

# Chapter 2

## The higher conditional target

### The higher target

2.1 The Government has raised the maximum emissions reduction it will place on the table at Copenhagen from 15 per cent to 25 per cent. The Government explained that international developments since December 2008 have improved the prospects of a more ambitious global agreement.<sup>1</sup>

2.2 Having a 25 per cent upper limit on the table meets a key demand of a number of witnesses and submitters:

...put back on the table the condition of 25 per cent reduction of emissions by 2020. The government has done that, so my assessment is that it now would be clearly a positive for this bill to be passed into law.<sup>2</sup>

We welcome the Government's decision to include up to a 25 percent reduction target in greenhouse gas emissions...this will help to unlock Australian negotiators from the inadequate previous 5-15 percent emissions reductions targets and enable Australia to actively and positively participate in the international climate change negotiations in Copenhagen.<sup>3</sup>

...the government actually got the national interest test roughly right in that a national interest is an agreement that gets us towards 450 ppm or lower. The problem with the previous *White Paper* was that their targets did not represent their fair share towards that goal. It was very significant to us that we went to that 25 per cent target.<sup>4</sup>

...recent revisions to the CPRS mean that more environmentally acceptable targets are now part of Australia's position going into international negotiations in Copenhagen later this year. I heartily endorse this move...<sup>5</sup>

A target of 25 per cent boosts Australia's credibility and ability to push for a strong international agreement. The stronger target moves Australia from being an international climate laggard into a position that could help negotiate a successful outcome.<sup>6</sup>

---

1 Department of Climate Change Fact Sheet, *Strengthening Australia's 2020 Carbon Pollution Target*, p 1.

2 Professor Ross Garnaut, *Proof Committee Hansard*, 22 May 2009, p 18.

3 Uniting Justice Australia, *Submission 5*, p 1.

4 Mr John Connor, Chief Executive Officer, Climate Institute, *Proof Committee Hansard*, 29 May 2009, p 53.

5 Mr Iain Murchland, *Submission 9*, p 1.

6 Mr Owen Pascoe, Australian Conservation Foundation, *Proof Committee Hansard*, 29 May 2009, p 68.

We welcome the decision of the government and the opposition to support a much higher target...An international agreement that is effective will not emerge unless countries such as Australia offer to make very deep reductions indeed. Twenty-five per cent represents a good step on the road to those deep reductions. While wealthy countries, such as Australia, are not willing to commit to deep reductions in the medium and long term, an international agreement that is effective will not emerge.<sup>7</sup>

2.3 On the other hand, having a potential target of this magnitude could trouble those who had regarded even 5 per cent as a difficult target:

...the unconditional offer is a target of five per cent below 2000 levels by 2020. That is what the current proposal is. We think that is a very big ask. That is an ask of stripping one in five emissions out of our economy, relative to business as usual, by 2020. We think that is a very big ask.<sup>8</sup>

...the minus five per cent target, which represents a 25 per cent reduction in emissions relative to expected trends and a 34 per cent reduction relative to per capita emissions, is some three to four times stronger than those proposed by other, wealthier countries such as the USA and countries of the EU, as measured by an impact on gross national product. AIGN advocates that Australians shoulder a fair share of the global burden—no more and no less.<sup>9</sup>

2.4 The Australian Industry Greenhouse Network claims the Australian offer of a 25 per cent reduction is very onerous (without explaining the basis for their calculations):

AIGN would note that if Australia took on commitments as high as -25% of 2000 emissions by 2020, comparable commitments by the EU would likely need to be well over -50%, by the USA around -40% and by China to return to 2000 level emissions by 2020.<sup>10</sup>

2.5 The 25 per cent reduction refers to 2020 emissions relative to 2000 emissions. As there was little increase in emissions from 1990 to 2000 in Australia, this represents a similar increase over the 1990 base year relative to which most other countries are expressing their targets. As Australia's population is growing faster than most advanced economies, it represents a comparable percentage reduction in per capita emissions to other advanced economies which have announced targets. However it would still leave Australia's per capita emissions above those of most other advanced economies and well above those of the rest of the world.

---

7 Mr Paul Toni, World Wildlife Fund, *Proof Committee Hansard*, 29 May 2009, p 62.

8 Dr Peter Burn, Australian Industry Group, *Proof Standing Committee on Economics Hansard*, 27 March 2009, p 78.

9 Mr Michael Hitchens, Australian Industry Greenhouse Network, *Proof Select Committee on Climate Policy Hansard*, 15 April 2009, p 21.

