



**Conservation Council
of South Australia Inc**

**Submission to the Senate Select
Committee on Climate Policy.**

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Conservation Council of South Australia Inc (CCSA) is the peak conservation body for South Australia, representing over 55 of the State's environment and conservation organisations.

CCSA is an independent non-profit, non party-political, community based organisation which provides resources, advice and representation for the SA environment movement, and which leads many of the key conservation campaigns in SA.

CCSA is known for its success in developing long term community development, education, and on-ground environmental restoration programs.

CCSA regularly liaises with Local, State and Federal Governments, Government agencies, media, educational institutions, NGOs, unions, industry, business and other groups on matters relating to the environment and social justice.

As a community organisation, much of what CCSA achieves is through a large network of skilled volunteers from all walks of life – for its office, on-ground, governance and campaign activities.

CCSA is committed to a healthy environment for South Australia.

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Executive Summary

Terms of Reference covered by this submission

c. Whether the Government's Carbon Pollution Reduction Scheme is environmentally effective, in particular with regard to the adequacy or otherwise of the Government's 2020 and 2050 greenhouse gas emission reduction targets in avoiding dangerous climate change.

b. The relative contributions to overall emission reduction targets from complementary measures such as renewable energy feed-in laws, energy efficiency and the protection or development of terrestrial carbon stores such as native forests and soils.

This submission from the Conservation Council of South Australia focuses primarily around the question of whether the Government's proposed Carbon Pollution Reduction Scheme (CPRS) is environmentally effective, in particular with regard to the adequacy or otherwise of the Government's 2020 and 2050 greenhouse gas emission reduction targets in avoiding dangerous climate change.

It will also address the relative contributions to overall emission reduction targets from complementary measures such as renewable energy feed-in laws, energy efficiency and the protection or development of terrestrial carbon stores such as native forests and soils. Additionally it will look briefly at whether the design of the proposed schemes will send appropriate investment signals for green collar jobs, research and development to assist Australia to make the necessary transition towards a low emission or zero (net) carbon society in the medium to long term.

CCSA believes that the principle of a national Emissions Trading Scheme is sound and is able to lower carbon emissions if designed and implemented appropriately.

However, CCSA believes the existing design of the CPRS is fundamentally flawed, has perverse outcomes and will not achieve the goals required of it – to drive an economy-wide transformation towards a renewably-powered, low-emission economy and culture.

CCSA cannot support the current CPRS without substantial modification. CCSA has identified a number of areas of concern.

The overall targets are too low. In reducing emissions, we must be guided by the best available science. This currently indicates that we need to look to <350ppm as a long-term goal to stabilise the climate and avoid dangerous runaway climate change.

For the climate's sake, Australia must aim for zero (net) carbon emissions as soon as possible; by 2050 we must be well down this path. In the meantime, CCSA believes a 40 percent cut of 1990 emissions by 2020 is imperative. If we are to return atmospheric levels of CO_{2-e} to climatically safe levels of 300-350 ppm we need not only to reduce to zero our (net) emissions, but also address our historical 'carbon debt'.

Given this remarkable challenge, CCSA opposes the aspects of the current scheme that:

- lock in pollution rights for major polluters
- give away the vast majority of permits to major polluters
- provide compensation to the biggest polluters
- allow unlimited trading of permits on the international market

- abolish the effectiveness and incentive for voluntary action, and
- reduce any benefits from accredited Greenpower schemes.

CCSA does not believe the current CPRS will provide sufficient incentive or reward for sustainable 'soft-energy', low-carbon technologies to overcome the fossil fuel biases.

CCSA supports the use of complimentary measures such as renewable energy feed-in – tariffs (FiTs), energy efficiency programs and the use of terrestrial carbon stores through native forests and soils.

CCSA has previously strongly supported the concept and implementation of FiTs in South Australia, but has argued for a model that has been used to such good effect in Germany – one that is based around the gross, not net, level of energy produced.

CCSA is also on the record as strongly endorsing a nationwide energy efficiency program as a first line of action to reduce our carbon emissions and improve the sustainability of our households, communities, and society. These measures should incorporate domestic, retail and industrial targets and look to achieve as substantial reductions as possible. Savings in the order of 30% are not unrealistic without any deleterious impacts on living standards.

