

Government Senators' Dissenting Report

Inquiry into a carbon pricing mechanism

Introduction

1.1 Government Senators believe the Coalition's final report of the Senate Select Committee on the Scrutiny of New Taxes continues the Coalition's groundless campaign of disinformation and fear about carbon pricing and demonstrates their continued emphasis on short-term political advantage at the expense of serious long-term economic reform. No new evidence or information has been presented to the committee since the tabling of the committee's interim report¹ that alters our view that climate change is real and that delaying action on climate change will impose significant increased costs to Australia up to 30 per cent higher than taking action now.

1.2 This should not come as news to the Coalition. The report of the Prime Minister's Task Force on Emissions Trading, chaired by Peter Shergold and commissioned by Prime Minister Howard in 2007 made it clear that the costs of delaying action to reduce greenhouse emissions would far outweigh any short term benefit of not acting.

"After careful consideration, the Task Group has concluded that Australia should not wait until a genuinely global agreement has been negotiated. It believes that there are benefits, which outweigh the costs, in early adoption by Australia of an appropriate emissions constraint. Such action would enhance investment certainty and provide a long-term platform for responding to carbon constraints. Combined with Australia's existing domestic and international work on technology development and cooperation, including the Asia-Pacific Partnership for Clean Development and Climate, it would position us to contribute further to the development of a truly comprehensive international framework."²

1.3 Following the release of the Shergold Report, as it was to become known as, the Howard government promised to introduce an emissions trading scheme if it was re-elected at the 2007 election.

1.4 Mr. Howard would later describe his decision thus:

"We had bitten the bullet on emissions trading, with the Shergold report released on 1 June rapidly being turned into clear policy. This was the agenda of an active

1 The interim carbon tax report of the Senate Select Committee on the Scrutiny of New Taxes was tabled on 7 October 2011.

2 *Report of the Task Group on Emissions Trading*; 1st June 2007, p.6:
<http://pandora.nla.gov.au/pan/72614/20070601-0000/www.pmc.gov.au/publications/emissions/index.html#viewing> – Viewed 27th October 2011

government, still policy-confident and by no means spent and exhausted after 11 years of power."³

1.5 Government senators are prepared to take Mr. Howard's words on his 2007 decision to implement an emissions trading scheme at face value. We have no reason to believe he would not have done so had he won the 2007 election. What is extraordinary is that the Coalition now exhibits all of the characteristics that are the reverse of what Mr. Howard's claimed his government was in 2007 – fiscally lazy, inactive, relentlessly negative, policy-weak, spent and exhausted on policy development.

1.6 As one astute commentator began a column recently:

"Oh for goodness sake. Enough. Pledges in blood. Policy run on the smell of intestinal fortitude alone. We are supposed to be talking about who becomes Prime Minister here, not an action man movie."⁴

1.7 In the two years since the Senate considered the Carbon Pollution Reduction Scheme bills, there has been nothing placed before this committee, the Parliament or anywhere in the public domain that in our view would disturb the conclusions of scientific institutions including the Australian Academy of Science, the CSIRO, the Bureau of Meteorology, the Royal Society, NASA and the university-based research academies around the world. Government senators are of the opinion that it is this evidence on which governments must base their policy responses to climate change.⁵ To do nothing, when the science is clear and the evidence identifies enormous costs to the community of delaying action, is an irresponsible derogation of duty to future generations.

1.8 The Coalition's "Direct Action" policy is an outlier; it is uniquely out of step with view of no less than six successive parliaments. There exists in the parliamentary record an overwhelming parliamentary consensus that action on climate change needs to be taken and that the best mechanism for that action is a market based price signal in the economy. Since 1992, the Parliament has conducted 35 committee inquiries (excluding the recent Joint Select Committee on Australia's Clean Energy Future Legislation) into climate change related issues. The overwhelming view is that action is essential. These inquiries and a snapshot of their recommendations are listed in Appendix 1.

1.9 In this report we consider:

³ Howard, J. W., *Lazarus Rising; A personal and political autobiography*; Harper Collins, Pymble, 2010, p.635

⁴ Tingle, Laura, *Labor Hopeless, Abbott a hollow man*; Australian Financial Review, 28th October 2011, p.59.

⁵ Senate Select Committee on the Scrutiny of New Taxes, *Interim Report – The Carbon Tax: Economic pain for no environmental gain*, October 2011, p. 251.