10 Australian Industry Greenhouse Network, *Submission 39*, p 4.

2.6 Australia's offer is compared to that of other economies in Table 2.1, which attempts to express the various plans on a common 1990 base. For example, the US 2009 Budget proposes a 14 per cent reduction in emissions by 2020 but, as this is from 2005 levels, it represents only about a return to 1990 levels. The table uses United Nations population projections to express the targets in per capita terms; in some cases (including Australia) these projections differ from those of national governments. Another reason the table should only be regarded as indicative rather than definitive is that different sources give differing estimates of historical emissions.

**Table 2.1: Comparison of emission reduction targets for 2020**

Targets and proposals	% change from 1990	% change from 1990 per capita	per capita emissions (tonnes of CO <sub>2</sub> e)
Australia	-3 to -24	-30 to -45	15 to 12
European Union	-20 to -30	-25 to -34	8 to 7
United Kingdom	-34	-42	7
US (2009 budget proposal)	-1	-27	11
US (Waxman bill <sup>11</sup> )	-4	-29	11
Canada (Government target)	+24	-8	12
Canada (House bill C-311 <sup>12</sup> )	-25	-44	7
Germany	-40	-41	9
Netherlands	-30	-39	8
Norway	-30	-43	4
Switzerland	-20 to -30	-32 to -40	4

Sources: Secretariat calculations based on *White Paper*, p 3-3; *Garnaut Report*, p 177; Department of Climate Change Fact Sheet – Emissions, target and global goal; 'Economic cost as an indicator for comparable effort'; 'A new era of responsibility: renewing America's promise' (US 2009 Budget), p 21; *UK Budget 2009: Building a low-carbon economy- implementing the Climate Change Act 2008*. Per capita percentage changes are calculated from the previous column based on population projections in United Nations, *World Population Prospects* and then the numbers in the final column calculated by applying these per capita percentage changes to 1990 per capita emissions (including land use change and forestry) from the United Nations Framework Convention on Climate Change; <http://esa.un.org/unpp>.

11 The Waxman-Markey bill has been approved (by 33-25) by the House of Representatives Energy and Commerce committee, and has now been forwarded to other committees.

12 The bill has passed a second reading vote and is now before a parliamentary committee.

## The conditions for the 25 per cent reduction

2.7 The proposed Australian offer is subject to the world agreeing to an ambitious global deal to stabilise levels of CO<sub>2</sub>e at 450 ppm or lower. There are a number of conditions the Government has outlined as being necessary to reach a 450 ppm agreement. These are:

1. comprehensive coverage of gases, sources and sectors, with inclusion of forests (e.g. Reducing Emissions from Deforestation and forest Degradation - REDD) and the land sector (including soil carbon initiatives (e.g. bio char) if scientifically demonstrated) in the agreement;
2. a clear global trajectory, where the sum of all economies' commitments is consistent with 450 ppm CO<sub>2</sub>-e or lower, and with a nominated early deadline year for peak global emissions no later than 2020;
3. advanced economy reductions, in aggregate, of at least 25 per cent below 1990 levels by 2020;
4. major developing economy commitments to slow growth and then reduce their absolute level of emissions over time, with a collective reduction of at least 20 per cent below business-as-usual by 2020 and a nominated peak year for individual major developing economies;
5. global action which mobilises greater financial resources, including from major developing economies, and results in fully functional global carbon markets.<sup>13</sup>

2.8 Some of the individual criteria are discussed in turn in the following sub-sections. Some peak business and environmental bodies are broadly supportive of them:

The BCA has supported the conditions that are there for the transition to the minus 25 and the independent review to check that those conditions are met. From our point of view, making sure all those commitments are met and using that independent review to do that remains important—is essential... If the commitments that are in the shift from the minus five to the minus 25 are evidenced...then we would not be disadvantaged.<sup>14</sup>

It is important to comment about the conditions connected to the 25 per cent. We do think that is a fair reflection of the sorts of conditions that we are going to need to get to 450 ppm or lower. It is a tough challenge and it will require a peaking of emissions before 2020.<sup>15</sup>

---

13 Department of Climate Change Fact Sheet, *Strengthening Australia's 2020 Carbon Pollution Target*, p 1.

14 Ms Maria Tarrant, Business Council of Australia, *Proof Committee Hansard*, 22 May 2009, p 25.

15 Mr John Connor, Climate Institute, *Proof Committee Hansard*, 29 May 2009, p 53.

---

### ***Comprehensive coverage***

2.9 The Department of Climate Change explained:

The point about the inclusion of forests, particularly reducing and avoiding deforestation, is that they contribute around 20 per cent of global emissions at the moment. So, to really do something consistent with the 450 parts per million agreement, it would be necessary to have coverage of those sectors and some reduction activities.<sup>16</sup>

### ***Cuts in developing country emissions***

2.10 It is broadly recognised that in order to meet the 450 parts per million agreement a global solution will be required. Whilst recognising it is the responsibility of advanced economies to take action earlier, it is essential that major developing economies also contribute to reducing emissions over time.

