importantly, the national psyche.

One of the world's most respected climate scientists, NASA Goddard Institute for Space Studies' Director, Dr James Hansen, suggests an "initial objective of reducing atmospheric CO_2 to 350ppm" and that this "target must be pursued on a timescale of decades" as it would be "foolhardy to allow CO_2 to stay in the dangerous zone for centuries"[3].

In this context, over 150 Australian Climate Action Groups adopted a position of working towards returning global atmospheric CO_2 to 300ppm, to ensure the survival of aquatic and terrestrial ecosystems through enabling the Arctic sea ice to refreeze and stabilisation of the Antarctic ice sheet and northern permafrost, thereby facilitating a return to a safe climate zone[4].

<u>RECOMMENDATION</u> - Groups call on the Government to:

1.1 Adopt a position of working towards returning global CO_2 to 300ppm within the next few decades and, in this context, push for global agreement at Copenhagen for a 300ppm target.

[2] Hansen, J. et al, (Nov 08) "Target Atmospheric CO2: Where Should Humanity Aim?", pg 1.
[3] Ibid, pg 13.
[4] Position adopted by climate groups on 2 Feb 2009 in Canberra at "Australia's Climate Action Summit", with participation from 150 Climate Action Groups from across Australia.

2. Sequestering Historical Carbon is Essential

Achievement of a 300ppm CO_2 scenario will require net global emissions to fall to zero as quickly as possible. However, even if global emissions fell to zero within the next five years, we would still be looking at CO_2 levels of around 400ppm or higher. Global carbon sequestration of this historical carbon debt will therefore play a critical role in our ability to transition back to a safe climate zone.

Climate Action Groups note that Australia emitted around 7.6 gigatonnes (Gt) of excess carbon between 1750 and 2001, which is quite staggering when compared to India's historical carbon debt of 15.5 Gt over the same period[5].

Groups further note that while all countries will need to sequester their historical carbon debts, developed countries will shoulder the bulk of debt, as they are responsible for the majority of the planet's historical carbon accumulation.

RECOMMENDATION - Groups call on the Government to:

1.2 Take into account the need to sequester Australia's historical carbon debt when designing and implementing emissions reduction policies.

3. Australia's 5 – 15% Target Paves the Way to 550-650ppm

The Labor Government was voted into power by the Australian people in November 2007 with a clear mandate to undertake urgent action on climate change. During their election campaign we were told that[6]:

- "Climate change represents one of the greatest threats to the future prosperity and security of Australia and its region".
- "Australia must take strong measures to avoid dangerous climate change and prepare for an environmentally sustainable future".
- "Dangerous climate change can be avoided if governments, communities and businesses work together, and that national leadership is needed to map the path for Australia towards a sustainable, carbon-constrained economy and society".
- "Labor supports the precautionary principle, which states that if there is a high risk of serious or irreversible adverse impacts resulting from resource use, use should only be permitted if those impacts can be mitigated or there are overwhelming grounds for proceeding in the national interest. The absence of scientific certainty should not be a reason for postponing measures to prevent or mitigate negative impacts".

[5] Time magazine (2001).

[6] ALP National Platform and Constitution, (2007) "Chapter 9 – Combating Climate Change and Building a Sustainable Environment", pg 1-2.

- "Early environmental action will position Australia to take advantage of growing global markets for sustainable products and services and deliver improved quality of life".
- "Delaying effective action on climate change will significantly add to the costs for business and the wider Australian economy".
- "Australia must act as a responsible member of the world community and commit to greenhouse gas reduction targets".

The robustness of these election promises were re-confirmed last year by Professor Garnaut. In addition, the Treasury modeling found that "Australia's aggregate economic costs of mitigation are small."[7] In terms of early action, scientists note "weaker targets for 2020 increase the risk of crossing tipping points and make the task of meeting 2050 targets more difficult[8]".

The CPRS white paper stated that the "Government accepts the findings of Professor Garnaut that a fair and effective global agreement centred on stabilising long-term atmospheric concentrations of greenhouse gases at or below 450ppm of CO_2e is in Australia's national interests."[9]

Groups note that while the 450ppm scenario was considered in the scientific literature (at that time) as a level beyond which we must not go, this position has since been further revised by scientists (as outlined in Section 1). In particular, scientists warn that if the present overshoot of 385ppm "is not brief, there is a possibility of seeding irreversible catastrophic effects".[10]

If we set aside this latest scientific evidence for a moment, we find that in setting their emissions reduction targets the Government has chosen to ignore their own internal labor policies, the advice of Professor Garnaut and their election promises to the Australian people.

The CPRS White Paper states that should a 450ppm global agreement emerge, "the Government would set Australia's post-2020 emissions reduction targets to ensure that we play our full part in achieving this goal" [11].

The Government has therefore set Australia's 2020 emissions reduction target band based on a 550-650ppm scenario instead of a 450ppm scenario, which translates into an appalling 5 – 15% below 2000 levels (equivalent to 4 – 14% below 1990 levels).

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[7] Federal Treasury (30 Oct 2008), "Australia's Low Pollution Future: The Economics of Climate Change", pg 137.

[8] International Scientific Congress on Climate Change (March 2009), "Congress Key Findings – Final Press Release", http://climatecongress.ku.dk/newsroom/congress_key_messages/.

[9] Australian Govt Fact Sheet (Dec 2008), "Australia's National Emissions Target", pg 2.

[10] Hansen, J. et al, (Nov 08) "Target Atmospheric CO2: Where Should Humanity Aim?", pg 1.

[11] Australian Govt Fact Sheet (Dec 2008), "Australia's National Emissions Target", pg 2.

Climate Action Groups strongly oppose the 5 – 15% target and note with concern that this target:

- Is completely out of step with current climate science, which calls for reductions of at least 40 – 50% by developed countries by 2020;
    - If every country on this planet agrees at Copenhagen to reduce emissions by 5-15% by 2020, it is very likely that we would lock our planet into a CO_2 scenario of 550-650ppm, which according to the world's top scientists would commit us to catastrophic climate change and the IPCC's worst-case scenarios.
- Will severely hinder international agreement of a meaningful 2020 target as part of the new climate deal to be agreed in Copenhagen, betraying not only the Australian people in its duty of care, but also people and nations across the globe;
- Greatly undermines the targets set by other developed countries:
    - Last week the US announced its intention to reduce its 2020 emissions by 30% below 2005 levels (equivalent to 20% below 1990 levels)[12].
    - The EU and UK have committed to reduce their 2020 emissions by 20-30% and 26-32% below 1990 levels respectively[13].
- Undermines efforts by developing countries, for example Brazil has committed to reduce deforestation by 70% by 2017, which is equivalent to a 72% cut in their emissions by 2017[14];
- Signals to the international community that Australia is not serious about climate change and that we are unwilling to undertake any meaningful action to reduce our emissions prior to 2020; and
- Cannot be changed before 2020 if it is locked into the CPRS legislation, without paying substantial compensation to industries covered by the Scheme.

While the 5-15% target may be what the Government thinks is realistic or fair for the Australian economy, how can we expect or ask other countries to do more than we are willing to do ourselves.

It is not the Australian way to do as little as we possibly can at the expense of the millions of people, species and habitats that will be affected by climate change (including our own). This is not the legacy that Climate Action Groups wish to leave for our children and subsequent generations.