CCSA believes that the Federal and State governments must cooperate to end land clearing, ban the logging of old growth native forest and look to increase the storage of carbon in soils and biomass. CCSA does not support the use of native forests in bio-energy plants –despite superficially appearing to be 'carbon neutral'. A Mandatory Renewable Energy Target is supported, but this must specifically disqualify any biomass sourced from native forests from eligibility under the scheme.

CCSA strongly supports a shift towards low emissions energy as a central tenet of a sustainable economy, society and environment, with emerging renewable technologies such as solar thermal and geothermal having a major role to play.

Introduction – Australia at a crossroads

Nice weather - shame about the climate... Anon

CCSA believes Australia is at a crossroads. According to the best available science, we face a 'perfect storm' as the impacts of climate change, the global financial crisis and a sustainability crisis (including peak oil) all converge.

Any one of these three will have significant impacts across the board in all facets of the Australian (and global) economy, society and environment. Business-as-usual is no longer an option if we are serious about addressing these interrelated phenomena and proactively making the transition towards a truly sustainable nation in the years and decades ahead.

The Federal Government was elected just over one year ago on the back of a rising tide of public concern around climate change and its potentially devastating impacts. These have been documented in great detail by many commentators (eg Brook, Karoly, Flannery, Hansen *et al*) and do not need to be reiterated here.

What is important is that the Federal Government takes action in the most effective way that addresses climate change mitigation through reducing our greenhouse gas emissions, in tandem with concerted international action.

In this regard we can't afford not to act. To fail to take up this challenge now will condemn our children and their descendants to a much-reduced quality of life, on a planet that we will barely recognise.

CCSA believes that difficult decisions will need to be taken and vested interests confronted; what is good for the big polluters' economic bottom lines is NOT what is in the best interests of the planet, nor our population. It is in this context that we offer our comments and feedback below for your consideration.

CCSA has several major concerns with the current direction of Australia's climate policy. Current legislative components that address climate change include a proposed national emissions trading scheme - the Carbon Pollution Reduction Scheme (CPRS), a Renewable Energy Target (RET) scheme and a variety of other lesser schemes based around energy efficiency and state based renewable energy Feed-In Tariffs (FITs) that we argue should be uniformly consistent across all jurisdictions.

All of these schemes offer enormous potential to help reduce our greenhouse gas emissions, conserve energy and assist in the development of new 'green collar' industries and employment opportunities. If they are not structured appropriately right from the onset however, they risk being ineffective or worse, even counterproductive and harmful. In many respects, the design of these schemes is critical. Poorly designed schemes are potentially worse than no schemes at all.

Our submission will not attempt to cover all of the terms of reference in this Inquiry, but will highlight areas where we have a particular interest and/or expertise.

CCSA's submission will therefore focus in particular on the questions of:

c) Whether the Government's Carbon Pollution Reduction Scheme is environmentally effective, in particular with regard to the adequacy or otherwise of the Government's

2020 and 2050 greenhouse gas emission reduction targets in avoiding dangerous climate change.

and

b) The relative contributions to overall emission reduction targets from complementary measures such as renewable energy feed-in laws, energy efficiency and the protection or development of terrestrial carbon stores such as native forests and soils.

The Carbon Pollution Reduction Scheme

c. Whether the Government's Carbon Pollution Reduction Scheme is environmentally effective, in particular with regard to the adequacy or otherwise of the Government's 2020 and 2050 greenhouse gas emission reduction targets in avoiding dangerous climate change.

CCSA believes that the principle of a national Emissions Trading Scheme is sound and is able to lower carbon emissions if designed and implemented appropriately.

However, CCSA believes the existing design of the CPRS is fundamentally flawed, has perverse outcomes and will not achieve the goals required of it – to drive an economy-wide transformation towards a renewably-powered, low-emission economy and culture.

CCSA cannot support the current CPRS without substantial modification. CCSA has identified a number of areas of concern.

Targets

The overall targets are too low. In reducing emissions, we must be guided by the best available science. This currently indicates that we need to look to <350ppm as a long-term goal to stabilise the climate and avoid dangerous runaway climate change.

