

Submission

To the Senate Economics Committee's Review of the draft Bill for a
Carbon Pollution Reduction Scheme

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1. Introduction — the need for urgent action.

The control of greenhouse gas (GHG) emissions is needed urgently. Public debate in Australia over the last 12 months has moved greatly on this issue; what is not so well understood is that there is a significant high-side risk that has not been greatly discussed. For example, the Summary Report of the Fourth Assessment of the Intergovernmental Panel on Climate Change excluded discussion of the worst case climate change scenarios frequently discussed amongst climate scientists. This was a deliberate decision with the political purpose of providing no areas of doubt to which the climate change doubters could cling¹. However there are areas of doubt not discussed by the IPCC summary, and they are all on the high side – more extreme changes than they forecast — such as irreversible or runaway changes if an atmospheric CO₂ concentration critical threshold is exceeded.²

A key message from the most recent international scientific meeting in Copenhagen earlier this month was that the IPCC's worst case scenarios appeared to be realised. Given that there is therefore a real possibility that the risk may be worse than the median predictions of the IPCC's Fourth Assessment Report, applying the precautionary principle leads us to urgent action to make substantial reductions from present day levels of GHG emissions.

2. Should the CPRS Bill be enacted and implemented as planned?

Two arguments have been heard in recent times for not proceeding with the CPRS Bill as currently planned:

- the current economic crisis is the wrong time to implement a change which is intended to commence the process of fundamentally reshaping the economy away from its current dependence on fossil fuels; or
- the CPRS Bill is so fundamentally flawed that no price signal on carbon is preferable to this cap and trade scheme.

I submit that both arguments are wrong: I think the Senate should pass an improved version of the CPRS Bill and that the Government should implement it according to their current timetable.

Economic crises are by nature periods of change, and change is what the CPRS is supposed to be about.

¹ But here's what they didn't tell us: New Scientist, 10th February 2007, Page 7.

² Such issues were discussed at an international conference Avoiding Dangerous Climate Change hosted by the UK Meteorological Office in Exeter, in February 2005. Full details available from <http://www.stabilisation2005.com/index.html>

When recovery occurs, having the CPRS in place increases the likelihood that the economy develops in the desired direction. Essentially, we have far too many of the wrong things in our economy: too many energy inefficient buildings, cars, trucks, industrial processes, appliances, etc. We need to replace or to retrofit most of these things with ones which are more energy efficient. In most cases, the more efficient products, designs and technologies already exist; we just need to implement them.

Despite the current economic difficulties, we in Australia are prosperous; we can afford to embark on this transformation. The fact that we can afford it brings an obligation for us to do more per capita than those economies that are in a less fortunate position than us. The economic challenge for policy makers is to adjust the settings so that the drivers for economic activity push us strongly through the transformation while not fundamentally threatening the prosperity needed to pay for it.

I would have more sympathy with the “it’s too flawed to proceed” argument if the choice were between having this CPRS and implementing a suite of other policy changes that were not related to a price signal for carbon. However that is not the situation; it is possible (in fact extremely desirable) to have both a CPRS and numerous other actions to reduce GHG emissions. While the broader policy questions are outside the Economics Committee’s agenda, my view is that a price signal for carbon is necessary, but not sufficient.

3. Emission reduction targets.

I agree with the many critics that the emission reduction targets written into Section 3 (4) of the Bill are grossly inadequate. We need to face up to an important equity argument:

- Australia currently has a very high per-person rate of greenhouse gas (GHG) emissions (compared with the rest of the world);
- Australia has had the very high comparative per-person GHG emission rate for some time (decades) and thus has contributed very significantly (on a per-person basis) to the atmospheric reservoir of greenhouse gases that has already committed the planet to significant climate change; and
- Australia is one of the wealthiest countries in the world. If we cannot afford to transform our economy towards a low-carbon future, then who can?