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[12] US House of Representatives (Apr 2009), "Draft Discussion Summary – The American Clean Energy and Security Act of 2009", pg 2. [Source for 1990 level equivalency: Milne, C. (Apr 09), "Draft US Climate Bill puts CPRS in the Shade; Time for Rudd to step up".]

[13] Australian Govt Fact Sheet (Dec 2008) – "What the rest of the world is doing on climate change".

[14] Government of Brazil (Dec 2008), "National Plan on Climate Change", pg 14.

RECOMMENDATIONS - Groups call on the Government to:

1.3 Honour their election promise to "take strong measures to avoid dangerous climate change".

1.4 Urgently change Australia's 2020 emissions reduction target band to reflect the best available science to date, which calls for cuts of at least 40–50% by developed countries by 2020.

1.5 Set Australia's targets based on the UN reference year of 1990, not 2000, thereby enabling meaningful comparisons of national targets.

1.6 Assure the Australian people that it will do ALL that it can to facilitate international agreement for strong 2020 emissions reduction targets for other developed countries at the upcoming climate talks in Copenhagen.

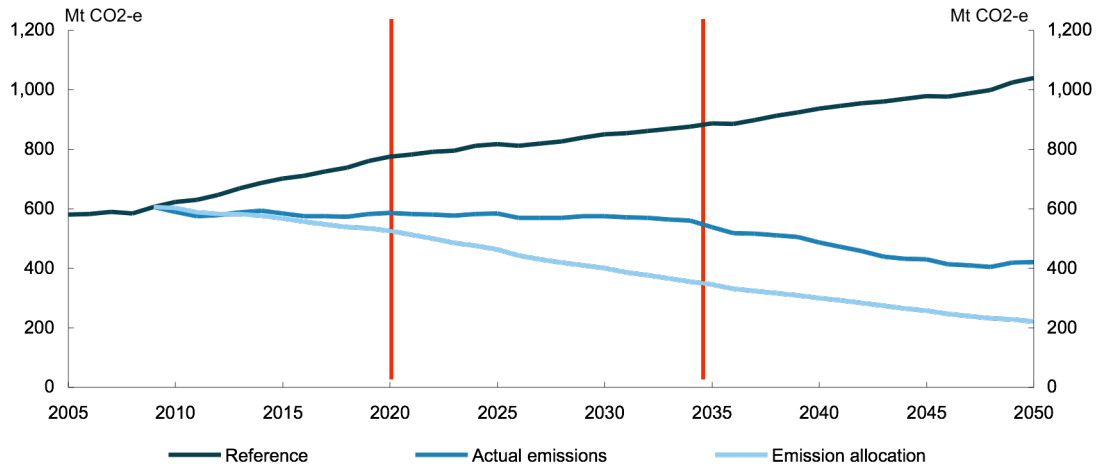
- Groups note that meaningful emissions reductions by large developing country emitters (such as China, India, Indonesia and Brazil) can only be achieved if developed nations make strong, meaningful commitments in the lead up to the talks.

1.7 Push for global agreement at Copenhagen for net global emissions to be reduced to zero as quickly as possible.

4. Unlimited International Permits Mean Australia's Actual Emissions May Not Fall until 2035

Setting aside the issues outlined above with the 5% target, the current design of the CPRS reveals that the Government is not willing to reduce Australia's actual emissions until 2035.

Chart 6.14: Australia's actual emissions, allocations and permit trading (CPRS -5 scenario)



Source: Treasury (Oct 08), "Australia's Low Pollution Future: The Economics of Climate Change", p 155.
NOTE: The Red lines have been inserted by Groups to highlight the period between 2020-2035.

As outlined in Treasury's Chart 6.14 above, the modelling indicates that Australia's actual emissions won't fall below 2000 levels until 2035.

- The target of a 5% reduction below 2000 levels means that Australia's emissions must fall to 525.2 million tonnes (Mt) CO_2-e by 2020.
- The chart shows that Australia's actual emissions are expected to remain between 589.1 – 559 Mt of CO_2-e between 2010 and 2034 (well above the 2000 level of 525.2Mt CO_2-e).
- Australia's actual emissions are finally expected to fall below 2000 levels to 538 Mt CO2-e in 2035. Emissions are then expected to continue to fall until 2050 in line with the Government's long-term target of 60% by 2050.

This implies that while the CPRS is expected to constrain growth in Australia's emissions from a business-as-usual scenario our actual emissions will remain largely unchanged until 2035. The Groups signing this submission believe this is far too late.

The **CPRS legislation** allows firms to purchase an **unlimited amount of international permits** to meet their **emissions reduction obligations here in Australia**. As shown in the chart, Treasury assumes that international permits will be used to make up the difference between actual emissions and the CPRS emissions allocation (which sets the 5% cap).

This means that Australia can still technically meet its official 5% 'cap' even though actual emissions in Australia are forecast to be higher in 2020 (585.1Mt) than they were in the year 2000 (around 553Mt).

Treasury states that "purchasing permits from the international market does not compromise the environmental objective because there is an aggregate global emissions cap"[15].

And yet the draft **US climate bill** issued last week, outlines that under their proposed cap-and-trade scheme, **offset purchases** for entities covered by the scheme will **need to be "split evenly between domestic and international offsets."**[16]

While Groups recognise the substantial benefits associated with both the Australian Government and Australian businesses assisting developing countries to reduce their emissions and adapt to climate change, they note the difficulties associated with such a task and the uncertainties about the timeframes involved, especially in relation to implementing ecologically sustainable forestry policies and practices in developing countries. For this reason, Groups consider that international offsets (and, in particular, international forestry offsets) should be excluded from the sectors eligible for offset purchases by Australian companies and that the focus of our own

[15] Federal Treasury (30 Oct 2008), "Australia's Low Pollution Future: The Economics of Climate Change", pg 154.
[16] US House of Representatives (Apr 2009), "Draft Discussion Summary – The American Clean Energy and Security Act of 2009", pg 3.

emissions reduction policies should be to drive Australia's actual emissions down and build a low carbon future for all Australians.

Climate Action Groups believe the inclusion of unlimited international offsets in the current CPRS send a clear signal to industry, businesses and investors that Australia is not serious about reducing emissions and mitigating the impacts of climate change.

"Outsourcing" our response to climate change through international offsets reduces the effectiveness of any response to the extent of making it false and meaningless.

The issue of unlimited international permits and the related Treasury modelling figures, raise serious questions for the Climate Action Groups signing this submission about the integrity of the Rudd Government and whether their climate change 'spin' could be considered as deceptive and misleading to both the Australian public and the international community, particularly in the context of their election promises.

We pose the following questions to the Senate:

- How can Australia go to the Copenhagen talks with a 5-15% target and, on top of that, tell the international community that we will be paying developing countries to reduce their emissions but we won't be reducing ours until 2035?
- How can Australia expect China, India, Indonesia or Brazil to consider reducing their emissions when we are unwilling to reduce ours?
    - President Obama stated last week "how important it is for the United States to lead by example to reducing our carbon footprint so that we can help to forge agreements with countries like China and India."[17]
    - The same holds true for Australia. After all, we are an affluent, developed country.
- How can the Government justify delaying Australia's transition to an emissions-free economy until after 2035?
    - Climate Action Groups are concerned that we will have missed a dramatic opportunity to provide new employment and derive export revenue from smart, innovative technologies (we have already lost some of our top innovators to the US and China, for example Ausra's solar-thermal technology and Suntech's solar PV technology).
    - Lord Nicholas Stern has consistently stressed that "countries that sink their treasure now into a dirty coal infrastructure or high-carbon production methods are not only jeopardising the health of the planet, they are jeopardising their own economic future"[18].