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- the Coalition's criticisms of the Treasury modelling of the Clean Energy Future policy;
 - the environmental and economic sleights of hand contained in the Coalition's direct action policy; and
 - the effect on business and investment certainty of further delay to a carbon price mechanism; or in the alternative, a future repeal of any carbon price mechanism.

1.10 Government senators are of the view that the weight of evidence in the public arena and provided to this committee supports Treasury's modelling on the proposed carbon price mechanism. That same evidence points to the fact that the Coalition's direct action plan would not enable Australia to meet its greenhouse reduction targets without a massive blowout in costs. It further indicates that delaying action on climate change, including fuelling speculation that a future government would repeal any carbon pricing legislation, is causing business and investment uncertainty that has the potential to cause significant disruption in investment markets worth tens of billions of dollars.

Modelling

1.11 Throughout this inquiry, the Coalition has asserted that the Treasury modelling is not robust and the modelling process has not been transparent. Government senators refute these claims and point to evidence in the public arena, and given to this committee, which clearly demonstrates that the Treasury modelling is detailed, robust and has withstood intense scrutiny by this committee and independent economic analysis. The Coalition's attack on the Treasury modelling is a red herring.

1.12 As detailed in the documents accompanying the government's Clean Energy Future Package, as well as in information that has been made publicly available since the announcement of a carbon price, modelling prepared by Treasury strongly indicates that the cost to Australia of reducing greenhouse gas emissions through a carbon price mechanism will be very modest.⁶ That modelling in fact shows that the Australian economy will continue to grow, incomes will continue to grow and the carbon price mechanism will decouple growth from greenhouse gas pollution and achieve the parliamentary target of reducing emissions to 5 per cent below 2000 levels by 2020, and 80 per cent below 2000 levels by 2050.

1.13 As noted in the our interim report, although the carbon price mechanism is expected to slow Australia's average income growth by around 0.1 of a percentage point per year, in practice, this means that if average incomes were to grow by say, 3.4 per cent per year instead of 3.5 per cent per year; it will take 21 years and two months instead of 20 years and seven months for average incomes to double – a difference of

6 Senate Select Committee on the Scrutiny of New Taxes, *Interim Report – The Carbon Tax: Economic pain for no environmental gain*, October 2011, p. 261.

a mere seven months.⁷ Gross National Income (GNI) per person will continue to grow, as will Gross Domestic Product (GDP), total employment and real wages. Indeed, every sector in the Australian economy will continue to grow up to 2020 and beyond.⁸

1.14 The Coalition seeks to cast doubt over the veracity of the Treasury modelling suggesting that the government has sought to prevent public access to the modelling and therefore avoid scrutiny. This is not the case. In fact, Treasury evidence to this committee has consistently and emphatically explained that a huge amount of detail about the modelling is in the public domain and that the results of the modelling have been released in a comprehensive and transparent way, including the assumptions made about the macro-economy.

1.15 Some commentators have been extremely critical of the government's modelling. However the assertions of these same commentators do not themselves stand up to scrutiny. By way of example, we have set out the evidence of Ms. Meghan Quinn of Treasury's Macroeconomic Modelling Division at length in our interim report. However, it is worth setting out the nub of her response to criticisms of the modelling once more:

"For example, Henry Ergas has made the statement that the marginal abatement cost curves are not costed, when in fact they are. He has also made statements about banking and borrowing and international assumptions and how that is going to significantly alter the assumptions. Those statements are also completely inaccurate representations of the modelling. He has also made statements that the restrictions on international permits as the government has announced are significantly at odds with the Treasury modelling, which is also an incorrect statement. There are many incorrect statements in Henry Ergas' articles relating to publicly available information."⁹

1.16 Treasury has explained that the models they have used are available publicly; anyone is free to use those models (as Frontier Economics has done) make their own assumptions drawing on the information available, and come up with different results. Treasury is using the same publicly available information yet applying their expertise to analyse the expected impact of a carbon price on the Australian economy.¹⁰

7 Senate Select Committee on the Scrutiny of New Taxes, *Interim Report – The Carbon Tax: Economic pain for no environmental gain*, October 2011, p. 261.

8 Senate Select Committee on the Scrutiny of New Taxes, *Interim Report – The Carbon Tax: Economic pain for no environmental gain*, October 2011, pp 261–262.