2.11 Uniting Justice expressed some concerns:

We are concerned, however, about the requirement that an Australian emissions reduction target of 25 percent be conditional on a international agreement which contains ‘major developing economy commitments to slow growth and to then reduce their absolute level of emissions over time, with a collective reduction of at least 20% below business-as-usual by 2020’. We would wish to see more detail as to which countries will be classified as a ‘major developing economy’, and have concerns about the current lack of funding and technology transfer to developing countries to assist with climate change mitigation and adaptation.<sup>17</sup>

### ***Fully functional global carbon market***

2.12 The Department of Climate Change explained:

There would also have to be a ‘full range of international abatement opportunities through a broad and functioning international market in carbon credits’. The idea essentially is that, for us to reach a 450 parts per million agreement, there is going to have to be very concerted global action, but also Australia is going to need to access some international abatement; otherwise, the domestic costs of seeking purely domestic abatement may be too high.<sup>18</sup>

2.13 The Government has stated its policy that if the Copenhagen agreement allows it, up to five percentage points of the -25 per cent target could be met by buying international Kyoto units with the revenue for auctioning permits.<sup>19</sup>

---

16 Mr Blair Comley, Deputy Secretary, Department of Climate Change, *Proof Committee Hansard*, 22 May 2009, p 6.

17 Uniting Justice Australia, *Submission 5*, p 1.

18 Mr Blair Comley, Deputy Secretary, Department of Climate Change, *Proof Committee Hansard*, 22 May 2009, p 6.

19 *CPRS Bill, Explanatory Memorandum*, p 81.

### ***Assessing whether the conditions are met***

2.14 An independent review panel will assess whether the conditions for adopting the 25 per cent reduction target have been met. The panel will include relevant scientific and economic expertise and will conduct public hearings. Its report will be tabled in parliament.<sup>20</sup>

### **Reflecting the targets in annual caps**

2.15 The targets will be translated into annual caps on the issue of emissions 'permits' (or 'Australian emissions units' to use the technical term) in regulations. The caps will be for a lower amount of emissions than the target quantity as some sectors (such as agriculture) are outside the CPRS and some emitters fall below the threshold for participation in the scheme (generally 25,000 tonnes of CO<sub>2</sub>e per year).

2.16 The bill requires the Minister to take 'all reasonable steps' to set annual caps up to 2014-15 by July 2010 and caps for all subsequent years at least five years in advance.<sup>21</sup> This acknowledges that a Minister cannot guarantee that regulations will not be disallowed. If a cap is not set by a regulation, the default position is that the cap for a given year is 1 per cent lower than that for the previous year, as long as this does not put the cap outside the boundaries of the applicable gateway.<sup>22</sup>

2.17 In setting caps in the regulations, the Minister 'must take all reasonable steps' to ensure the cap is within the applicable gateways.<sup>23</sup> 'Gateways' are ranges which may be set for years after 2015. There are no restrictions on their width, so they could be used to set a maximum but not a minimum for future years if this was desired.

### **The lower targets**

2.18 The unconditional target remains at a 5 per cent reduction. The previously stated 15 per cent reduction may be applied if there is agreement on significant global cuts in emissions at Copenhagen but they do not meet the criteria above for the 25 per cent reduction.

2.19 Even the 5 and 15 per cent reductions by 2020 still involves Australia being on a trajectory towards a 25 per cent (and more) reduction. In the case of a 15 per cent reduction by 2020, emissions are projected to reach the 25 per cent reduction mark by 2024. In the case of a 5 per cent reduction by 2020, emissions are projected to reach the 25 per cent reduction mark by 2034.<sup>24</sup>

---

20 *CPRS Bill, Explanatory Memorandum*, p 16.

21 *CPRS Bill*, sections 14(2) and 14(3).

22 *CPRS Bill*, section 14(4).

23 *CPRS Bill*, section 15.

24 Prime Minister, Treasurer and Minister for Climate Change and Water, 'New measures for the carbon pollution reduction scheme', Media Release, 4 May 2009.