[17] Reuters, (2 Apr 2009), "Obama: U.S. To Lead On Climate So China, India Follow".
[18] Carbon & Environment Daily, (5 Mar 2009), "Economic meltdown no reason to delay".

RECOMMENDATIONS: Groups call on the Government to:

1.8 Urgently exclude international offsets and, in particular, international forestry offsets from being counted towards Australia's 2020 emissions reduction targets, until forest carbon measuring deficiencies have been remedied, problems of leakage addressed, and the impact modelled of a range of international forestry offset restrictions on Australia's domestic emissions reductions.

5. Getting Serious About Renewables

Between 1990 and 2006, Australia's stationary energy emissions grew by 47.3%[19] and by 2006 were responsible for around 49% of all emissions. Renewable energy must form an integral part of Australia's emissions reduction plan.

The election promise on renewables was clear: "Labor is committed to the development of the renewable energy industry, which will play an important role in reducing Australia's greenhouse gas emissions."[20]

The base-load power generation breakthroughs that have taken place over the last few years in solar-thermal and geo-thermal technologies mean that 100% of Australia's electricity can be provided by clean, renewable energy. This new mix would also include solar photo-voltaic (PV), wave, tidal, sustainable biomass and wind power[21].

In this context, over 150 Climate Action Groups adopted a policy of 100% renewable energy in Australia by 2020[22]. This mirrors Al Gore's call for 100% clean electricity in the United States within the next 10 years.

- Al Gore's goal for the US received a boost with the appointment last week by the Obama Administration of Cathy Zoi (CEO of Al Gore's Repower America campaign) to the position of Assistant Secretary for Energy Efficiency & Renewable Energy.

In our submission to Government on the expanded Mandatory Renewable Energy Target (MRET) in February 2009 we called on the government to undertake a major overhaul of renewable electricity policies in Australia, as we believe the current policies:

- Fail to map out a clean, renewable electricity future for Australia;
- Fail to recognise the substantial role that renewable electricity can play in reducing Australia's emissions;

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[19] Australian Govt Fact Sheet (Dec 2008) "Australia's Greenhouse Gas Emissions", pg1.

[20] ALP National Platform and Constitution, (2007) "Chapter 9 – Combating Climate Change and Building a Sustainable Environment", pg 3.

[21] 'Sustainable biomass' does not include the use of native forest woodchip waste or palm oil or sugar cane grown specifically for biofuels (both domestically and internationally).

[22] Position adopted by climate groups on 2 Feb 2009 at "Australia's Climate Action Summit".

- Fail to drive substantial investment in renewable electricity;
- Fail to promote investor certainty and confidence in renewables; and
- Fail to encourage our renewable energy experts to remain in Australia.

As part of this overhaul process, Climate Action Groups called for the urgent establishment of a Renewable Electricity Task Force to work on a timeline and implementation plan for a rapid roll-out of renewable electricity in Australia.

Further, we asked that this high-level task force analyse and report back to the Australian people by 31 July 2009 on the following key areas:

- Mapping out appropriate renewable electricity supply corridors (including their proximity to the grid) for solar-thermal and solar-PV, geo-thermal, wave, biomass, wind and other renewable energy technologies.
- Base-load energy supply through renewable electricity generation, with a particular focus on base load solar-thermal and geo-thermal sources.
- Infrastructure investment requirements to improve the capacity of the grid to efficiently integrate energy from a myriad of renewable sources.
- Current structural impediments to distributed energy in Australia.
- Detailed economic modelling of the costs and benefits of a rapid roll-out of 100% renewable electricity into the Australian electricity grid, including analysis on economic growth, employment and training / skills growth, investment, energy prices and inflation.
    - Climate Action Groups note that large-scale implementation of renewable technologies has already led to economic, social and environment benefits including growth in jobs, training and investment in many countries (including Germany and Spain).
- A “Just Transitions” plan to ensure an equitable and fair transition for employees and communities affected by a rapid transition to 100% renewable electricity.

Unfortunately, despite immense public support for renewables and the fact that the technology already exists and has been demonstrated to be commercially viable, Australia’s renewable energy future is anything but clear.

- Despite expanding MRET to 20% renewables by 2020, the high-level consultative committee for the upcoming Energy White Paper process does not include a single renewable energy expert.
    - Of the 15 Committee members, 9 members represent fossil-fuel companies (Shell, Rio Tinto, Xstrata, BHP Uranium, Santos, Woodside Petroleum, Origin Energy, AGL and Australian Petroleum Production and Exploration Association).
    - Climate Action Groups find it hard to imagine that this report will map out a clean, renewable energy future for Australia.

- In terms of MRET, while the 20% appeared to be a step in the right direction, the 2030 phase-out detailed in the new legislation suggests that the proportion of renewables in Australia's energy mix will fall after 2024.
    - This phase-out plan promotes substantial investor uncertainty about the future of the renewable energy industry in Australia.
    - It also indicates a pre-disposition by the Government to further entrench fossil fuels (such as carbon capture and storage (CCS) for coal plants – which remains unproven and poses significant costs and environmental risks – and nuclear energy) as the dominant energy source in Australia over renewables (this assertion is consistent with the data in Treasury's Chart 6.14 (see pg 10 above) and the composition of the high-level Energy White Paper committee).
- The MRET model was also supposed to, in theory, be the cheapest way to achieve a renewable energy target, however in practice it has promoted the cheapest form of renewable energy – wind power.
    - While wind has a crucial role to play in the renewables mix, the MRET model has failed to promote widespread investment in other renewable technologies, most notably solar-thermal, solar PV and geo-thermal.
    - In this context, Climate Action Groups have called on the Government to replace MRET and existing State and Territory Feed-In Tariffs (FIT)[23] with a Gross National FIT modelled on the German FIT by July 2009 (see Attachment A for further details on this position).
- Finally, when it comes to rebates for residential solar PV we have seen 2 major policy changes in 15 months: 1) the introduction of a means test for the $8,000 rebate; and 2) from 1 July 2009 the cancellation of the means test and a new solar credits system which will leave householders around $2,000 worse off via rebate reduction and elimination of the current Renewable Energy Certificates scheme.
    - These annual policy changes (and back-flips) reflect, in our view, a failure by the Government to take renewables seriously. Further, overnight cessation and changes to policy promote substantial uncertainty for investors, industry, businesses and household.

This lack of commitment by the Government fails to recognise the substantial opportunities that a rapid transition to renewable energy would present for Australia and is particularly disappointing in the context of some excellent local and state-based initiatives currently being implemented[24].

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[23] FITs are currently proposed or operating in the ACT, QLD, SA, VIC and WA.

[24] For example, wind power in South-West Victoria provides around 40% of the region's domestic and commercial power use, with substantial alternative opportunities for renewable energy generation identified in a report by the CSIRO – Graham P., CSIRO (Feb 2008), "Reaching for Renewables: Final Modelling Results".