9 Ms. Meghan Quinn, Department of the Treasury, quoted in Senate Select Committee on the Scrutiny of New Taxes, *Interim Report – The Carbon Tax: Economic pain for no environmental gain*, October 2011, pp 263–264.

10 Senate Select Committee on the Scrutiny of New Taxes, *Interim Report – The Carbon Tax: Economic pain for no environmental gain*, October 2011, p. 264.

1.17 As Ms. Quinn explained:

To clarify, we work for the government. We provide a large amount of analysis for the government that they use as part of the cabinet process, as part of their deliberations and as part of policy processes. We have published information about the impact of the carbon price on the Australian economy reflecting the government's policies. We are updating that analysis to reflect elements we did not have time to complete, and that information has been made public. So it is not possible for us in the context to provide all the advice we provide to governments to this committee, and that will likely be the answer.¹¹

1.18 Government senators note that this approach is the same approach that Treasury has taken with previous governments of all political persuasions, including the modelling of the GST, and will therefore take with future governments regardless of their political persuasion.

1.19 Government senators are satisfied that none of the political or economic attacks on Treasury's modelling have in any way cast doubt on its results. Furthermore, no additional information has been released since the interim report of this committee that would suggest the modelling contains errors. Government senators are therefore satisfied that the modelling exercise has been sound, has taken into account all relevant and necessary considerations and parameters and provides with a considerable degree of certainty the likely outcomes of the introduction of the carbon price mechanism adopted as policy by the government.

1.20 That modelling estimates the carbon price will contribute to a nine per cent increase in household electricity prices in NSW over the period 2013–17.¹² However, any increase in household expenditure as a result of the carbon price mechanism will be offset by the government's ongoing household assistance package which is worth \$14.9 billion over four years. Household assistance will be targeted to those who need it the most and for millions of households; this assistance will outweigh the price impact of a carbon price, including its impact on electricity prices.

1.21 We set out the estimated price impact of the carbon price mechanism on everyday household purchases in Table 2 at the end of this report.

1.22 Not only does the Treasury modelling indicate that the price impact for households will be modest, and will be offset by the household assistance package, it also finds that industry and jobs will grow:

11 Ms. Meghan Quinn, Department of the Treasury, quoted in Senate Select Committee on the Scrutiny of New Taxes, *Interim Report – The Carbon Tax: Economic pain for no environmental gain*, October 2011, p. 265.

12 This analysis is based on three different approaches - two specialist electricity sector consultants and an Australian Treasury model - all of which give consistent results.

Senator CAMERON: ... The Leader of the Opposition claims that a carbon tax was a dumb way to go about reducing emissions and that it could see the death of the manufacturing industry in Australia. Have you had any advice from any department anywhere in government that argues that a moderate carbon price will mean the death of the manufacturing industry?

Senator Carr: No, Senator. What we have had is the view that under carbon measures that will be in fact continuing growth for manufacturing, that manufacturing output is expected to grow by five per cent to 2020 and 69 per cent by 2050 from its 2010 base. That is the modelling that Treasury have presented. The point is that all the advice coming to government is that, while it is tough for of manufacturing at the moment, particularly given the changes occurring in our economy, the global volatility, the exchange rate, the questions related to managing the resources boom, and we have got now terms of trade that have risen very sharply and are 65 per cent above the average level for the last century, it does not mean that we ought to be pessimistic about the future of manufacturing. In fact, we ought to be optimistic about the future of manufacturing if we can get the right policy settings. As I say, there are \$20 billion worth of assistance there that people ought be able to tap into if they are creative about it. We certainly want to work with individual firms about how we can maximise opportunities. The key feature is that we will have to be more creative and we have to be more innovative. That is why we are arguing that science and research is so important in building the technologies and building the new industrial processes that allow us to be more competitive into the future.

What I do know is that the proposal to get rid of the innovation councils which has been articulated by some in this parliament is not likely to help industry develop innovative capacity. The 50 per cent reduction in Enterprise Connect's budget which is being proposed by some in this parliament is not likely to help develop industry capabilities for small and medium-size enterprises. The \$500 million taken out of the automotive program is not likely to assist blue-collar workers adapt to these changes that are occurring. Only this week there have been further claims that the Clean Energy Finance Corporation will be withdrawn. These are not measures that are likely to develop the capabilities this country desperately needs to ensure that we can cope with the challenges of the 21st century. This is not just a question about a carbon price, it is not just about the climate change legislation itself; it is about the ability to change the way in which we do business. I think we ought to be optimistic about the future and if we have a real crack at this, working with industry closely, I am absolutely confident that this country has got a huge future in manufacturing.¹³

Mr Hoffman: ... it is not an automatic assumption that the carbon tax is a disaster for tourism forecasts, particularly if you look not just at the carbon tax but at the overall clean energy future package that the government has put forward...