The proposed CPRS locks in a number of undesirable and counterproductive features. Foremost are the exceedingly weak targets that will actively hinder the Government's own stated aims to:

- * reduce greenhouse pollution in Australia in the short and long term*
- * work with the international community to develop a global response that is effective and fair¹*

The 5-15% emission reduction target range is deeply inadequate and is not consistent with the aim of stabilising global carbon emissions at a level equivalent to 450ppm of CO_{2-e}. There is increasing consensus amongst the scientific community that even this level is too high and that we need to look to <350ppm as a long-term goal to stabilise the climate and avoid the dangerous climate change associated with a global temperature rise over 2°C.

Instead, the Government's current target range is consistent with a 510-550ppm scenario, which would see catastrophic climate change surpassing the IPCC's worse-case scenarios.

¹ <http://www.climatechange.gov.au/whitepaper/summary/index.html>

Clearly for the climate's sake, Australia must aim for zero (net) carbon emissions as soon as possible. By 2050 we must be well down the path of near complete de-carbonisation of our economy. In the meantime, CCSA believes a 40 percent cut of 1990 emissions by 2020 is imperative.

If we are to return atmospheric levels of CO_{2-e} to climatically safe levels (estimated at 300-350 ppm) we need not only to eradicate our zero (net) emissions, but also to address our historical 'carbon debt'.

It is essential that any ETS maintains the flexibility to adjust targets in line with the best available science. The draft legislation fails this test, and in fact actively hinders this outcome by effectively assigning 'pollution rights' to major emitters.

Timing

CCSA believes that actions to reduce GHG emissions must commence immediately. We have been on notice for over a decade of the inevitability and necessity of curtailing our carbon emissions. It is important that whatever scheme the Government adopts is enacted as soon as practicable. The current Global Financial Crisis should not be used as an excuse for any further delay; it provides an ideal time for the structural adjustments required to initiate a transformation of the Australian economy towards triple bottom line sustainability.

However, CCSA believes legislating a weak 2020 target prior to the Copenhagen climate talks in December would seriously undermine the likelihood of the strong global agreement that is so urgently required.

Permit Allocation

CCSA has major objections to the manner in which the CPRS deals with the allocation (and over-allocation) of permits to major polluters. Permits should be auctioned to ensure the best, fairest and most efficient outcome. Giving billions of dollars-worth of permits to major polluters will bolster their unsustainable, high-emission activities at the expense of positive investments in lower-energy alternatives (public transport, energy efficiency, renewable energy R&D, etc).

The scheme is further flawed in the manner by which it 'locks-in' pollution rights for major emitters. The 'gateways' that will be set in early 2010 will be legally binding until 2025. The cost to rectify this could potentially soar into the billions of dollars, thus locking in 'pollution over-allocation'. This is a recipe for climatic (and economic) disaster. If the Government chose to revise the emissions targets downwards, big polluters would be able to claim massive compensation - ultimately against the taxpayer.

To avoid this, reference to the Government's weak targets should be excluded from the objects of the Act.

Compensation

CCSA opposes the massive compensation packages currently proposed for the worst polluters – the so-called Emissions-Intensive, Trade-Exposed (EITE) industries. Whilst many sectors and companies have made significant claims for monetary compensation, threatening to relocate overseas if not 'assisted', others that perhaps deserve compensation (such as the recycling industry) will be hard hit – despite significantly lowering Australia's emissions.

Adjustment assistance should be subject to a robust and open assessment process that factors in any current subsidies, tax breaks etc. There should be provision in the Bill for

any assistance to EITs to be modified, reduced or abolished if circumstances warrant, as determined by the Expert Advisory Committee that will be appointed to judge this, which is not currently the case.

CCSA believes the proposed compensation arrangements are not conducive to a transition to a lower-emissions economy. Polluters are compensated (and in fact rewarded) for polluting, instead of being assisted to transition away from fossil fuels and emissions-intensive practices.

The ability to utilise internationally purchased permits in lieu of actual domestic reductions is another problematic aspect of the scheme's design, effectively shielding polluters from the impact of a price signal on carbon through these compensation and offset arrangements.

