SUBMISSION

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Senate Select Committee on Climate Policy

1. Urgency and efficacy of the required response

The seriousness of climate change cannot be overstated. If left unchecked, it threatens much of life on this planet. The first observations of human induced climate change were made in the 1950's. By the late 1980's the science was clearly established. We are now almost out of time.

The impacts of climate change are likely to have a profound impact on the viability of many major cities (due to rising sea levels), on major agricultural areas (due to shifting rainfall and rising temperatures) and on oceans (due to rising temperatures and increasing acidity). It is now clear that we are facing a climate emergency.

a) A range of policies are required to provide certainty

In this context, it is not appropriate for solutions to be left to chance. Urgent and direct action is required to cut emissions as quickly as is humanly possible, and with as much certainty as possible. In order to achieve this certainty and a suitably robust and effective climate policy, a suite of policies are required. In common sense terms, with such high stakes, we should not '*put all of our eggs in one basket'.* This is particularly the case when the most touted solution (emissions trading) remains largely untested.

b) 'Lowest economic cost' – no longer an appropriate criterion

If Australia and the world had decided to take serious action to deal with climate change when the problem became clear in the 1980's, or even in early 1990's, we could have put in place a gradual program of economic change to cut emissions at the lowest economic cost. However, policy-makers failed to take any meaningful action and, as a result, greenhouse pollution has continued to skyrocket. We are now faced with the need to cut emissions dramatically and urgently.

Recommendation #1:

"Lowest economic cost" needs to be replaced by "most rapid and effective" as the primary criterion for determining emissions reduction policy.

2. Goal of climate policy – getting the target right

The primary goal of Australia's climate policy should be to cut emissions in order for Australia to play a constructive and effective role in the global effort to avert runaway climate change.

Climate change is a global problem and requires a global solution. It is not possible to say, on environmental grounds, that a particular emissions reduction target in Australia will either prevent or allow dangerous climate change. What we can say however, is what level of emissions reductions are required globally, whether a particular emissions reduction target for

Australia is an equitable contribution, and whether it is likely to help or hinder an effective global solution.

Therefore our policy goal needs to be informed by an assessment of the scientific need for emissions reductions, an assessment of global equity, and of the politics of the international negotiations.

Australia's contribution to an effective global agreement should be much greater than the proposed 5-15% target.

The target proposed by the Rudd Government is far lower than the ranges referred to in the Bali Action Plan, which is drawn from the IPCC Fourth Assessment Report, Working Group III, Box 13.7. The box states that Annex I countries as a group would need to reduce their emissions to below 1990 levels in 2020 by 25% to 40% for a 450 ppm CO2-eq stabilisation goal.

The Australian Treasury modelled a stabilisation goal of 450 ppm, called the 'Garnaut –25', that scenario found the Australian target would need to be –25% on 2000 levels by 2020 and 90% below by 2050 for a 450 ppm CO2-eq stabilisation goal.

At the recent UNFCCC climate talks in Bonn the Australia negotiators suggested that the global climate goal should be a 450 ppm CO2-eq stabilisation, yet the target of –5 to –15% by 2020 is incompatible with this.

Furthermore, 450 ppm cannot be considered a 'safe' goal. At this level of greenhouse concentration there is a 50% chance that global temperature rise will exceed 2℃.

We now know that an increase in global temperature of even 1.5℃ could lead to irreversible impacts and 2℃ risks triggering catastrophic runaway climate change.

To have a decent chance of avoiding a 2℃ global temperature rise (i.e. reduce the risk of exceeding to 10-15%), the global stabilisation goal needs to be 400 ppm CO2-eq. A pathway to achieve this goal would be for global greenhouse gas emissions to peak by 2015, and start declining rapidly thereafter, reaching as close to zero as possible by mid-century. This would require legally binding emissions reduction obligations for industrialised countries, as a group, of at least 40% below 1990 levels by 2020 and a 15-30% deviation from 'business as usual' growth in emissions from developing countries.

For industrialised countries, the overall targets must be differentiated according to the criteria of responsibility over historical and present emissions, capability to act and potential to mitigate. On this basis an equitable contribution from Australia would be in the order of 50% cuts by 2020. Australia has a number of low cost mitigation options available, in comparison to many developed countries which much greater energy efficiency profiles. As one of the highest per capita emitters, Australia has a higher than average responsibility over historical and present emissions.

Recommendation #2:

Australia should commit to halve its greenhouse emissions by 2020

3. Why emissions trading cannot be the 'central'

mechanism

a)Emissions trading remains hypothetical

While an emissions trading scheme can (in theory) play an important role, there is insufficient empirical experience to provide confidence that it should be the central mechanism for achieving emissions reductions.

Governments around the world have been largely unsuccessful at implementing an effective carbon price signal – either through a carbon tax or an emissions trading scheme. Indeed the European emissions trading scheme (ETS) has, over time, proven itself to be ineffective both in reducing emissions or providing sufficient certainty to drive investment decisions. There is no example of an effective emissions trading scheme actually resulting in significant reductions in greenhouse pollution and the obviously poor design of the CPRS does not auger well for it's efficacy.

So, while there is theoretically a role for some kind of price signal in order to harness the power of the market in a general sense, the uncertainty around the effectiveness of an emissions trading scheme means it should be considered as only one of a suite of policy mechanisms.

b)Market failure and lack of investor certainty

The failure of markets to effectively self regulate has been amply demonstrated in recent times. However the climate system is vastly more important than the financial system, and we only have one chance to get it right.

The extreme volatility of the carbon price in the EU ETS demonstrates the difficulty that faces regulators in designing an effective system. The volatility and collapse of the carbon price in the EU has meant that the ETS has failed to provide business with certainty and has failed to provide an incentive for investment in clean energy or otherwise achieving emissions reductions.

