

Chapter 3

Arguments in favour of ratification

Australia needs to be, and be seen to be, a good global environmental citizen and to be seen to be serious about tackling greenhouse gas emissions

3.1 Groups in favour of ratification of the Kyoto Protocol point to the enormity of the climate change scenario facing the world and argue that, whatever the limitations of the Protocol, it represents a valuable first step in addressing climate change in the international arena. As the Climate Action Network Australia (CANA) indicated:

Kyoto's role in establishing a reductions regime is essential in order to avoid overshooting the 450ppm mark, and in stabilising CO₂ emissions ... despite the modest targets there is great value in the Kyoto Protocol because it involves action being taken today.¹

3.2 Greenpeace also stressed the urgency with which climate change action needs to be taken, stating that if the Kyoto Protocol failed to enter into force, international action to tackle this serious and alarming problem would be likely to be set back years, given it had taken over a decade for international negotiations to deliver the Protocol. The urgency of the need for international action was stressed by many business representatives as well, with Environment Business Australia indicating 'there is neither sufficient time or sufficient goodwill to develop an alternative to Kyoto'.²

3.3 CANA pointed out that Australia was out of step with the international community in its thinking on the Kyoto Protocol, the only agreed international instrument to address climate change, with Australia being one of only three developed countries not to have ratified. Friends of the Earth also stressed that, despite its providing only the beginning steps towards the deep cuts in emissions required, the Kyoto Protocol was the only international climate change treaty with legally binding mechanisms.³

3.4 As Government representatives pointed out, however, even if Australia were to ratify the Protocol, this would not be sufficient to bring it into effect, as our 2.1 per cent of emissions would not help reach the emissions threshold of 55 per cent as required under the Protocol.

1 Climate Action Network Australia, Submission 33, p. 2.

2 Environment Business Australia, Submission 24, attachment, p. 4.

3 Friends of the Earth, Submission 17, p. 2.

3.5 Australian representatives strenuously and successfully argued during the Kyoto negotiation period for the inclusion of a clause which effectively resulted in a fair target for Australia of 108 per cent of emissions over its 1990 level. Article 3(7) reads:

Those Parties included in Annex I for whom land use change and forestry constituted a net source of greenhouse gas emissions in 1990 shall include in their 1990 emissions base year or period the aggregate anthropogenic carbon dioxide emissions by sources minus removals by sinks in 1990 from land use change for the purposes of calculating their assigned amount.

3.6 It has been suggested that, having achieved acquiescence from the international community on a point so favourable to Australia as the only Annex I party for which land use change in 1990 resulted in a net source of greenhouse emissions, Australia now runs the risk of being seen as an international pariah for its failure to ratify.⁴ The Ambassador for the Environment, Mr Christopher Langman, who has been present at many COP negotiations, assured the Committee that this was not the case:

It has been suggested sometimes that the government's decision not to ratify the protocol has diminished our international influence. I think the evidence is simply not there for that. My colleagues and I are on the floor of the negotiations in the UNFCCC and in other international forums, and I have not seen it.⁵

If it fails to ratify, Australia will be excluded from potential emissions trading and CDM benefits

3.7 It has been suggested that under the Protocol flexibility mechanisms, ratifying countries (including our major trading partners, competitors and emerging market forces such as India and China) would preferentially trade amongst themselves, thus effectively excluding Australia if it failed to ratify.⁶

3.8 This is a far from clear-cut situation. It has been suggested that multinational firms with subsidiaries located in countries that are Parties to the Protocol may have access to international emissions trading through those subsidiaries. Even firms based solely in Australia may be able to trade carbon credits through likely secondary markets. But as Ms Fiona Wain of Environment Business Australia told the Committee:

We are very concerned ... that the mechanisms under the Kyoto protocol – the CDM, JI and trading – are going to be denied to Australian companies at some levels and very difficult to access in other ways. Most of our

4 The Australia Institute, *Evidence*, p. 24. [Note: The term *Evidence* refers in this report to the Proof Committee Hansard of the Committee's public hearing on 13 February 2004]

5 Mr Christopher Langman, *Evidence*, p. 61.

6 See, for example, Environment Business Australia, Submission, p. 1.

companies are small- to mid-sized companies. They will, frankly, not bother to jump through the hoops of going through third parties and fourth parties to access the CDM. We are going to lose opportunities.⁷

