

SUBMISSION TO SENATE SELECT COMMITTEE ON CLIMATE POLICY

Name of author: Gayle Adams

Date: 8 April 2009

Confidentiality statement: I do not want this submission to be treated as confidential and/or anonymous.

Third party personal information statement: This submission does not contain personal information of third party individuals.

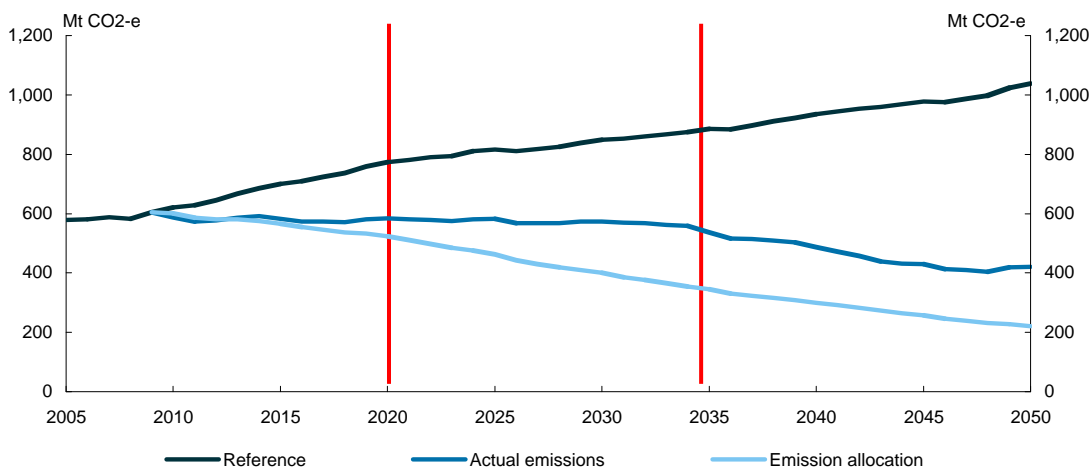
Terms of Reference [TOR] (a) the choice of emissions trading as the central policy to reduce Australia's carbon pollution, taking into account the need to:

Any emissions trading scheme that does not reduce the burning of fossil fuels and does not encourage the growth of renewable energy will not solve climate change. Moreover, a well-designed emissions trading scheme should be just one of a suite of policy measures designed to transform the Australian economy into a low carbon one rapidly and fairly. Unfortunately, the proposed CPRS is neither well designed nor well supported. The necessary suite of supporting policy measures is either missing or weak.

(i) reduce carbon pollutionat the lowest economic cost,

The CPRS will not necessarily reduce carbon pollution. As outlined in Treasury's Chart 6.14 below, the modelling indicates that Australia's actual emissions won't fall below 2000 levels 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.

In fact:

- The target of a 5% reduction below 2000 levels means that Australia's emissions must fall to 525.2 million tonnes (Mt) CO₂-e by 2020.
- The chart shows that Australia's actual emissions are expected to remain between 589.1 – 559 Mt of CO₂-e between 2010 and 2034 (well above the 2000 level of 525.2Mt CO₂-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 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).

Companies will do this when international credits are cheaper than domestic permits or abatement measures. Companies will act to reduce costs and this may not necessarily involve reducing their own domestic emissions. Nor will it lead to a low-carbon economy.

[i]at the lowest economic cost,

The design of the CPRS creates unnecessary cost burdens for the Australian taxpayer in the way it structures compensation payments to strongly affected industries, the electricity generation industry and EITEs. There is a strong argument that coal-fired generators and affected communities should receive Government assistance as part of a just and fair transition for this sector. But this assistance should be conditional on an orderly and detailed phase-out plan. It is not

Of the plan to make \$3.9 billion in unconditional payments to electricity generators [in relation to hypothetical future "loss of asset value"], Professor Ross Garnaut wrote, "Never in the history of Australian public finance has so much been given without public policy purpose, by so many, to so few." ['Oiling the squeaks' Sydney Morning Herald, December 20, 2008]. These compensation payments do not require the recipient companies to restructure their business in any way. They are economically wasteful.

The proposed CPRS gives the owners of permits permanent rights to pollute. Once the Government realizes the emissions targets are too weak, it will incur costs in strengthening them. As Ross Gittins pointed out¹, once the 5% target is set, the government can only make changes to it after 2020 or wear the cost of huge compensation payouts to big polluters. The CPRS has the potential to be very costly, both financially to Australian taxpayers, and economically in terms of the wasted resources that could have been invested in low-carbon solutions.

¹ "Emission impossible: the sad truth" Sydney Morning Herald, Ross Gittins, February 25 2009]

(ii) put in place long-term incentives for investment in clean energy and low emission technology, and

(iii) contribute to a global solution to climate change;

Australia needs a global agreement to reduce global emissions. Without this, greenhouse gas concentrations will remain dangerously high or continue to grow. And the consequences for Australia will be devastating. But Australia cannot expect other countries to agree to cut their emissions unless it is prepared to do the same. This is so despite the fact that Australia's domestic emissions are a relatively small fraction of the global whole.

What is the most effective way for Australia to encourage a global agreement? Professor Ross Garnaut provided advice on just this issue:

“Strong mitigation, with Australia playing its proportionate part, is in Australia's interests. In preparation for Copenhagen, Australia should support the objective of reaching international agreement around an objective of holding concentrations to 450 ppm CO₂-e – inevitably with overshooting. It should express its willingness to reduce its own entitlements to emissions from 2000 levels by **25% by 2020** and 90% by 2050 in the context of an international agreement, so long as the components of that agreement add up to the concentrations objectives.”²

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 CO₂e is in Australia's national interests.”³

However, the Government then announced it was not prepared to consider cuts, with global agreement, of greater than 15%. Professor Garnaut expressed disappointment that the 25% he recommended had been taken off the table and said he thought it limited Australia's capacity to play a role in achieving 450 ppm.

