

Dissenting Report by Australian Labor Party, Australian Democrats and Australian Greens

Why the Kyoto Protocol Should be Ratified

The Kyoto Protocol should be ratified

The Kyoto Protocol Ratification Bill 2003 [No.2] should be ratified because --

- Ratification will signal to business and the community that we must act urgently to reduce greenhouse gas emissions
- The Kyoto Protocol provides the only available framework for action now, rather than waiting years for a re-negotiated agreement
- If, as the government asserts, we intend to meet our Kyoto targets anyway, it is economically preferable to do so within the framework
- As participants in the ratified Protocol, we become players in the negotiations for future action, instead of observers
- Australia's international reputation is already damaged by the lengths to which it went to obtain special treatment under the Kyoto Protocol; having done so, failure to ratify is insulting to the nations who have ratified the Protocol
- The community supports ratification.

Critics of ratification, while universally agreeing that action is needed, failed to provide any alternative plan; Ratifying the Kyoto Protocol is the first essential step and the only truly collective international global response to halt global warming

Climate change

As the majority report admits, the evidence for global warming is compelling, and that global warming constitutes a major threat to our planet. Australia is particularly vulnerable to the effects of climate change and is predicted to become hotter and drier in coming decades, with more extremely hot days and fewer cold days and by 2030 over most of the continent the annual average temperature will be up to two degrees higher than in 1990.¹ There will be more extreme weather events, including more frequent and more severe droughts and floods, with severe consequences for our water supplies and agriculture; tourism will be affected, particularly in the snowfields and on the Great Barrier Reef; there will be sea level rises threatening our low-lying areas and our neighbouring island nations; and there will be probable health consequences in the form of wider distribution of insect-borne diseases.

1 Dr Bryson Bates, *Evidence*, p. 2

In evidence to the Committee, expert witnesses from CSIRO Climate made it clear that most of the warming that has taken place over the last 50 years has been due to human activity. CSIRO also estimates that over the past 200 years, carbon dioxide concentrations have risen from a background level of around 280 parts per million to approximately 370 parts per million, and are increasing relentlessly. Only half of the carbon dioxide emitted by human activities is absorbed by the oceans and biosphere, leaving half in the atmosphere where it has a lifetime of between 50 and 100 years. To slow global warming, we will need to stabilise these atmospheric greenhouse gas concentrations. Stabilisation of carbon dioxide concentrations at 450 parts per million would require emission reductions of about 70 per cent by the year 2100.²

The question thus arises as to how best to address the challenge of global warming. The Government stance, as reflected in the majority report, is to increase our emission levels over our 1990 benchmark, to engage in a few bilateral agreements for research and technology exchange, and to modestly promote domestic abatement programs and alternative energy sources, while refusing to be party to the one significant international approach currently available to us. This response is clearly inadequate.

This dissenting report outlines these inadequacies and reaffirms that the only effective response to global climate change is the ratification of the Kyoto Protocol, as outlined in the legislation before the Senate.

In this dissenting report, we will address and refute some of the major reasons advanced in the majority report for the Government's refusal to ratify the Kyoto Protocol.

The Kyoto Protocol will be ineffective in reducing greenhouse gas emissions

It is widely accepted that the Kyoto Protocol, if it were to come into effect, would bring about a reduction in greenhouse gas emissions of about one per cent.³ The majority report considers this to be an insignificant amount (para 4.5) and therefore not worth pursuing. However, without the Kyoto Protocol, emissions would increase dramatically⁴

Australia is a good example of this. Under a business as usual scenario, emissions would grow by well over 22%, yet our Kyoto target is to constrain emissions growth to 8% above 1990 levels.

More importantly however, the Kyoto Protocol is **a first step**. In the view of the Climate Action Network Australia, 'an absolutely crucial step'. It is critical to keep open the option of achieving a lower atmospheric concentration of greenhouse gases

2 Dr Bryson Bates, *Evidence*, p. 2.

3 Kyoto Protocol Ratification Advisory Group, *Report: A Risk Assessment*, 2003, p. 5

4 <http://www.grida.no/db/maps/collection/climate9/graph.cfm?countryiso=AU>

earlier, and therefore a lower level of global temperature increase eventually.⁵ Ms Reynolds, representing CANA, stressed that the importance of the Kyoto Protocol lay in its timing. It represents action, now, instead of possible renegotiations which could delay international action for years.⁶ Or, as Dr Hamilton of The Australia Institute expressed it:

To abandon the Kyoto protocol is effectively to say, 'Let's spend another 10 years trying to negotiate an alternative.' As we know from the science, turning around greenhouse gas emissions ... is like turning an ocean liner. It takes a very long time and we do not have time.⁷

A principal reason for the modest initial emissions reduction envisaged under the Kyoto Protocol is that developing countries have not been required to accept targets for the initial commitment period of 2008-12. The reason they have not been required to accept targets is because it is recognised that they are not responsible for the current high level of greenhouse gases in the atmosphere, which were brought about by 200 years of coal-powered industrialisation of Annex 1 countries. It is further recognised that they have the right to overcome poverty first of all, to develop and to enjoy the benefits of a reliable electricity supply, and the health and educational benefits that reliable electricity can bring. It is entirely inappropriate to criticise developing countries' failure to embrace emissions targets when they were quite specifically excluded from them for equity reasons for the first commitment period. Nor is it appropriate to reflect adversely on their preparedness to accept targets in the future, when Australia refuses to give a legally binding undertaking to meet the Kyoto targets.

As Friends of the Earth pointed out, there is no equity in the impacts of climate change. All nations will be affected, including non-polluting nations and those with low per capita greenhouse gas emissions. And poor countries will be more vulnerable, because of their lack of resources to adapt to climate change.⁸

A further reflection of the supposed ineffectiveness of the Kyoto Protocol is the emphasis placed in the majority report on the fact that many ratifying countries appear unlikely to meet their first commitment period emissions targets (para 4.7), which require on average a five per cent cut over 1990 levels. However, unlike Australia, these countries are unable to rely on the so-called 'Australia clause'. As Dr Hamilton explained:

5 Anna Reynolds, *Evidence*, p. 23.

6 Anna Reynolds, *Evidence*, p. 26.

7 *Evidence*, p. 27.

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

Whilst much has been made of recent declarations that Australia is on track to meet its Kyoto target, the fact remains that emissions from the most important sectors – transport and stationary energy – continue to grow rapidly, and it is possible to claim that Australia is on track to meet its commitment only because we have been playing our get out of jail free card – the famous, or notorious, Australia clause inserted in the Kyoto protocol literally in the last minute of negotiations, at 2 a.m. on Thursday, 11 December 1997.

A month before the Kyoto conference, the government was publishing greenhouse gas emissions figures that excluded land clearing emissions in order to emphasise how rapidly Australia's emissions were growing. It did this at the time so it could argue to the rest of the world that cutting emissions would be especially costly for Australia. The trick worked at Kyoto, and Australia was given special concessions on the basis of these figures.⁹

The special concessions relating to the emissions accounting treatment of land clearing resulted in an emissions target for Australia of 108 per cent above 1990 levels, an overly generous target that Minister Kemp reiterates we are 'within striking distance' of meeting. If we do so, it will be thanks substantially to Queensland Premier Peter Beattie's unilateral promise to introduce legislation to end land clearing in that State, without federal assistance.

Australia's ratification would not bring the Kyoto Protocol into effect

As the majority report has indicated, (para 2.14) the Kyoto Protocol will only enter into force and become binding on the Parties to it when it has been ratified by 55 countries, representing 55 per cent of the 1990 emissions of Parties with targets under the treaty (the so-called Annex 1 nations). To date, the quantum of 1990-level emissions accounted for by current ratifiers is 44.2 per cent. With Australia's 1990 global emission level of 2.1 per cent, we cannot assist the reaching of the 55 per cent of global emissions threshold which will trigger the Protocol's enforceability under international law. Australia's ratification of the Kyoto Protocol would be principally a symbolic act, and one which showed the world that Australia was prepared to stand up and be counted amongst the developed nations which have shown their willingness to accept binding emissions targets – including the United Kingdom, Japan, France, Germany, Canada, New Zealand – in an effort to address a global problem. The only other developed countries which remain outside the Protocol are Russia and the United States; the former is still considering its position, while the latter is such a significant global force that it will not be ignored, whatever its stance on Kyoto.