The rorting of the European emissions trading system has demonstrated the power with which vested interests are able to shape the construction of the market to ensure that business as usual continues. Similar political forces are at play in Australia.

c)Price inelasticity of demand

The *price inelasticity of demand* for energy means that price increases alone will not suffice to drive down emissions in line with what the science requires.

As we have seen with petrol prices over the years, price increases do not lead to a corresponding decrease in demand. Other forms of energy show a similar price inelasticity as a result of a number of factors including the lack of immediate alternatives, lack of information etc.

As a result, a price signal is only effective if complemented by other policy mechanisms.

Recommendation #3:

Emissions trading should not be considered the central policy tool for dealing with climate change. It should be considered as but one of many necessary measures.

4. Need for other policies

a)Direct regulation

CO2 emissions are a serious and urgent problem that requires a direct rather than tangential response.

When it became clear that asbestos posed a serious risk to health, we banned it. We didn't just increase the price, or promote alternatives, we took the difficult but right decision to ban it. We didn't wait for other countries to act – indeed some countries continue to mine and use asbestos to this day.

In a similar way, we regulate all kinds of different areas of economic and social life. Electrical standards, building standards and other safety standards are enforced clearly and simply – and they work.

There is an urgent need for direct regulation in order to cut greenhouse emissions. For example:

- Introduce a national energy efficiency standard that mandates high energy efficiency for appliances, vehicles, industrial plant/equipment and buildings;
- Legislate that all new electricity come from renewable sources – effectively banning new coal power stations;

Recommendation #4:

The Government should introduce urgent regulation to enforce world best practice energy efficiency standards covering a wide range of appliances, vehicles, buildings, industrial plant/equipment and energy generating infrastructure.

The Government should introduce an immediate ban on new coal power stations.

b)Industry development policy

In order to create new industries in the low-carbon economy, industry policy is required in order to create the certainty within markets and to allow long-term investment decisions to be made. This industry policy can and should include a variety of direct regulatory and market based mechanisms.

A **gross metered feed-in-tarrif** provides a clear and stable investment environment for renewable energy and has been proven to be the most effective policy in driving investment in renewables. The introduction of a feed-in-tarrif in Germany is credited with driving a renewable energy boom that has resulted in rapid industry growth and over 250,000 jobs in the industry.

Structural adjustment programmes should be put in place in coal dependent communities to encourage job creation in the low carbon economy and to provide retraining and other forms of community support. Greenpeace's report into a just transition to a renewable energy economy in the Hunter region, outlines a clear plan of action for the kind of structural adjustment programme that is required. http://www.greenpeace.org/raw/content/australia/resources/reports/climate-change/just-transition-report.pdf

Recommendation # 5

Implement a national gross metered feed in tariff to drive the uptake of renewable energy in Australia.

Develop a structural adjustment plan for a 'just transition' to a low carbon economy for communities that are heavily dependent on coal and other greenhouse intensive industries.

c) Shift existing subsidies towards cutting emissions – not creating them.

Greenpeace estimated that in the 2005/06 federal budget, there was over $9 Billion in subsidies that promoted fossil fuel consumption in one form or another, much of it in the transport sector. These subsidies are outlined in our report which is available here: http://www.greenpeace.org/raw/content/australia/resources/reports/climate-change/energy-and-transport-subsidies.pdf

Many of these subsidies are 'perverse' – having both a negative economic and environmental outcome.

Recommendation# 6

Subsidies that encourage the use of fossil fuels should be stopped. Instead these subsidies should be allocated towards the development of renewable energy and energy efficiency improvements.

5. Other design problems with the CPRS

1. Unlimited trading of pollution permits on international carbon markets means that industrial polluters in Australia can effectively avoid taking any action to cut emissions here in Australia. It undoes any incentive to shift the Australian economy to a low carbon footing.

At the recent UNFCCC meeting in Bonn, Obama's special envoy on Climate Change Todd Stern said during the Obama Administration's first address to UN Climate Negotiations:

"By transforming to a low-carbon economy, we can stimulate global economic growth and put ourselves on a path of sustainable development for the 21st century. I would go so far as to say that those who hang back and cling to a high-carbon path will be economic losers in the end because with the scientific facts of global warming getting worse and worse, high-carbon products and production methods will not be viable for long."

To help prevent Australia from becoming an economic loser in the long run, Greenpeace recommends that at least three quarters of Australia's emissions reductions should be met with domestic action.

2. The widely discussed problem of 'additionality' or a 'floor' in emissions reductions means that any voluntary action by individuals, companies, Local or State Governments will not contribute to emissions reductions but will instead allow polluters to pollute more.

3. The compensation to coal power stations is an unjustified and immoral handout to some of the most polluting power stations on this earth. It has been clear that a carbon price would be introduced for over a decade, if not longer and the failure of these companies to plan for the future should not be rewarded with massive handouts.

4. Attachments

1. **Energy [R]evolution – a Sustainable Australia Energy Outlook**

   http://www.greenpeace.org.au/energyrevolution/pdf/energyRevolution_full.pdf

2. **Just Transitions – A just transition to a renewable energy economy in the Hunter region, Australia**

   http://www.greenpeace.org/raw/content/australia/resources/reports/climate-change/just-transition-report.pdf

3. **Energy and Transport subsidies in Australia**
   http://www.greenpeace.org/raw/content/australia/resources/reports/climate-change/energy-and-transport-subsidies.pdf

4. **Copenhagen Climate Summit: Greenpeace Demands**
   http://www.greenpeace.org/raw/content/australia/resources/reports/climate-change/copenhagendemands240309.pdf