I submit that three changes are needed to S 3 (4):

- the targets should be expressed as minimum reductions, so that the revised S 3 (4) (a) (i) should read: “... reducing greenhouse gas emissions to more than 70% below 2000 levels by 2050 ...”
- the targets themselves should be more ambitious: more than 10% by 2020 and more than 70%

by 2050.

- there should most definitely not be any upper limit on the amount of reduction. I object to the setting of an upper limit on reductions as done in S 3 (4) (a) (ii) by the reference to a reduction of 15%.

There is a further place in the Bill where a maximum GHG emission reduction is set: Section 15, the “national gateway”. I submit that placing a *lower bound* on the cap for a year (as done by S 15) is completely unacceptable. It is not as if GHG emissions are good for the planet and we need to make sure our atmosphere gets the dose of GHG emissions it needs!

4. Status of voluntary reductions.

Section 14 (2) and (3) require, after a transition period, for the national caps on GHG emissions to be published in regulations 5 years in advance of applying. Thus, for 5 years, Australia’s contribution to the planet’s GHG burden is fixed and cannot readily be reduced by any person. Even if Australians cannot emit enough GHG to reach the cap, the extra permits can be sold internationally and someone outside Australia can emit them on our behalf, or they could be “banked” and emitted later. The only mechanism that can exist under the CPRS for me as an individual or anyone else to change that outcome is for me to purchase permits and to relinquish them without emitting the GHGs the permits I purchased allow me to emit. It is true that Section 14 (5) (c) (iv) includes as a factor that the Minister may take into account when regulating for the national GHG emission cap is “voluntary action which is expected to be taken to reduce Australia’s greenhouse gas emissions”, but this is not enough recognition of the right of individuals, groups, organizations, companies and State and local governments to make a real difference to Australia’s emissions if they want to do so.

The Committee would be well advised to obtain research information on the scope of and participation in GHG reduction activities in Australia, as they would find a very wide range of government, and corporate organizations with formal GHG emission reduction targets – many of them more ambitious than the targets of S (3) (4) of the Bill. I will describe just two examples:

- the Cities for Climate Protection™ program is a world-wide program which has enthusiastically been taken up by local governments in Australia. The program is supported by the Commonwealth Department of the Environment, Water, Heritage and the Arts, which proudly reports that: “Australian local governments lead the world in the number of participants involved, percentage of population covered and actions taken, with more than 233 participating local governments representing over 84 percent of Australia's population.”³

³ See <http://www.environment.gov.au/settlements/local/ccp/>

The 2008 report of the program identified 3000 actions taken by 184 councils which resulted in an emission reduction of 4.7 million tonnes of CO₂-e.⁴

- Westpac Banking Corporation is a major Australian corporation which has voluntarily addressed its GHG emissions. They report that from 1996 to 2008 they have reduced their emissions by 40% and they aim for a further 30% reduction by 2012.⁵ Westpac are not alone; they are a good example of corporate voluntary reductions.

In addition to these organizational examples of significant voluntary GHG emission reductions, there are the individuals and households who are reducing their GHG emissions. The recent emergence of Carbon Rationing Action Groups (CRAGs)⁶ is an example of people grouping together to help each other reduce their emissions.

I submit that the Bill should be modified in order to:

- establish a mechanism by which individuals, groups and organizations can register their voluntary emission reductions under a standard accounting system so that voluntary emission reductions can be counted and audited; and
- the voluntary reductions achieved each year should be automatically subtracted from the national cap for the following year.

The registration and data submission arrangements could all be via a Web interface, and should be made as easy to do as possible. An auditing regime is necessary; the liable parties may wish to nominate one or two members to an oversight committee for the voluntary reduction registration scheme.

This proposed modification to the Bill is very important: it is fundamental to our democracy that individuals can make a difference, and the current design of the CPRS robs people of that ability.

⁴ The report can be downloaded from <http://www.iclei.org/index.php?id=ccp-measures08>

⁵ See their web site at

<http://www.westpac.com.au/internet/publish.nsf/Content/WICREVII+Minimising+our+direct+environmental+footprint>

⁶ See <http://www.carbonequity.info/crags/> for more information.