The Australian Government has committed to meeting our 108 per cent emissions target and considers this sufficient to establish our environmental credentials on the world stage. In our view, the importance of the symbolism of ratification should not

9 *Evidence*, p. 24.

be underestimated, whether or not the Protocol does eventually come into force. It is a clear indicator to the global community that we are prepared to tackle this most serious of problems in tandem with others, rather than criticising from the sidelines. Even in the event that the Protocol fails to reach the threshold emissions figure and come into force, our having taken a principled stand in ratifying the treaty will undoubtedly stand us in good stead in any future negotiations. In this context, Dr Hamilton's statement that 'in all my years of close involvement with policy formulation and analysis, I can think of no instance that represents a more egregious failure to protect the interests of this country than the refusal to ratify the Kyoto Protocol,'¹⁰ is particularly poignant.

The hypocrisy of Australia's negotiating an excellent outcome for itself in the preliminary negotiations, signing the Kyoto Protocol in April 1998 and then failing to ratify the treaty has not been lost on other countries. As Dr Hamilton told the Committee,

there is a tremendous amount of resentment against Australia as a result of what happened at Kyoto and our subsequent refusal to ratify. I think we will be lucky if we do not suffer payback as a result of that ... I have heard plenty of people say that Australia will suffer trade retaliation if we refuse to ratify, including senior officials from Europe. Japan has introduced a coal import tax. It is just inevitable that these issues will be tied to international trade issues.¹¹

The Kyoto Protocol is a flawed treaty

The Kyoto Protocol, being the result of a long period of international negotiation, has resulted in more compromises than the purists would wish to see. In an attempt to make it more affordable, and hence more acceptable to developed countries, an elaborate scheme of emissions trading was developed. Emissions trading allows transfer of emissions from one location to another, allowing lowest cost abatement to be accessible to industry, and thus easing the transition to a carbon constrained future.

Other flexibility measures were also created, in the form of the Joint Implementation and Clean Development Mechanisms. A country could, for example, offset its own emissions by helping set up a wind farm or establish a tree plantation in another. Clearly it would be more desirable to have the emitter deal with its emissions on site, but in the interests of producing a 'sellable' treaty, flexibility has had to be adopted. Many witnesses acknowledged this, for example:

10 *Evidence*, p. 25.

11 Dr Clive Hamilton, *Evidence*, p. 33

While [the Kyoto Protocol] is not a perfect tool at the moment by any stretch of the imagination, it is the one global framework that we have to build on.¹²

In our view, it is preferable to join with the vast majority of developed countries in ratifying the Kyoto Protocol and working steadily, through successive Conferences of the Parties at which we would be full participants rather than mere observers, to improve its effectiveness. It is the one global framework we have to build on.

The majority report counters that we have the example of a truly global international treaty in the form of the Montreal Protocol on Substances that Deplete the Ozone Layer, and that we should be looking to something similar to handle climate change. The Montreal treaty was originally signed in 1987, and amended in 1990 and 1992, under the aegis of the United Nations Environment Program. It is true that it has the support of developing countries and covers 82 per cent of global emissions of ozone-depleting substances. However, as Dr Hamilton pointed out, it must be remembered that controlling ozone-depleting substances is, comparatively speaking, a relatively simple matter and alternative technologies were available at minimal cost.¹³ Hence it is not a valid comparison with the climate change scenario.

The Kyoto Protocol would adversely affect our economic interests and jobs

A misleading argument sometimes used in support of non-ratification is that by imposing the costs of constraining our own emissions on our industries, we would hand a competitive advantage to our immediate trade competitors, including those in nearby developing countries. It has also been wrongly suggested that, in order to avoid the likely increased costs of operating in Australia under the Kyoto Protocol, companies might opt to relocate. However, neither of these arguments is persuasive.

Firstly, the Government has stated publicly it intends to meet Australia's Kyoto target of reducing greenhouse emissions to 108% of 1990 levels. Consequently, no additional costs should be imposed on industry if we ratify the Protocol. Indeed, as the economic modelling cited in the majority report suggests, (para 3.18) meeting Australia's 108 per cent emissions target for the first commitment period would be significantly less expensive under the ratification option. However, this is impossible to quantify for future commitment periods, given the uncertainties involved.

Secondly, if we ratify the Protocol and it comes into effect, the Australian Government will have opportunities to lower the costs of meeting the target. For example, Australian companies may be able to meet their obligations by undertaking low-cost abatement activities in developing countries. These opportunities will be lost if the Protocol does not enter into force.