RECOMMENDATIONS – Groups call on the Government to:

1.9 Commit to a policy of 100% renewable electricity in Australia.

1.10 Establish a high-level Renewable Electricity Taskforce (as per terms of reference on pg 14) to report back to the Australian people by the end of 2009.

1.11 Delay the Energy White Paper Process until the findings of the Renewables taskforce have been finalised.

1.12 Urgently appoint no less than 3 Renewable Energy experts in the areas of solar-thermal / solar PV, wind power and biomass to the high-level committee for the Energy White Paper process.

1.13 Urgently appoint at least 1 environmental Non-Government Organisation and 1 Organisation that represents energy users to the Energy White Paper Committee.

1.14 Replace MRET and existing State and Territory FIT's with a Gross National FIT modelled on the German FIT by July 2009.

1.15 Undertake that the residential solar PV rebate will not be changed for at least 2 years, unless the changes are to increase and / or improve the rebate.

6. Assistance to Coal Generators Conditional on Phase-Out

The Climate Action Groups signing this submission do not support the continued use of coal-fired power generation in Australia's electricity mix outside of a 10-year transition (by 2020) to a zero-emissions economy.

Groups note that many senior experts have expressed concern about the feasibility of CCS for coal plants and, in particular, the high costs and substantial environmental risks posed by this unproven technology.

Groups support assistance to coal-fired generators and affected communities as part of a just and fair transition for this sector and believe that all assistance given by the Government to this sector (such as the proposed $3.9 billion of assistance through revenue raised by the CPRS) should be conditional on an orderly and detailed phase-out plan for the sector.

RECOMMENDATIONS - Groups call on the Government to:

1.16 Prepare a detailed national review of existing coal-fired power plants, with a view to preparing comprehensive phase-out plans for each plant over the next ten years.

1.17 Change the requirements for assistance to coal-fired generators under the CPRS to be conditional upon the ten-year phase-out plan for these generators.

RECOMMENDATIONS - continued

1.18 Legislate a ban on all new coal-fired power stations in Australia, with the ban to be formally announced at the talks in Copenhagen.

1.19 Enact an urgent moratorium on: 1) new coal exploration and mining; 2) the expansion of existing coal mines; and 3) the expansion of coal infrastructure.

1.20 Suspend all subsidies, tax incentives and financial support to the fossil fuel industry (including any taxpayer funded plans to expand coal infrastructure), effective immediately.

1.21 Immediately redirect the $500 million *Clean Coal Fund* as well as any other Government funding / support for carbon capture and storage into promoting and advancing renewable energy technology, energy efficiency, public transport and land management practices that foster carbon sequestration.

7. The Need for New Energy Efficiency Legislation

Climate Action Groups believe that a reduction in energy use through energy efficiency is a fast and cost effective way to reduce our current emissions.

Reducing energy demand as a whole, including for oil-based fuels and electricity, will reduce emissions in the short-term and ease pressure on current energy supply systems and scarce, non-renewable resources (like oil). This will also allow for a smoother transition to a 100% renewable energy supply.

Groups welcomed the Government's $3.9 billion energy efficiency announcement in February 2009 (for ceiling insulation and solar hot water systems), as part of the Government's $42 billion stimulus package.

We believe the Government's energy efficiency program would be further strengthened by the formulation and implementation of a National Energy Efficiency Scheme, covering standards for buildings (both commercial and residential) and appliances.

This new scheme could include:

- Mandated energy reduction goals for new buildings, such as a 50% reduction by 2010 and carbon-neutral buildings by 2020;
- A national public housing program to build 100,000 energy efficient homes with effective public transport links by 2012;
- Retrofits for all Government housing, thereby protecting tenants from energy price increases;
- Retrofit plans for existing buildings (including public housing and private rental accommodation);
- Mandated targets for all major household appliances (including refrigerators, televisions, air conditioners and heating) to become at least 50% more energy efficient by 2020.

This new scheme would provide clear guidance and certainty for investors, industry, businesses and householders on the future direction of buildings and appliances in Australia.

RECOMMENDATIONS – Groups call on the Government to:

1.22 Prepare and implement a National Energy Efficiency Scheme in consultation with a wide range of stakeholders within the next 6 months.

8. Reforming Public Transportation Systems

Between 1990 and 2006, emissions from transport grew by 27.4% making it the second fastest growing sector in terms of greenhouse gas emissions after stationary energy[25].

Climate Action Groups welcomed the opportunity to contribute to the current Senate Inquiry on the "Investment of Commonwealth and State Funds in Public Passenger Transport Infrastructure and Services" and see it as a crucial first step in designing a new transportation policy for Australia and reducing our emissions from transport.

The rapid roll out of renewable electricity generation systems into the Australian grid can provide substantial options to re-power both public and private transportation systems and, in the process, transition Australia away from its dependence on oil.

Climate Action Groups made 11 recommendations to the Senate inquiry and re-affirm those recommendations below[26]:

RECOMMENDATIONS – Groups call on the Government to:

1.23 Move jurisdictional control of public transportation from State/Territory Governments to the Federal Government.

1.24 Mandate that all design, development planning and urban renewal programs take into account proximity to public transportation systems, including walking/cycling paths and park-and-ride facilities.

1.25 Produce a discussion paper for public consultation on options to reform urban public transportation systems in Australia, with the primary goal of facilitating major investment in upgrading and expanding public transportation systems (including electrified rail, bus, cycle ways and footpaths) and increasing public transport usage.

1.26 Include the co-benefits of investing in public transportation as a criterion for appraisal for all transportation projects by Infrastructure Australia.

[25] Australian Govt Fact Sheet (Dec 2008) "Australia's Greenhouse Gas Emissions", pg1.
[26] See full copy of submission at: http://www.climatesummit.org.au/policyprocesssummit

RECOMMENDATIONS - continued

1.27 Refer amended legislation to achieve the outcome (of inclusion of co-benefits) to the bipartisan House of Representatives Committee on Sustainable Cities (2003).

1.28 Produce a discussion paper for public consultation on options to reform interstate and rural public transportation systems in Australia, with the primary goal of facilitating major investment in upgrading and expanding interstate and rural public transportation systems (particularly railways).

1.29 Mandate new fuel efficiency standards for all new motor vehicles, trucks and buses, commencing from 2012 or earlier.

1.30 Implement tax incentives to improve the competitiveness and financial viability of alternative fuel vehicles as well as help to establish a viable market here in Australia.

1.31 Set a mandatory zero emissions vehicle target of at least 5% of our total new car fleet, commencing in 2015. This target should then be doubled every 5 years.

1.32 Cancel the fringe benefits tax concession for company and leased cars.

1.33 Replace prohibitions / deterrents to cycling and walking to secondary and tertiary education facilities with appropriate infrastructure upgrading and education programs.

9. Land Use, Agriculture and Forestry

Emissions from land use, agriculture and forestry made up approximately 22.8% of Australia's total emissions in 2006, making it the second largest emitting sector after stationary energy. Of this amount, agriculture accounted for 15.3% and 'land-use and forestry' accounted for 7.5% of our total emissions[27]. Groups note, however, that these figures omit emissions from logging State managed forests, which deem these and other forestry related emissions to be 'carbon-neutral'.