13 The Hon. Kim Carr MP, Minister for Innovation and Industry, Senate Economics Legislation Committee, Estimates Hansard, 19 October 2011, pp 55–56.

Ms Madden: ...I sit on the Tourism Forecasting Committee and I want to support what Martin Hoffman has said, that the impact of the carbon tax is not known. It is part of a broader package. Treasury modelling to date suggests that the impact, if anything, on consumption and discretionary expenditure may be limited...¹⁴

1.23 In fact, government senators find it perplexing that the Coalition continually ignores evidence that demonstrates that delaying action on climate change will actually cost more than taking action now:

Senator THISTLETHWAITE: Has Treasury done any analysis of the costs of delaying introducing a carbon scheme? We hear this commentary all the time that the longer the country delays pricing carbon, the greater the cost will be not only for the nation but for businesses and individuals. Have you done any analysis of delay and what the potential cost could be?

Ms Quinn: Yes, we have done that previously in the analysis in 2008 and also in the latest analysis.... The delay in global action will increase climate change risks, lock in more emissions intensive investment, defer new investments in low emission technologies and increase the cost of achieving any given environmental outcome. The analysis that we did suggests that a delay in global action by three years adds around 20 per cent to the first year of global mitigation costs and delaying entry by a further three years adds a further 30 per cent to the first year of mitigation costs. This suggests that, as you delay, the costs only get greater through time...¹⁵

Direct Action

"It is what it is. It is a policy where, yes, the Government does pick winners, there's no doubt about that, where the Government does spend taxpayers' money to pay for investments to offset the emissions by industry.

"That's the - and the virtue of that - I think there are two virtues of that from the point of view of Mr Abbott and Mr Hunt.

"One is that it can be easily terminated."¹⁶

1.24 While both the government and the opposition share a common target to reduce greenhouse gas emissions by five per cent on 2000 levels by 2020; that is where any policy similarity ends.

14 Mr Martin Hoffman, Acting Secretary, Department of Resources, Energy and Tourism, Ms Jane Madden, Head of Division, Tourism Division, Department of Resources, Energy and Tourism, Senate Economics Legislation Committee; Estimates Hansard, 19 October 2011, pp 95–96.

15 Ms Meghan Quinn, General Manager, Macroeconomic Modelling Division, Macroeconomic Group, Department of the Treasury, *Committee Hansard*, 10 August 2011, p. 27.

16 Hon. Malcolm Turnbull MP; *Lateline, ABC Television, 18th May 2011*

- Direct action is a political sleight of hand – it is a policy designed to be dumped;
- If it were ever to implemented, direct action will not reduce emissions by anywhere near the Coalitions stated target;
- It would undermine business and investment certainty
- It relies on government subsidies to polluters so that taxpayers carry the burden of abatement;
- It will involve tax expenditures of \$1300 per household with no compensation;
- It is reliant on soil carbon abatement for over half of its target at a price paid to farmers less than a quarter of the price necessary for abatement to be economically viable.

1.25 The central abatement mechanism of the Coalition's direct action plan to reduce greenhouse gas emissions is storing carbon in soil.¹⁷ What the Coalition proposes however, is not a market based mechanism but an off-market, implied price for abatement set by the government; only one seller of abatement – the government – and a non-market tender process where the executive government will determine where abatement will occur.

1.26 Yet while the Coalition has made a commitment to reduce carbon emissions by five per cent by 2020 through implementation of their direct action plan, examination of that plan by both the Department of Climate Change and Energy Efficiency and the Treasury strongly suggests that it will fail to deliver any such target.

1.27 When asked to comment on the Coalition's direct action policy, the Secretary of the Department of Climate Change and Energy Efficiency voiced doubts about the ability of the policy to meet the bipartisan emissions reduction target:

CHAIR: They [the Coalition] also indicate that the emissions reduction fund that they will establish will purchase 85 million tonnes per annum of CO2 abatement through soil carbons by 2020. Are you aware of that claim?

Mr Comley: Yes, I am.