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

13 *Evidence*, p. 27.

Thirdly, if the Government ratified the Protocol, it would send a signal to industry of the need to reduce emissions, which in turn, would provide a stimulus to the renewable energy sector. Conversely, as Ms Anthony put it, '(n)ot signing the Kyoto protocol does not really send a signal to our domestic market that we need to be tightening our belts with regard to energy efficiency or fuel switching – moving towards cleaner fuels such as wind or solar. Therefore there is less incentive to do something about it.'¹⁴

Renewable energy industries tend to be more labour-intensive than fossil fuel based industries, so there are more jobs, more widespread jobs and, often, more satisfying jobs. Ms Anthony of the Australian Wind Energy Association asserted that 'for every job in the coal industry, there are six jobs in the renewable industry'.¹⁵ At present, as Mr Brazzale pointed out, the cost of renewable technologies is roughly twice that of coal-fired electricity, but is coming down at the rate of some five per cent per annum. The accepted experience curve for emerging technologies such as solar and wind shows a cost reduction of between 15 and 20 per cent for every doubling of installed capacity.¹⁶ If Australia ratified the Kyoto Protocol, it would give a significant boost to the sustainable and renewable industry sector, providing a significant domestic market to provide a base for sustainable manufacturing and assisting its export potential, with the competitive advantage of being able to utilise directly the JI and CDM flexibility mechanisms.

Fourthly, the claim that companies will be relocated to countries that are not subject to binding emissions targets is unsubstantiated. Indeed, the evidence suggests countries with higher environmental standards have higher rates of investment and growth than countries with lower standards. While meeting the Kyoto targets may impose costs on some industries, these costs are likely to be offset by the economic climate, better infrastructure and political stability found in countries like Australia. As Ms Wain of Environment Business Australia stated:

The important thing to bear in mind about a lot of companies threatening offshore relocation is that there are very few companies with a reputation to protect who are going to seek a licence to pollute from their shareholders, investors, customers, bankers and insurers and leave a very stable economic and political regime to seek a marginal decrease in energy cost – abandoning sunk assets at the same time ... the threat of companies going offshore because of the shadow cost of carbon cannot be taken seriously – it cannot.¹⁷

14 *Evidence*, p. 14.

15 *Evidence*, p. 21.

16 *Evidence*, p. 15.

17 *Evidence*, p. 17.

Finally, whatever the costs, they need to be set against the as-yet unquantified costs of probable species loss, downturn in tourism from coral bleaching and lack of snow, higher incidence of insect-borne disease, insurance claims, and so forth brought about by climate change. This report also accepts the view of representatives of the renewable and sustainable energy industries who pointed out that it was impossible to compare the true cost of renewables to fossil fuels. The emerging technologies have all their up-front costs such as early market penetration, research and development and finance access to deal with, transparently, while the subsidies and preferential contracts associated with the fossil fuel industries are hidden from market view.¹⁸

We note that the federal Government's failure to take a strong lead in addressing climate change has resulted in unilateral action by some States. New South Wales, for example, has introduced mandatory emissions targets for electricity retailers.¹⁹ While applauding the initiatives of those States, we call on the Government to work with the States to deliver national legislation and a regulatory framework to underpin emissions trading.

Technology can solve global warming and allow us to continue to exploit our fossil fuels (we can have our cake and eat it too)

Australia is remarkably rich in natural resources such as coal. Some 85 per cent of our electricity is generated from black and brown coal. Electricity generation in turn accounts for some 70 per cent of our stationary energy emissions.

While fossil fuels will continue to provide base load capacity for some time, the Government's failure to adequately support development of the renewable energy industry is condemned.

As the majority report points out, every effort is being directed at developing zero- or low-emission coal and geosequestration (the capturing and storing of greenhouse gases underground). As Ms Wain of Environment Business Australia stated:

We like the concept of geosequestration and clean coal technology, but can it be brought in at a cost that is similar to or lower than renewable energy, with the incremental growth in markets and the scale of demand which will reduce the cost of renewable energy quite significantly? Personally, I do not see us being able to capture CO₂, store and compress CO₂, inject CO₂ underground or in deep ocean outfalls and maintain it there all for the same cost of developing renewable energies.²⁰

18 *Evidence*, p. 12.