Corporate 'rentseekers' are liable to look to continue to exploit these provisions to further increase the number of permits they will receive for free.

The Impact on Voluntary Action

The Australia Institute's Richard Denniss has recognised that in addition to the cap on emissions the CPRS also "*will also impose a 'floor' below which emissions cannot fall.*"²

The CPRS actively undermines the opportunity for further reductions to Australia's overall emissions through complimentary mechanisms such as renewable energy feed-in tariffs (FITs), energy efficiency measures (compact fluorescent light bulbs, insulation, etc) or installation of solar hot water heating or photovoltaic panels. Such actions by households, communities, small businesses, local and state governments, will be rendered invalid; worse still, such actions will have the perverse outcome of actually freeing up permits for major emitters and making them cheaper. This is confirmed by the NSW Independent Pricing and Regulatory Tribunal (IPART), which noted: "*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.*"³

Government suggestions that concerned individuals/communities/businesses/etc might instead choose to purchase and retire permits is clearly unrealistic and unlikely to be adopted.

The CPRS's failure to support voluntary action means the ability of one of the most effective methods of lowering emissions (energy efficiency) is seriously, if not fatally compromised.

Coverage

CCSA supports the principle of each and every sector taking responsibility for its fair share of emissions reductions. If one sector is exempted, then other sectors will be left to bear the additional costs of meeting the exempted sector's shortfall.

CCSA therefore questions the initial exclusion of agriculture from the CPRS scheme, given that the agriculture sector's emissions comprise a significant proportion of the total - greater than the transport sector for instance. Mechanisms for assessing and estimating the contribution of this sector already exist and agriculture will be included in our contribution when it comes to international agreements, such as the one we are likely to sign onto in Copenhagen later this year.

² 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.

³ IPART (Dec 2008) "Review of NSW Climate Change Mitigation Measures" pg 28.

It is therefore appropriate to include it at this stage in the interests of equity and effectiveness.

CCSA also considers that the issues surrounding international permits, particularly international forestry offsets, meant that they should be excluded, pending resolution of issues around carbon accounting methodology, compliance and enforcement and leakage.

Other sectors not included such as (domestic) forestry, land use and the waste sector should also be factored in and included to prevent perverse outcomes. There needs to be amendments to ensure that harmful land-management practices are not facilitated through the CPRS, such as the conversion of native forests to plantations, or for other agricultural uses, including bio-char and bio-energy. Currently including re-forestation, but excluding de-forestation, means there is a perverse incentive that would encourage native forest logging.

Penalties and safety valves

CCSA supports the position that any penalties set under the legislation must be meaningful in their deterrence value. They should therefore be set well above the market value for permits to encourage compliance. The European rate of 100 Euro/tonne CO₂-e (with make good provisions) provides a benchmark. Penalty rates should not be utilised as a 'safety valve' as this would prevent trading with the EU ETS – currently the world's largest scheme.

Banking of permits is supported, but not borrowing of permits.

Emissions Reductions through complimentary measures

b. The relative contributions to overall emission reduction targets from complementary measures such as renewable energy feed-in laws, energy efficiency and the protection or development of terrestrial carbon stores such as native forests and soils.

CCSA has previously commented on the Renewable Energy Target Scheme (RET) and considers that this area holds great promise for delivering reductions in greenhouse gas emissions through transforming Australia's stationary energy into renewable sources.

Our comments on this topic are grouped around the following points:

- The Renewable Energy Target
- The interaction between the RET and the CPRS
- RET and Feed-in-Tariffs (FITs)
- Phase-out date
- Suitability of biomass as part of the RET
- Suitability of nuclear energy as part of the RET
- Shortfall Charge
- Review of the Scheme

The Renewable Energy Target (RET)

The role of the RET should be to drive a transition towards an ecologically sustainable, renewably powered Australia. Polluting fossil fuels like coal and oil and to a lesser extent natural gas must be replaced by non-polluting alternatives that do not contribute to climate change, economic dependence on foreign sources or reserves, or depletion of our natural capital.