While total emissions from this sector are extremely high, there is tremendous potential to increase carbon sequestration and improve biodiversity and resilience outcomes in the face of changing climatic patterns in Australia.

We acknowledge the Federal funding of $32 million announced under the Climate Change Research Program to research soil carbon and nitrous oxide emissions in Australian agriculture.

In addition to this research program, Climate Action Groups believe that further work needs to be done by the Government to formulate appropriate

[27] All figures from this paragraph are from: Treasury (Oct 08), "Australia's Low Pollution Future: The Economics of Climate Change", Chart 3.21, pg 48.

mechanisms to reduce emissions in this sector based on ecologically sustainable principles.

Australian rural industries (agriculture, horticulture and forestry) are highly vulnerable to the impacts of rapid climate change and adequate planning needs to go into both adaptation and mitigation measures for the sector.

Maintaining and enhancing the capacity of Australian soils and forested areas to store carbon is one of the most effective and cheapest actions that can be rapidly taken to redress the carbon imbalance[28].

These measures can drive early and large emissions reductions in Australia and therefore should be treated as additional to, not a substitute for, fossil-fuel emissions reductions. In this context, allowing voluntary inclusion of reforestation in the scheme (as currently proposed) will delay Australia's transition to an emissions-free economy.

In addition, Climate Action Groups note that international accounting rules for forests, on which our national rules are based, contain fundamental flaws that require urgent amendment. To include this sector in the CPRS would further entrench these national and international rules, making it virtually impossible for these accounting rules to be fixed.

- The Kyoto framework classification of land use change treats intensive logging (near clear-felling) of publicly owned multi-aged carbon dense 'managed' forests as 'no land use change'.
    - The emissions generated by logging are not counted, but assigned a 'carbon-neutral' value.
    - The additional emissions occasioned by the further processing of native forest logs into woodchips for the export trade as well as the emissions from using native forest wastes for electricity generation are also not counted.
- The Kyoto framework and definitions of land use change are clearly an inappropriate base for the development of domestic forest policies as they fail to adequately address climate change in terms that are relevant to Australia's unique forest ecosystems and plantation wood availability.

Australia needs domestic policies that take account of the ecological and evolutionary processes that sustain native forests as vast carbon stores, and the way these processes are compromised by logging, especially intensive logging as practiced in Australia.

- In particular, Australia needs to develop sectoral policy principles for forests and forestry, outside the CPRS.
- These policies need to be based on the recognition that native forests are our best terrestrial carbon sinks, and should be protected and enhanced.
- Plantations should be used for virtually all wood needs, because they cannot provide the environmental services, especially in relation to climate, that native forests can.

[28] Mackey, Keith, Berry and Lindenmayer (2008) Green Carbon: The role of natural forests in carbon storage. The Fenner School of Environment and Society, Australian National University.

It is particularly concerning to Climate Action Groups that the Council of Australian Governments is not only overlooking these opportunities for emissions reductions, but are considering proposals to use native forests for electricity generation, with resulting high pollution and high emissions, and without going through adequate carbon measuring or environment assessment processes.

- The erroneous assumption is made that native forests storing up to several hundred years worth of carbon are no more valuable in climate mitigation than young plantations of native or introduced species.
- Adverse impacts on water quality and quantity and on biodiversity are ignored, yet both are critical to resilience and adaptation in the face of climate change.

Climate Action Groups note that cessation of native forest logging could reduce Australia's CO_2 emissions by at least 7% and, given the availability of plantation supplies, these savings could be achieved virtually immediately and at very low social and economic cost. Effectively ending deforestation (land clearing) could yield another 11-13% in emissions reductions[29].

<u>RECOMMENDATIONS</u> – Groups call on the Government to:

1.34 Urgently estimate the emissions from agriculture and work on a timetable of promoting / supporting biosequestration to facilitate a draw-down of historical carbon in our atmosphere.

1.35 Reassess all current land management practices (including agriculture and forestry), and formulate an early emissions reduction strategy that supports a just transition (in consultation with stakeholders) in the agricultural sectors and structural adjustment in the forestry sector out of native forest logging and into using Australia's plentiful plantation supplies for virtually all of our domestic and export wood needs.

1.36 Urgently rectify the Australian accounting deficiencies in relation to forests by establishing accounting methodologies which cover all anthropogenic sources and sinks and which disaggregate emissions from sequestration, thereby ensuring that emissions generated by logging (including turning native forest logs into woodchips for export) are no longer counted as 'carbon-neutral'.

1.37 Urgently close the loophole that currently assigns logging emissions to the importing country, rather than assigning them to the source country (as per the IPCC's rules). Groups note this loophole understates Australia's logging emissions (which are unlikely to be accounted for by recipient countries due to the IPCC ruling for it to be counted at source).

1.38 Negotiate a new post-Kyoto accounting framework for forests at the upcoming Copenhagen talks, that addresses the fundamental flaw of classifying intensive logging of publicly owned multi-aged carbon dense 'managed' forests as 'no land use change', thereby treating emissions from logging as 'carbon-neutral'.

[29] Blakers, M., (Sept 08), "A framework for carbon accounting and emissions reductions."

10. Other Major Flaws with the CPRS Requiring Amendment

This section highlights the other major flaws with the CPRS. They are additional to the flaws outlined above (in particular, the low target, allowance for 100% international offsets and assistance to coal-fired power generators).

A. Treatment of Reforestation and Deforestation in the CPRS

Underpricing of native forest logs by State agencies already encourages over-logging of native forests and under-utilisation of plantation supplies for the export woodchip trade. Recent legislation enabling plantations to be deemed carbon sink 'forests' and eligible to earn carbon credits within the CPRS would, in the absence of a ban on native forest logging, lead to an increase in native forest logging and therefore a net increase in emissions even at quite low carbon prices[30].

In addition, there is no guarantee of permanent sequestration of carbon in the plantation carbon sink forests'. There is also nothing to stop the plantations being logged at any time, while still getting credits for sequestration prior to logging.

Equally worrying, the failure to address deforestation and native forest logging in the CPRS could also promote the burning of native forest biomass for electricity because emissions from such activities are "zero-rated".

To protect Australia's native forests from such perverse outcomes, Climate Action Groups believe that reforestation and deforestation both need to be excluded from the CPRS. The current treatment creates a market distortion in favour of increasing native forest logging which is completely illogical and requires urgent rectification.

Climate Action Groups recognise that it would be cheaper for emitters to offset their emissions through plantation establishment ('reforestation') rather than to reduce their emissions through other means (such as building renewable energy generation systems, researching and developing lower emissions technologies etc).

Given the urgency of action on climate change, Climate Action Groups believe that our planet would be served best if the protection of carbon stores in old growth and regrowth native forests and forest soils were paralleled with emission cuts from other sectors (such as emission reductions in stationary energy, transport and industry). The excess carbon sequestered through native forests and plantations could help to draw-down some of Australia's historical carbon debt.

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[30] Adjani J., Wood P., (Aug 2008), "Submission to the Commonwealth Government on the Carbon Pollution Reduction Scheme Paper", pg6 states that: "Emissions will leak from the plantation forestry sector to the native forest logging sector. Because native forests are more carbon dense than plantations, and the proportion of usable wood is lower, the leakage is likely to lead to a net increase in emissions."