CHAIR: Have you done any analysis of whether that is a target that is achievable?

Mr Comley: We have. That analysis is on the public record... We do not think that that would be attainable. The key distinction here, which we have

17 Australian Liberal Party, *The Coalition's Direct Action Plan – Environment and Climate Change*, p. 1, <http://www.liberal.org.au/~media/Files/Policies%20and%20Media/Environment/The%20Coalitions%20Direct%20Action%20Plan%20Policy%20Web.ashx>, (accessed 26 October 2011).

to be very careful about, is that there is a technical potential; that is, what you could technically put into the soil. Then there is a question of whether that is economically viable. Perhaps the best example of that ... is that you can store quite a lot of carbon in so-called extensive grazing land but when you look at the economics of it, it is very unlikely to occur. So where you have grazing and then if you effectively stop grazing you can store, from memory, about a third of a tonne of carbon per hectare per year if you do that. However, if you look at the question of what a farmer makes in profits from running cattle on that land the New South Wales Department of Primary Industries estimated, I think, that the gross profitability of that was around \$85 per hectare. To put it another way, you would have to set aside three hectares of land. Unless the farmer were paid somewhere in the order of \$250 or \$270 per hectare, it is not in their interests to stop grazing. They would rather take the profitability from grazing. The same issue applies across a whole range of soil carbon issues.

The second issue relates to the technical aspects—some of the methodological issues associated with measuring the soil carbon still need to be refined and improved. It is precisely for those reasons that the international community has typically been slower to pick up soil carbon and other non-forest carbon storage in the landscape as a source of abatement which counts towards international commitments.

CHAIR: There is a report in the Financial Review this morning which outlines the Coalition plan. It indicates that they want to purchase 140 million tonnes of abatement per annum by 2020. Would that 140 million tonnes of abatement reach the five per cent?

Mr Comley: No. On our current projections, around 160 megatonnes of abatement are required by 2020—that is taking into account all climate change policies currently in existence other than those associated with the clean energy future package.

CHAIR: So the Coalition policy—just its target—is 20 million tonnes shy of reaching five per cent?

Mr Comley: If you could purchase 140 million tonnes, that would be 20 million tonnes short of the abatement target of 160 megatonnes.

CHAIR: And 85 million tonnes of that is through soil carbon, which you are very uncertain can be achieved?

Mr Comley: Yes, there is that issue, but there is also the broader issue of how much you would have to pay for each of these tonnes to get them in the first place. My recollection of the point we made at our briefing on this issue is that there was a technical and economic viability issue with soil carbon. But probably more to the point is that we would not necessarily expect that you could buy soil carbon cheaper than a lot of other forms of abatement. What we really did is we asked, 'Okay, how much do we think you would probably have to pay for a tonne of carbon?' We then considered the question: do you think you could buy soil carbon demonstrably cheaper than that? We said, 'No, we do not think that is likely in practice,' and therefore we used a common estimate of a potential cost to assess the likely abatement from a direct action policy.

CHAIR: I think direct action factored in between \$8 and \$10 a tonne, did it not?

Mr Comley: It depends. That is about right for land based issues. One of the key issues that would have to be addressed is that in the direct action policy the indication was given that you could do that at \$8 to \$10 a tonne and that you could effectively price discriminate between different types of abatement. So you would not be required to pay the same price.¹⁸

CHAIR: ...[D]o any of those other statements give you any more confidence that direct action would meet a five per cent reduction by 2020?

Mr Comley: Let me come at this in a different way. You asked me earlier whether we stood by the estimates. Our estimates at the time, from memory, were that we thought that, if you were purchasing around 40 megatonnes, you would probably have to pay around \$50 a tonne. I should stress that I would view that as an optimistic estimate. The reason I stress that is, when that analysis was done, I stressed to all the staff involved that we needed to make sure that we were being as conservative as possible—that is, not talking down the capacity for abatement. But at that time we thought an average abatement cost of around \$50 a tonne was reasonable. The direct action policy, from my recollection, quoted a total budget over 10 years. It did not precisely indicate the spend over each year, but we assumed a ramp-up that ended up with \$2 billion a year in the last year, 2020. We simply took that \$50 abatement cost estimate, divided by the \$2 billion and ended up with 40 megatonnes of abatement, which would leave a gap of around 120 megatonnes.