Fortunately Australia is blessed with an abundance of natural renewable energy resources. These include wind (the most commercially mature technology), solar photovoltaic (PV), solar –thermal (enough potential energy in this resource to power the entire world many times over) wave power (just half the Australian coastline could supply an estimated ten times our total current consumption), biomass/biofuels, energy from waste and geothermal resources.

Whilst individually, each may have issues (such as intermittency or storage), when combined as part of a diversified, decentralised generation capacity, these renewable sources could easily supplant our traditional dependence on fossil fuels.

Given the contribution Australia's current stationary energy generation makes towards our climate-changing greenhouse gas (GHG) emissions, it is essential that we move away from sourcing our electricity from filthy, polluting coal as soon as possible. CCSA notes with great interest the proposal from former US Vice-President Al Gore for a goal of zero-emissions power in the USA by 2020. Whilst this is undoubtedly ambitious, it puts our current target of a paltry 5% cut in our emissions (based on 2000 levels) to shame.

CCSA believes the RET as it is currently envisaged does not contribute significantly towards the goal of replacing fossil fuel-powered stationary energy generation. Nor will it drive any substantial investment in renewable energy generation. As previously stated, a poor scheme is worse than no scheme, and there are several aspects of the current framework that are definitely counterproductive and of major concern.

The target of 20% by 2020 is quite inadequate. South Australia (admittedly an exception given its strong development of wind power) is already well on its way to achieving this target by 2014. Other organisations have called for much stronger targets, ranging from 40-100%.

The interaction between the RET and the Carbon Pollution Reduction Scheme (CPRS)

The interaction between the RET and the Carbon Pollution Reduction Scheme (CPRS) is one of concern. It is assumed that the RET will be phased out as unnecessary, with the CPRS providing a strong price signal on greenhouse gas pollution. Unfortunately, this is by no means certain.

The CPRS severely limits the effectiveness of voluntary action – as previously discussed. In effect, this means that a 10% emissions reduction achieved by a RET target would give emissions-intensive industries covered by the CPRS such as cement, steel and aluminium manufacturing the space to actually increase their emissions by about 6%.⁴ The RET scheme and/or the CPRS scheme must be modified to ensure such perverse outcomes do not occur.

⁴ CAG Submission on draft Renewable energy Amendment Bill 2009, p4

RET and Feed-In Tariffs (FiTs)

CCSA has consistently recommended and supported the introduction of a uniform national gross feed-in tariff (FiT) scheme that rewards those who provide renewable energy to the grid. This measure has been shown to be one of the most successful drivers behind the stimulation of the renewable energy industry in Germany. There it has underpinned substantial investment and job creation in the industry. CCSA supports as a complimentary measure to a RET, a uniform national FiT established around the industry-preferred position of gross metering (as currently in place in Germany, and the ACT).

Such a FiT would:

- drive substantial investment into a wide range of renewable generation technologies
- be widely applicable (ie not just covering residential households, but community groups, commercial and industrial groups as well)
- provide surety - through a long term (~20 year) guarantee of payments
- aim for a premium of between 3-5 times the standard tariff
- catalyse employment and training opportunities in the sector.

A FiT along these lines would be a useful complimentary measure to a RET.

A FiT would replace any Renewable Energy Certificates (RECs) given to owners of such systems and would be a preferred alternative to the 'Solar Multiplier' that is planned as part of the Solar Credits Scheme due to commence in 2009-2010.

Concerns have also been raised that that scheme will have perverse outcomes, such as actually **reducing** the amount of renewable energy installed. To counter this, CCSA agrees there should be an increase in the annual target by the same amount as the augmented REC multiplier.

Phase-out date

CCSA does not believe it is appropriate to set a mandatory phase-out date for the RET, irrespective of the performance of the scheme. The current timeline suggests 2030 as the phase-out point for the RET, with a very limited and fixed target of 23,000GWh. This needs to be revised to reflect the urgency and importance of this measure. The RET should continue as long as it is working effectively to increase the proportion of renewable energy in the mix – with the ultimate goal being 100%. Similarly, the target itself should not be fixed, but should retain the flexibility to be revised upwards if circumstances (or the science) dictate.

Suitability of biomass as part of the RET.