RECOMMENDATIONS - Groups call on the Government to:

1.39 Develop new domestic forestry policies that support and promote:

a) Protection of native forests and other natural ecosystems;
b) Restoration and ecological recovery of disturbed or damaged forests and other natural ecosystems;
c) Ecologically appropriate re-afforestation and re-vegetation practices.

1.40 Exclude harmful land management practices from these new national forestry policies, including the exclusion of:

a) Conversion of natural forests and other natural ecosystems to plantations and agricultural land;
b) Deforestation / de-vegetation;
c) Carbon credits for harvested wood products;
d) Bioenergy, biochar and biofuel created from native forests and other natural ecosystems; and
e) MRET eligibility for bioenergy from native forest and other natural ecosystem.

1.41 Exclude both reforestation and deforestation from the CPRS, thereby alleviating the current market distortion in the CPRS in favour of increasing native forest logging (resulting from the current treatment of including reforestation and excluding deforestation).

B. Government Purchases of International Offsets

Climate Action Groups note with concern that if Australia's 5 – 15% caps on emissions are not in alignment with new international targets the "Government will make up the shortfall in internationally agreed targets by purchasing eligible international units"[31].

As outlined in Section 3, given that our current caps are well below that of the US, EU and UK and completely out of step with current climate science, it is highly likely that our caps will fall short of the international targets to be agreed to in Copenhagen in December.

This means that if the CPRS legislation comes into effect in June 2009 as planned, the Government will use tax-payer funds to purchase carbon offsets overseas to make up the shortfall.

We will therefore be in a situation where both emitters (through the allowance of unlimited international permits under the CPRS – see Section 4) and the Australian Government will be purchasing offsets overseas rather than reducing Australia's emissions at home.

This would again impede investment in green jobs in Australia and further delay Australia's transition to an emissions-free economy.

[31] Department of Climate Change (December 2008), "National Carbon Offset Standard Discussion Paper", pg 7.

RECOMMENDATION - Groups call on the Government to:

1.42 Keep Australia's 2020 emissions reduction targets out of the CPRS legislation until after a new climate deal has been negotiated in Copenhagen in December this year, unless the Government sets a target in line with the most up-to-date science (which calls for cuts of at least 40–50% by 2020).

C. Government Issued Fixed Price Permits Must be Subject to the Cap

Climate Action Groups note with concern that the Draft Exposure Legislation won't place a limit on Australian emissions units provided by the Government at a fixed price (Part 2 s13). This means that if the price of carbon rises above $40 per tonne the Government will issue unlimited additional permits with a view to bringing the price back down to below $40 per tonne.

While this would help to provide price certainty for carbon markets, these fixed price permits won't be subject to the total emissions cap, thereby making it even more difficult for Australia to achieve even a 5% target.

RECOMMENDATION - Groups call on the Government to:

1.43 Include all fixed price Australian emissions units in the CPRS cap, noting that this can be achieved by adjusting the cap in later years.

D. Free Permits to Emissions-Intensive Trade-Exposed Industries

Climate Action Groups note that we are in the midst of one of the worst global economic meltdowns we have ever seen. This means that every dollar we spend is precious. Groups urge the Government to invest taxpayer money into low-carbon industries of the future, industries that will stand the test of time and sustainable industries that will generate substantial employment and export revenue opportunities for ALL Australians.

Climate Action Groups support a just and fair transition as part of the structural shift away from a high emissions economy towards an emissions-free economy.

That said, Australia is one of the most fossil-fuel intensive economies on the planet and our current Emissions-Intensive Trade-Exposed (EITE) industries have had access to extremely cheap, dirty energy for many decades (unlike some of their overseas competitors). Groups therefore question whether the true competitiveness of EITE industries will in fact be eroded under the CPRS.

The groups signing this submission do not believe that the proposed 60–90% of free-permits to EITE industries is a just or a fair transition as it does not transition these sectors towards a lower emissions intensity. It simply compensates (and indeed encourages) them to continue polluting.

The free-permits amount to billions of dollars of assistance for these sectors, and the added option of unlimited international permits mean that these sectors don't even need to reduce their emissions here in Australia (despite receiving such a high level of Government assistance).

The free-permits will also dramatically reduce the amount of revenue available to assist householders affected by the CPRS and for investments in much needed energy efficiency, renewable energy and public transportation. This will further delay Australia's transition to an emissions-free economy.

For industries that do not produce fossil fuel energy and are facing international competitiveness issues under the CPRS, Groups propose that a system of Border Adjustments be implemented (that is, "adjustments are made to the export and import prices of goods according to the carbon costs embodied in the goods"[32]) instead of issuing free-permits.

- Unlike free-permits (where emissions would not necessarily be reduced), Border Adjustments ensure that EITE industries still reduce emissions without being disadvantaged on the international market.
- Adjustments would not apply to exports to destination countries that have a carbon trading scheme or carbon tax of similar / equal value to Australia's or to imports from countries with similar schemes.
- Groups note that these adjustments would be phased out over time in line with the new Copenhagen climate deal to be negotiated.
- These adjustments would also help to address the important issue of carbon leakage both to and from Australia.

Further, Climate Action Groups note that there is nothing in the exposure draft legislation to limit the proportion of free permits that can be given away. This makes the CPRS even more politically malleable and leaves the door open for further extensive lobbying by groups with vested interests.

<u>RECOMMENDATION</u> - Climate Action Groups call on the Government to:

1.44 Replace all free-permits in the CPRS with a system of Border Adjustments, to ensure that these sectors transition to a lower emissions intensity without being unduly disadvantaged in the international market.

E. The End of Individual / Community Action Under the CPRS

In addition to setting a loose 'cap' on emissions, the current CPRS "will also impose a 'floor' below which emissions cannot fall" [33].

As total emissions under the current CPRS are unable to fall below the 5% emissions reduction target, State/Territory governments, local councils,

[32] Australian Govt (Jul 08) "Carbon Pollution Reduction Scheme: Green Paper" pg 300.

[33] Denniss, R. (Nov 2008) "Fixing the floor in the ETS – the Role of Energy Efficiency in Reducing Australia's emissions", Research Paper No. 59, pg 14-15.

communities and households will be completely disempowered and prevented from making a meaningful difference when it comes to climate change.

The NSW Independent Pricing and Regulatory Tribunal (IPART) confirms this perverse outcome of the CPRS, noting that "additional measures to reduce emissions in sectors covered by the scheme would not result in an increase in emissions abatement … the emissions avoided through undertaking an additional measure would result in an equivalent increase in emissions elsewhere.[34]"

This means that no-matter how hard individuals and communities work to reduce their emissions (whether through energy efficiency, installing solar hot water or solar PV or building community owned wind or solar farms), we can never go beyond the 5% target. The harder we work to reduce our emissions, the easier it is for other sectors of the economy to increase theirs.

- If individual action achieves the 5% within two years then other sectors of the economy covered by the CPRS can continue emitting in a business-as-usual scenario for another 8 years (until 2020).
- If individual action exceeds the 5% target at any time during the 10-year period (between 2010-2020) then other sectors can increase their emissions to bring us back down to the 5% target by 2020.

This emissions floor, combined with such a low emissions reduction target, is simply untenable for Climate Action Groups (who are dedicated to working within their communities on a voluntary basis to raise awareness about climate change, energy efficiency and renewable energy etc).