3.9 Anecdotal evidence has suggested that China is showing a preference for CDM investment from firms located in countries that are Parties to the Protocol, with Australian firms losing out to French competitors.⁸ Similarly, Mr Ric Brazzale of the Australian Business Council for Sustainable Energy (BCSE) told the Committee of a renewable business export delegation to Brazil, which was effectively told that there was no point in dealing with Australian companies because of Australia's anti-Kyoto stance.⁹

3.10 Ms Libby Anthony of the Australian Wind Energy Association (AusWEA) suggested that it was important for Australia to ratify the Protocol in order to send a strong signal to the markets that we need to be tightening our belts with regard to energy efficiency. This would also pave the way towards developing a more robust market for renewables in Australia as well as facilitating a stronger move into export markets.¹⁰

3.11 It was also argued that the potential for inbound investment under the Protocol could also be threatened if Australia fails to ratify. Japan in particular has traditionally invested in carbon sequestration projects in Australia to offset its own emissions in Japan. One example cited is the Tokyo Electric Power Company's \$120 million investment over ten years in 40,000 hectares of plantation on the NSW North Coast.¹¹ If Australia cannot provide the carbon credits, it is likely that this investment will go elsewhere.

If it fails to ratify, Australian industry will be adversely affected [and some firms may be driven offshore with consequent loss of Australian jobs and profits]

3.12 The industries which would stand to benefit most from Australia's ratification of the Kyoto Protocol or, conversely, have most to lose from Australia's failure to ratify, are those in the sustainable or renewable energy fields. Such businesses would have enhanced opportunities if Australia was able to participate fully in CDM projects. Equally, if Australia failed to ratify, it would impact on the international

7 Ms Fiona Wain, *Evidence*, p. 12.

8 Kyoto Protocol Ratification Advisory Group, *Report: A Risk Assessment*, 2003, p. 23.

9 Mr Ric Brazzale, *Evidence*, p. 13.

10 Ms Libby Anthony, *Evidence*, p. 14.

11 Kyoto Protocol Ratification Advisory Group, *Report: A Risk Assessment*, 2003, p. 24.

competitiveness of Australian sustainable energy firms.¹² Environment Business Australia suggested that the European Union was seeking a 20% market share target for renewable energy by 2010, a market in which Australia would be unable to compete on an equal footing without ratification.¹³

3.13 Witnesses for the sustainable and renewable energy sector pointed to the jobs boost that would result from the growth in their industry following a ratification of the Protocol. Ms Anthony of AusWEA suggested that for every job in the coal industry, there were six jobs in the renewable industry.¹⁴ Mr Brazzale of BCSE pointed to another advantage of renewable energy, namely that job opportunities are spread widely around Australia.¹⁵

3.14 In determining whether to ratify, the Australian Government has to look beyond sectoral interests, however. It has equally been suggested that, at least as far as jobs are concerned, the net effect of ratification would be a loss of jobs in Australia.¹⁶

Assuming that the Kyoto Protocol enters into force, and Australia fails to ratify, in accordance with Article 13(2) of the Protocol it will not be eligible to participate formally in the proceedings of any session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, and will therefore not be eligible to participate formally in negotiations on the post-2012 period that occur within the meeting of the Parties to the Kyoto Protocol

3.15 Whilst this is factually correct, it is far from certain that the Kyoto Protocol will ever enter into force. Until such time as it does come into effect, negotiations are continuing under the framework of the UNFCCC. Australia is a Party to the Convention and has a full decision-making role. As our Ambassador for the Environment observed, Australia is routinely asked to chair major negotiating groups and is asked to participate in a wide range of both formal and informal meetings.¹⁷ Even if the Kyoto Protocol does eventually come into force, Australia will have Observer status under Article 13(2) of the Protocol. Although Australia would not have a formal decision-making role, it would be able to attend the meetings and work behind the scenes to influence outcomes.

12 Renewable and Sustainable Energy Roundtable, Submission 19, p. 2.

13 Environment Business Australia, Submission 24, p. 2.

14 Ms Libby Anthony, *Evidence*, p. 21.

15 Mr Ric Brazzale, *Evidence*, p. 20.

16 Michael Hichens, Counting the cost of Kyoto, *Sydney Morning Herald*, 16 January 2004, p. 13.

17 Mr Christopher Langman, *Evidence*, p. 61.

3.16 In his evidence to the Committee, Mr Langman made clear that even if the Kyoto Protocol does enter force and Australia has not ratified it, Australia will be involved in any future negotiations on the arrangements post-2012:

The Kyoto protocol itself suggests that the discussions and negotiations on the targets, the commitments, that would be in place in the second commitment period—that is, the period after 2012—should begin from no later than the end of 2005. There is some uncertainty about that date because there is some uncertainty about whether the protocol will enter into force. Having said that, to answer your question, it could be assumed that parties to the protocol—that is, countries that have ratified the protocol—will be involved in those discussions at one level. But there is no doubt that all parties would be involved.