CCSA strongly opposes the inclusion of native forest wood "waste" as an eligible renewable energy source. CCSA does not believe that native forest logging / management is sustainable, and it should not be encouraged, or subsidised, by being included under the RET. Major concerns also lie around the substitution of arable land producing food with crops grown specifically for biomass. Consequences such as deforestation, land clearing and increased water use are all typical.

CCSA is not opposed to the use of biomass *per se*, particularly when it is sourced from agricultural waste products that would be burnt, or disposed off in landfill anyway. Under such circumstances generating renewable energy is a sensible and useful solution.

Suitability of nuclear energy as part of the RET

CCSA opposes the inclusion of nuclear energy as an eligible renewable energy source at this stage. While promising claims have been made about fourth-generation nuclear technology such as Integral Fast Reactors, any technology with such potential for misuse must be subject to the most rigorous conditions if it is to be adopted. As this technology is new and untested, caution is still warranted, and safer emerging renewable technologies such as solar thermal and geothermal are preferable options.

The Treatment of RATE (RET-Affected Trade Exposed) Industries

CCSA considers financial compensation for emissions-intensive trade exposed industries is not warranted. These industries have been on notice since 1997 at least, that a carbon-constrained future is necessary and inevitable. Using taxpayers' funds to compensate polluters transposes the 'polluter pays principle' into one that rewards large emitters.

Under the CPRS, it is proposed that large emitters will receive substantial compensation. This will reduce any economic price signals to moderate emissions and improve efficiencies. Further insulating these companies from the necessary increase in the cost of emitting carbon pollution weakens the overall Australian response to addressing climate change.

Shortfall Charge

To avoid companies not complying and simply writing off the cost of any fines as simply a business expense, it is important that the shortfall charge to be imposed in the case of non-compliance is substantial enough to provide an adequate disincentive. Compliance must always be the preferred option. Shortfall charges should be regularly adjusted in line with current circumstances to ensure they remain effective.

Review of the Scheme

CCSA believes the RET scheme should be periodically reviewed every five years, as recommended by the Australian Network of Environmental Defenders Offices (ANEDO).

Conclusion

CCSA believes that Australia's energy future must be an ecologically sustainable, low-carbon and renewably generated. We have the knowledge, skills and wherewithal to do so. The current global financial crisis offers us the perfect opportunity to restructure our infrastructure on a large scale.

Fortuitously, much of Australia's power generation capacity is in need of upgrade, overhaul or replacement over the next decade or so. As a country that aspires to 'cleverness' this provides an ideal opportunity and challenge for our policymakers, industry leaders and community to seize the day today, to create a better future for tomorrow.

The Renewable Energy Target scheme offers an almost unprecedented chance to make a real difference to our greenhouse gas emissions and to take a leadership role internationally ahead of the UN climate talks in Copenhagen.

CCSA urges the government to get it right and deliver the best possible stimulus it can to the renewable energy sector, via the creation of an effective, responsive and ecologically sustainable piece of legislation.

As it is currently designed, the CPRS is a flawed piece of legislation that will effectively lock-in failure for at least the next ten years. The weak targets are also likely to undermine the international negotiations at Copenhagen and severely compromise Australia's international standing.

Targets aside, the giving away of permits denies the opportunity to re-invest capital into broadscale transformative actions on a grand scale. This 'sends the wrong message'— and fails to send appropriate signals for business investment into 'green collar' jobs. Nor does it create sufficient 'market pull' for low-emission technologies.

Entrenching pollution rights as a property right would be a massive backwards step, re-directing a massive subsidy towards polluters who stand to gain literally billions of dollars.

The effective scuttling of voluntary actions is a significant symbolic mistake that again sends the wrong message and undermines the approximately 10% of Australian households that have signed up for accredited GreenPower. It will also seriously reduce the effectiveness of state and local government energy efficiency programs and undermine the many small and medium size businesses that have emerged in the voluntary greenhouse abatement sector.

Setting targets in line with what the climate science demands would see Australia position itself at the forefront of a global transition towards triple bottom line sustainability. This is essential if we are to avoid catastrophic climate change and the ensuing human and bio-physical disaster that will follow.