RECOMMENDATION - Groups call on the Government to:

1.45 Remove the emissions floor in the CPRS, to ensure that individual, community, local council and state/territory government emissions reduction efforts contribute to additional emissions abatement.

F. The End of the Australian Voluntary Offset Market under the CPRS

The setting of the 5% cap in the CPRS is also likely to lead to the end of the voluntary offset market in Australia since offsets are, by their nature, supposed to be additional to current measures to reduce emissions.

Not only will it not be possible for individuals or businesses to purchase offsets in a covered sector once the CPRS comes in (for example, greenpower for electricity will no longer be considered as additional abatement under the CPRS), but the legislation states that the Minister may

[34] IPART (Dec 2008) "Review of NSW Climate Change Mitigation Measures" pg 28.

have regard to "estimates of greenhouse gas emissions that are not covered (directly or indirectly) by the carbon pollution reduction scheme"[35].

This implies that emissions reductions achieved in non-covered sectors (that is, Forests, Land Use, Waste and Agriculture) will also be taken into account when setting the caps.

It will therefore not be possible for Australian individuals or businesses to offset the parts of their footprint they cannot reduce in emissions reduction projects in Australia (in either covered or uncovered sectors), as they will not be considered to be additional emissions abatement.

Those wishing to purchase offsets will have no choice but to purchase eligible offsets overseas.

Once again, this will drive investment in emissions reduction projects overseas rather than encouraging Australian businesses to focus their investment into green jobs and new industries in Australia.

RECOMMENDATION - Climate Action Groups call on the Government to:

1.46 Enable additional abatement opportunities for sectors not covered by the Scheme (forests, land use, agriculture and waste). Groups note that this will drive much needed investment and innovation in alternative land and waste management practices.

G. Property Rights and Compensation under the CPRS

Climate Action Groups note with concern that emissions permits are treated as a property right under the CPRS, rather than a compliance instrument, so any measures to improve the CPRS down the track (including increasing emissions reduction targets) will result in compensation payments to firms, which could amount to billions of taxpayer dollars. For example, if the Government reduces emissions by another 5% by 2020 it would need to compensate industries covered by the Scheme by around $684 million[36].

As noted in Section 3, our current 2020 emissions reduction target range is completely out of step with current climate science and targets in other developed nations. It therefore seems likely that the international community will expect us to reduce our emissions by more than our current target band.

If the CPRS legislation is passed (as planned) by the end of June 2009, there is a strong chance that in December 2009 the Government will have little choice but to either pay compensation payments to industries covered by the

[35] The Parliament of the Government of Australia (2009), "Carbon Pollution Reduction Scheme Bill 2009 – Exposure Draft", pg 30.

[36] Back of the envelope calculation=5%x547MT CO_2 (Australia's total net emissions in 1990) = 23.7 million tonnes x $25 (estimated carbon price) = $684 million.

Scheme for changing the targets or make up the shortfall (as outlined in Section 4) by purchasing international offsets.

Either way, Groups believe that it would be a far more effective use of taxpayer money to invest in energy efficiency, renewable energy and public transport rather than pay compensation or purchase international offsets.

RECOMMENDATION - Climate Action Groups call on the Government to:

1.47 Amend the legislation to ensure that all permits issued as part of the CPRS are made instruments of compliance rather than property rights.

H. The Absence of Third Party Rights in the CPRS

Climate Action Groups note with concern that the legislation appears to allow for decisions against emitting entities to be reviewable, but decisions in favour of emitting entities are not (Section 346 in the Exposure Draft).

Groups believe that the exclusion of third parties from being able to take civil or administrative action for breaches of the CPRS Act or against decisions made under the Act is a grave miscarriage of justice and compromises the transparency and accountability of the CPRS to the Australian people.

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.

RECOMMENDATION - Climate Action Groups call on the Government to:

1.48 Establish third party rights under the CPRS Act, to ensure that the CPRS remains transparent and accountable to both current and future generations of Australians.

11. Revenue Raising Mechanisms

Climate Action Groups believe that if the Government decides to implement an emissions trading scheme or a carbon tax, all revenue raised should be directed towards transitioning Australia to an emissions-free economy and assisting developing countries with mitigation and adaptation requirements.

Recommendations for specific expenditure requirements are set out below:

RECOMMENDATIONS - Groups call on the Government to:

1.49 Direct all money raised through the emissions reduction mechanisms into:

- Substantial investments in renewable energy in Australia.
- Infrastructure investments in an intelligent electricity grid.
- New energy efficiency standards for buildings, vehicles, appliances.
- Major infrastructure investment in public transportation systems.
- Incentives for land management practices that protect native forests, and encourage biological resilience and carbon sequestration.
- Assisting local communities (that rely on the fossil fuel and forestry industries) to adapt, restructure and build sustainable industries.
- Assistance and support for low-income households and other groups affected by the rapid transition to an emissions-free economy.
- Assistance and support for developing countries to help with the immense adaptation and mitigation task ahead.

Conclusion

As outlined above, the Climate Action Groups signing this submission believe that urgent implementation of a range of mechanisms are required to constrain emissions growth across all sectors of the economy.

Given the urgency of climate change and the magnitude of the changes that are required, we could not, in good conscience, support a 'one-size-fits all' approach to Australia's emissions reduction plan.

The 49 recommendations presented in this submission highlight a combination of legislative changes, new investment mechanisms (such as a gross national feed-in tariff) and sector-by-sector policies to facilitate a rapid reduction in Australia's emissions.

Groups believe that implementation of these recommendations would generate substantial investment opportunities, create sustainable industries and promote the creation of green collar employment.

We also believe that adoption of these recommendations would give other countries the confidence to undertake major commitments in the lead up to the Copenhagen talks in December.

Our hope is that these measures would lay some crucial groundwork for the upcoming talks in ensuring that we negotiate the best possible deal to avoid dangerous climate change and return our planet to a safe climate zone.

We thank the Senate Select Committee on Climate Policy for giving us this important opportunity to outline our vision and policies on climate change.

More about Climate Action Groups

Climate Action Groups are collectives of ordinary but highly concerned Australians who have come together in their local communities to act on climate change.

Climate Action Groups have experienced extraordinary growth over the past few years, with over 200 groups (representing thousands of people) currently operating in local communities across Australia.

The dedication and determination of these groups is testimony to a deeply felt community concern about the threat of climate change and increasing unease in the community about the direction of climate policy in Australia. Groups generally have no political affiliations, and often represent the people and sentiments of a broad cross-section of Australian society.

In early February 2009, the first ever Climate Action Summit was held in Canberra, bringing together over 500 participants representing around 150 Climate Action Groups. The summit was a tremendous success and has lead to greater organisation, communication and collaboration among groups.

Climate Action Groups are rapidly proving themselves to be a powerful force in the public climate debate in Australia.

Signatories to this Submission:

66 Climate Action Groups from across Australia have signed this joint submission. They have a combined membership of well over 13,000 people and are doing phenomenal work in each of their communities/regions to raise awareness on climate change and facilitate a transition to a safe climate zone.

The contact for this submission is Tracey Tipping (Climate Action Pittwater, tracey@eternalsource.com.au, ph: 0411 861 269).