19 Environment Business Australia, Submission 24, Attached report *Australia - A Sustainability Superpower*, p. 11

20 Ms Wain, *Evidence*, p. 14.

It is noted that no evidence provided to the Committee supported a cost for zero emissions coal as low as the \$10 per tonne of CO₂ abated claimed by the Chief Scientist and the *Beyond Kyoto* report of the Prime Minister's Science, Engineering and Innovation Council.

Mr Ric Brazzale, representing the Australian Business Council for Sustainable Energy, commented further on the comparative costs. Technologies such as wind and solar are very low penetration, so cost is relatively high – roughly twice the wholesale price of coal-fired electricity. Costs are falling, between 15 and 20 per cent with every doubling of installed capacity. By comparison, he cited estimates from the International Energy Agency that advanced coal technology and geosequestration will cost from \$40 to over \$100 per tonne. He also pointed out that, while there was a global market for renewable energy, that was not the case with geosequestration:

There are very few countries to which we can export 2,000-megawatt coal plants and billions of dollars of wells and infrastructure to bury the carbon. It may be an option in some places in Australia, but we do not think that it will be a major contributor to the global problem.²¹

Regardless of cost, other issues need to be considered:

Even the advocates of geosequestration see that it will be a good 20 years before it can contribute in any major way. Of course, 20 years is too long to wait. From my perspective, to put all our eggs in the geosequestration basket, which seems to be the federal government's preference, thereby withdrawing funding from renewable energy and energy efficiency to invest in this highly speculative technology seems to me to be extreme folly²²

Ms Reynolds also raised concerns of CANA members as to the safety of the technique.²³

Technological innovation has been of inestimable benefit to Australia over the years, and has improved the efficiency of our industrial processes. It is of significant concern to us that policy decisions are being taken today based on unproven technology and uncertain cost, when other more realistic options are ignored.

We can meet our 108 per cent target and reduce growth in greenhouse gas emissions by domestic action and without the need to ratify the Kyoto Protocol

Prime Minister Howard has stressed the importance of domestic strategies as our response to global climate change:

21 *Evidence*, p. 15.

22 Dr Hamilton, *Evidence*, p. 34.

23 *Evidence*, p. 34.

[the government has agreed to] develop and invest in domestic programs to meet the target of limiting greenhouse gas emissions to 108 per cent of 1990 emissions over the period of 2008-2012.²⁴

The Government's position is absurd. They say they will meet the target but not reap the benefits.

The Government's domestic strategies have involved an undertaking to invest one billion dollars on a suite of programs, including most importantly the Greenhouse Gas Abatement Program. Other programs initiated by the Government include the voluntary Greenhouse Challenge Program, the Renewable Remote Power Generation Program and the Alternative Fuels Conversion Program. The vast majority of these programs were forced upon the Government by the Australian Democrats during the GST negotiations.

As noted above, Australia appears likely to meet its 108 per cent target. However, this is largely attributable to the fortuitous unilateral land-clearing stance of Queensland Premier Peter Beattie. In relation to the Government's greenhouse programs, a recent performance audit by the Australian National Audit Office, *The Administration of Major Programs: Australian Greenhouse Office*, Audit Report No. 34, 2003-2004, has highlighted a number of serious issues about their implementation and effectiveness. The audit noted that the greenhouse funding was considerably underspent, partly because of the long lead times required to establish projects, and hence this raised serious doubts about the achievement of abatement results before the Kyoto commitment period. The audit also raised serious questions about whether the abatement claimed to be achieved by the programs was beyond 'business as usual' projections.

Support for the ratification of the Kyoto Protocol

The majority report fails to acknowledge the groundswell of public support for Australia's ratification of the Kyoto Protocol. In its submission to the Committee, Greenpeace cited the results of its opinion polls which showed between 71 per cent and 80 per cent support levels for ratification.²⁵

Recommendation

In our view, the case against the ratification of the Kyoto Protocol has not been made out, whereas the case for ratification is not only self-evident but pressing. We recommend that:

the Kyoto Protocol Ratification Bill 2003 [No.2] should be proceeded with forthwith.

24 The Hon. J Howard, Strategic Leadership for Australia. Media Release November 2002, p. 41

25 Greenpeace, Submission 34, p. 5.

Senator Kate Lundy

ALP Senator for the ACT

Senator Sue Mackay

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Senator Andrew Bartlett

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