“By not keeping that on the table, we've made it very difficult for Australia to play a positive role in moving the world towards an ambitious outcome. Other countries are saying that we've set our sights very low and that makes it harder for other countries to set their sights high.”⁴

(b) the relative contributions to overall emission reduction targets from complementary measures such as renewable energy feed-in

² Garnaut Climate Change Review, Final Report. 2008. Intro and Synopsis Page xxx

³ Australian Govt Fact Sheet (Dec 2008), “Australia's National Emissions Target”, pg 2.

⁴ *Heat on the Hill* ABC TV Four Corners March 9 2009

laws, energy efficiency and the protection or development of terrestrial carbon stores such as native forests and soils;

The treatment of reforestation and deforestation in the CPRS is perverse. Carbon sink forests (created through reforestation) attract an offset under the CPRS, while land clearing and native forest logging are excluded from the Scheme.

By including reforestation and excluding deforestation from the Scheme, plantation timbers may be used as carbon sinks rather than meeting wood needs, as they would be worth more as a carbon sink under the scheme than as a plantation wood. This would lead to increased demand for native forest timber and, in the absence of a ban on native forest logging, would lead to an increase in native forest logging and therefore an increase in total emissions.

This means that our existing stock of native forests (including old growth forests) might end up being gradually exchanged for newer plantation forests.

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

To protect Australia’s native forests from such perverse outcomes, either reforestation and deforestation both need to be included in the Scheme or they both need to be excluded from the Scheme. The current treatment creates a market distortion in favour of increasing native forest logging which is completely illogical and requires urgent rectification.

In terms of reforestation offsets, it will be cheaper for emitters to offset their emissions through reforestation offsets than it will be to reduce their emissions through other means (such as building renewable energy generation systems, researching and developing lower emissions technologies etc).

While widespread planting of new, ecologically diverse forests as additional carbon sinks would be welcome, these emission savings should not be traded as unlimited offsets for emissions generated in other sectors of the economy as it will unnecessarily delay Australian firms from transitioning to lower emission technologies.

Given the urgency of climate change, the planet would be served best if the protection of carbon stores in 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 new forests could help to draw-down some of Australia’s historical carbon debt.

Any vegetated area that is set aside as a carbon sink – and provides a source of income for the landholder via the CPRS – should not be allowed to be disturbed by logging or grazing.

(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;

The purported goal of the proposed CPRS is to reduce Australia's carbon pollution by 5-15% below 2000 levels by 2020. Setting aside the likelihood that actual emissions will not decline as much as the CPRS cap [see .. above], this target is too weak.

The conditional target of 15% falls far short of the 25% that would support stabilization at 450 ppm. Professor Ross Garnaut found that a strategy to stabilise CO₂ concentrations at 450 ppm would still leave us with a 54% chance of irreversible melting of the Greenland ice sheet, leading to an eventual rise in sea levels of 6-7 metres.

At higher concentrations, say 550 ppm, the consequences for Australia are catastrophic. At 550 ppm CO₂-e, the Garnaut Report says that by 2100 Australia faces the "disappearance of [the Great Barrier] reef as we know it with high impact to reef based tourism."

But some scientists think that 450 ppm is too high. In an open letter to Kevin Rudd dated 26 September last year, 18 Australian scientists with climate science credentials, wrote,

"The concentration of carbon dioxide in our atmosphere now far exceeds the natural range of the past 650,000 year, and it is rising at an alarming rate due to human activity – currently by over 2 parts per million per year. The concentration of several other important greenhouse gases is also increasing rapidly.

If this trend is not halted soon, many millions of people from around the world will be at risk from extreme events such as heat waves, drought, fire, floods and storms, our coasts and cities will be threatened by rising sea levels, vector-borne, water- and food-borne diseases will spread rapidly, food yields and water supplies will be impaired in many regions, and many ecosystems, plant and animal species will be in serious danger of extinction. Some of Australia's natural assets such as the Great Barrier Reef, Kakadu and the Daintree World Heritage areas, which bring great wealth and recognition to our nation, could be damaged for all time.

Based on current scientific understanding, this requires that global greenhouse gas emissions be reduced by at least 50% below their 1990 levels by the year 2050. In the long run, greenhouse gas concentrations need to be stabilized at a level **well below 450 ppm** [part per million; in CO₂-equivalent concentration]. In order to stay below 2°C, global emissions must peak and decline before 2015, so there is no time to lose."

This is more than an academic argument. Recently in Copenhagen, scientists told us that the Earth is warming faster and catastrophic changes in our life-supporting ecosystems are happening at lower carbon dioxide levels than previously predicted.

If the world adopts the same approach as Rudd, we are likely to render much of this Earth uninhabitable.

The Government's 2020 target does not avert dangerous climate change. More importantly it signals to the rest of the world that Australia is not prepared to do everything it can to play its full proportionate part in a global effort to avert dangerous climate change. This it falls short in limiting its domestic emissions. This is compounded by the fact that Australia is also one of the largest exporters of coal with 30% of international trade.

(d) an appropriate mechanism for determining what a fair and equitable contribution to the global emission reduction effort would be;

(e) whether the design of the proposed scheme will send appropriate investment signals for green collar jobs, research and development, and the manufacturing and service industries, taking into account permit allocation, leakage, compensation mechanisms and additionality issues; and

The structure of compensation payments to big polluters sends the message that polluters will be rewarded.

(f) any related matter.

Any emissions trading scheme that does not reduce the burning of fossil fuels and does not encourage the growth of renewable energy will not solve climate change.