Climate Action Group signatories are listed below:

1. Aldinga Climate Action Group, SA
2. Alpine Riverkeepers, NSW
3. Ararat Greenhouse Action Group Inc, VIC
4. Australian Forest and Climate Alliance, National
5. Ballarat Renewable Energy and Zero Emissions (BREAZE), VIC
6. Ballina Climate Action Network, NSW
7. Bathurst Community Climate Action Network, NSW
8. Bayside Climate Change Action Group (BCCAG), VIC
9. Beenleigh Community for Cool Change, QLD
10. Bendigo Sustainability Group (BSG), VIC
11. Beyond Zero Emissions, VIC
12. Boroondara Sustainability Network, VIC
13. Broadwater Community Dunecare, NSW
14. Citizens Climate Campaign, NSW
15. Clean Energy For Eternity - Bega, NSW
16. Clean Energy For Eternity - Eurobodalla, NSW
17. Clean Energy For Eternity - Cooma-Monaro, NSW
18. Clean Energy For Eternity - Jindabyne, NSW

19. Clean Energy For Eternity - Manly, NSW
20. Clean Energy For Eternity - Mosman, NSW
21. Clean Energy For Eternity - Palerang, NSW
22. Clean Energy For Eternity - Shoalhaven, NSW
23. Clean Energy For Eternity - Snowy River, NSW
24. Climate Action Canberra, ACT
25. Climate Action Hobart, TAS
26. Climate Action Newcastle (CAN), NSW
27. Climate Action Newtown, NSW
28. Climate Action Now, Wingecarribee (Canwin), NSW
29. Climate Action Pittwater, NSW
30. Climate Action Tomaree (WG of EcoNetwork Port Stephens), NSW
31. Climate Change Balmain-Rozelle, NSW
32. Coalition for a Safe Climate (Perth), WA
33. Crisis Coalition, NSW
34. Darebin Climate Action Now, VIC
35. Darwin Climate Action Group, NT
36. Drummoyne/Canada Bay/Lowe Climate Action Group, NSW
37. Emerald for Sustainability, VIC
38. Environment Tasmania Inc (incl. 26 Member Groups)
39. Epping Beecroft Climate Action Group, NSW
40. Families Facing Climate Change, VIC
41. 450ppm, NSW
42. Gold Coast & Hinterland Environment Council (GECKO), QLD
43. Green Coast Catalysts, NSW
44. Greenleap Strategic Institute, VIC
45. Jamberoo FutureCare, NSW
46. Katoomba Area Climate Action Now, NSW
47. Lighter Footprints, VIC
48. Locals into Victoria's Environment (LIVE), VIC
49. National Toxics Network, NSW
50. Otway Ranges Climate Action (ORCA), VIC
51. ParraCAN, NSW
52. People for a Safe Climate, NSW
53. Plug-In Australia, NSW
54. Quest 2025, QLD
55. South-East Region Conservation Alliance (SERCA), NSW
56. Southern Otway Landcare Network (SOLN), VIC
57. Surf Coast Energy Group, VIC
58. Sustainable Environment Education Development Inc (SEED), VIC
59. Sustainable Hepburn Alliance for Renewing the Earth, VIC
60. Sustainability in Stonnington, VIC
61. Sutherland Climate Action Network, NSW
62. Transition Towns Triangle Plus, NSW
63. Wodonga and Albury Towards Climate Health (WATCH), VIC
64. Yarra Climate Action Now!, VIC
65. Yarra Valley Climate Action Group, VIC
66. Zero Carbon Network, SA

Attachment A

Replacing MRET with a Gross National Feed-in Tariff

When the MRET model was originally chosen by the Howard government over a feed-in tariff (FIT), it was a theoretical assumption that an MRET style model would produce least-cost renewable energy generation options and would therefore be the cheapest way to achieve a renewable energy target.

However, in practice this has not been the case[37].

While early achievement of MRET was initially deemed a success[38], the failure by the Government to expand or extend MRET resulted in MRET effectively becoming a cap on renewable energy development in Australia.

This uncertainty meant that key players in the wind industry had to postpone or cancel substantial planned investment in wind projects in Australia, leading the market to stall.

The "stop-go" nature of the MRET model combined with the short (politically malleable) time frames did not promote investor confidence or certainty, thereby further impeding growth of the renewable energy market.

Finally, the "least cost" nature of the MRET model meant that only the cheapest forms of renewable energy were promoted, such as wind power.

This has led to a lack of diversity in the renewable energy market and provided little incentive for renewable energy experts in other areas (most notably solar PV and solar-thermal) to remain in Australia.

FITs, on the other hand, have proven to be a highly successful policy instrument in driving substantial investment in a wide range of renewables.

This has been most evident in Germany, whereby, "Germany's feed-in law, introduced in 1990 has led to a massive boom in investment. There was a 3025% increase in its solar capacity from 64 million kWh in 2000 to 2 billion kWh in 2006."[39]

In addition to promoting substantial investment in renewables, FITs have also been proven through implementation to[40]:

- Have lower transaction and administrative costs when compared to MRET;

[37] Most concepts on the MRET/REC model are from: Prest, J. (Aug 2008) "Inquiry into the Renewable Energy (Electricity) Amendment (Feed-in Tariff) Bill 2008".

[38] The 2010 MRET target of 9,500 GWh was achieved in 2005.

[39] Prest, J. (Aug 2008) "Inquiry into the Renewable Energy (Electricity) Amendment (Feed-in Tariff) Bill 2008", pg 2.

[40] All dot points in this section are paraphrased from: Prest, J. (Aug 2008) "Inquiry into the Renewable Energy (Electricity) Amendment (Feed-in Tariff) Bill 2008", pg 14-15.

- Promote investor certainty – the tariff rate is usually guaranteed for a period of around 20 years, thereby reducing investment risk;
- Allow cooperatives and companies to participate;
- Apply across a range of technology bands, rather than simply focusing on the cheapest forms of renewable energy; and
- Recognise the network benefits from reduced transmission losses and generation closer to the source of consumption.

Climate Action Groups believe that a Gross National FIT would greatly facilitate major investment in the renewable energy sector in Australia and would play a crucial role in our transition to 100% renewable electricity by 2020.

To effectively encourage investment in renewables, the new FIT would need to:

- Apply to a range of renewable energy technologies, including solar thermal, solar PV, geothermal, sustainable biomass, wave and wind power;
- Apply to ALL the electricity generated from the renewable energy system (gross generation) NOT just the electricity that is surplus and exported to the grid (net generation);
- Be open to all sectors, including residential, commercial, business, local councils, public buildings, schools, churches, agricultural, light industrial and large scale commercial;
- Guarantee purchase and transmission of all electricity generated by connected renewable energy systems;
- Guarantee payments for at least 20 years, thereby providing investment certainty and confidence (these payments can be reduced when incremental generation capacity milestones have been reached);
- Provide a payback on electricity generated of around 4 times the standard domestic electricity tariff (this would reduce the payback time on many small – medium scale installations to less than 10 years); and
- Be introduced with retrospectivity, thereby allowing those early adopters to join the scheme from the date of enactment or when the law is passed.

Climate Action Groups note that work may need to be done by the Government to effectively harmonise the new 100% renewable electricity 2020 target/Gross National FIT with the existing MRET/Renewable Energy Certificates (RECs) system.