There is no sense, talking with any other country, that there is a desire to exclude Australia or to exclude the United States. That would make no sense in terms of the objectives of the countries that support the Kyoto protocol because they want to deal with climate change through that means. The objective of the European Union and Japan, and I am sure the other parties to the Kyoto protocol, is to make progress in addressing climate change. They know that it is critical ... that there is a comprehensive and global response. It is hard to imagine such a response without the engagement of the United States and the developing countries in practical and meaningful mitigation actions. So I see no chance that we would be excluded. In fact, we have already been approached by many countries saying they very much hope Australia would be part of any discussion of future arrangements, whether it happens under the protocol or outside that framework.¹⁸

3.17 Mr Ian Carruthers from the Australian Greenhouse Office also made the following point:

Just to remind the committee, Australia is a party to the UN Framework Convention on Climate Change. It is the framework convention that sets the long-term objective of the international community to deal with the global threat of climate change. As we look at climate change as a problem that will have to be confronted by an international response over a period of decades and through this century, Australia, as a party to the climate change convention, will be a full participant in the design of an effective long-term solution.¹⁹

18 Mr Christopher Langman, *Evidence*, p. 64.

19 Mr Ian Carruthers, *Evidence*, p. 65.

Ratification would allow Australia to meet its 108% emissions target at lower cost

3.18 The various efforts at economic modelling of the impacts on Australia of ratification or non-ratification of the Kyoto Protocol have all reached the same answer to this question, although they differ in degree. The most recent analysis, based on MMRF-GREEN modelling, for the Kyoto Protocol Ratification Advisory Group found that, if Australia ratified the Protocol, the economic costs of meeting our 108% target would be a drop in GDP of 0.11% (\$875 million p.a.) against a non-ratification cost of -0.26% GDP (\$2 billion). The lower cost figure is based on Australia having unfettered access to low cost abatement through the Protocol mechanisms, while the higher cost relates to our meeting our targets via domestic emissions trading.²⁰ This assumes, of course, that the Protocol will come into force.

3.19 In overview, both cost scenarios are relatively low for the first commitment period, so other factors should carry more weight in any decision on the Protocol.

3.20 Economic modelling is, of course, only as good as the scenarios on which it is based and it must be said that there are many uncertainties in this exercise. Ms Fiona Wain of Environment Business Australia was one witness to call for a better costing of externalities so as to firm up the data.²¹

If developed countries embraced the Protocol, developing countries would be more likely to accept emissions targets in commitment periods after 2012

3.21 Developing countries point to the fact that some 80% of our current concentration of greenhouse gases has come from the activities of developed countries from the industrial revolution onwards. Hence, they argue, the weight of responsibility for addressing the problem of climate change should fall on those who caused the problem in the first place. This argument was recognised in the Kyoto Protocol, which absolves developing countries from emissions targets for the first commitment period.

3.22 But while many developing countries have expressed a desire to engage in sustainable development, negotiations in the various Conferences of the Parties since Kyoto have given no indication that they are prepared to adopt specific emissions targets, with concomitant penalties built in, in any subsequent commitment period. In fact, there is persuasive evidence to the contrary. As Mr Langman told the Committee:

India and China, and indeed the group of developing countries-the G77- have made it quite clear that they are not willing to accept or discuss anything that looks like a legally binding obligation to constrain their

20 Kyoto Protocol Ratification Advisory Group, *Report: A Risk Assessment*, 2003, p. 2.

21 Ms Fiona Wain, *Evidence*, p. 15.

greenhouse gas emissions. Many developing countries are taking actions relevant to greenhouse. China have said publicly on many occasions that they do not believe it appropriate for them to take such constraints when they have such an urgent need for basic economic development and that they would not contemplate that for a very considerable period.²²

Ratification need not be a permanent or irreversible commitment

3.23 Proponents of the treaty point out that ratification of the current Protocol would only commit Australia for the five year period of 2008-2012. Should unacceptable targets be forced upon Australia or other undesirable conditions determined as a result of negotiations for a second or subsequent commitment period, Australia could simply walk away. Another escape clause exists, in the form of the rule to allow an opt-out after three years. Such conduct would almost certainly draw greater international opprobrium on Australia than what is already claimed to exist, and accordingly might be best avoided.

22 Mr Christopher Langman, *Evidence*, p. 59.