1.28 In announcing their direct action plan, the Coalition also promised that they would achieve a five per cent emission reduction target by 2020 'without new or increased taxes on Australian industries or increased costs to Australian households and families.'¹⁹ This will not be the result at all, rather, implementation of direct action will not only cost the budget more than the government's clean energy future package but that it will also cost families approximately \$1,300 per year.

Senator CAMERON: I have read some reports that Treasury did some analysis of the Coalition's direct action policy and that that policy results in about a \$1,300 cost to each household. Does someone want to comment on that? Is that correct?

Ms Quinn: The advice provided by Treasury has been released under a freedom of information request. The question that that looked at was: 'What would happen going forward to achieve a five per cent reduction in emissions by 2020 if it was not possible to have access to international

18 Mr Blair Comley, Secretary, Department of Climate Change and Energy Efficiency, *Senate Estimates Committee Hansard*, 17 October 2011, pp 15–16.

19 Australian Liberal Party, *The Coalition's Direct Action Plan – Environment and Climate Change*, p. 2, <http://www.liberal.org.au/~media/Files/Policies%20and%20Media/Environment/The%20Coalitions%20Direct%20Action%20Plan%20Policy%20Web.ashx>, (accessed 26 October 2011).

sources of abatement?' That is the case, in our understanding, of the direct action package proposed by the Coalition. If it was the case that Australia was not able to access internationally sourced abatement, based on the modelling done in the Strong Growth, Low Pollution report, it would double the economic cost of achieving a five per cent target by 2020. That is the analysis that is in the public domain.

Senator CAMERON: Is that double the cost to the economy as a whole?

Ms Quinn: Yes.²⁰

1.29 The Coalition's direct action plan is deeply flawed and simply not viable. Direct action will not create investment certainty, will not provide compensation for households and will not achieve Australia's carbon emission reduction targets. The Australian public is therefore left with a choice between two policies, the essentials of which are distilled in the following table:

20 Ms Meghan Quinn, General Manager, Macroeconomic Modelling Division, Macroeconomic Group, Department of the Treasury, *Senate Estimates Economics Committee Hansard*, 20 October, p. 48.

Table 1: Key features of the Government and Coalition's Climate Change Policies

	Government – Clean Energy Future Package	Coalition – Direct Action Plan
Cost to Households	Approximately \$9.90 per week.	Without international linking Mr Abbott's plan will cost \$13 billion in 2020 – that's a new tax of \$1300 per household.
Assistance	Assistance will be provided to households e.g. people earning up to \$80,000 will receive an average tax cut of \$300. Nine out of ten families will receive some form of tax cuts and other assistance.	No assistance for households.
Who pays?	The biggest polluters pay for their pollution, not households.	Taxpayers pay polluters to reduce pollution. Budget deficits will soar.
Resource allocation	The market allocates capital to the most efficient abatement.	The government picks winners.
Investments	Long term investment certainty.	No investment certainty.
Economic Reform	Long term structural reform of the economy.	Stop gap political solution designed to be abandoned when expedient.
Bipartisan emissions targets	Achieves targets – will cut 159 million tonnes a year of carbon pollution by 2020.	Does not achieve targets.

Investment and Business Certainty

1.30 The Coalition and many submitters to this inquiry claim that acting on climate change in the absence of a comprehensive, binding international agreement on carbon pricing will lead to carbon leakage and negatively affect Australia's international competitiveness. Evidence presented to this committee indicates the opposite is true.

1.31 The international community, unlike the Coalition, accepts and acknowledges that climate change is real and that action needs to be taken. What action each nation takes however is still to be determined. However, by taking action early, Australia will provide certainty to investors.

1.32 Providing certainty through the introduction of a market based carbon price mechanism will put Australia at a competitive advantage for years to come. Indeed, this view is supported by the Institutional Investors Group on Climate Change (IIGCC), a global group of 285 investors that represent assets of more than US\$20 trillion:

The countries that have attracted the most investment in low-carbon technologies, renewable energy and energy efficiency have generally been those that have provided long-term certainty around the structure and incentives associated with these investments...

Investors – in particular those making large investments in areas such as infrastructure and power generation – need long-term policy certainty. If policy instruments have a short time horizon or there is the likelihood that future governments will significantly change the policy framework, investors will tend to invest elsewhere.²¹

1.33 The IIGCC in fact suggests that countries that fail to provide policy certainty will struggle to attract investment:

Conversely, many countries have struggled to attract investment because they do not have appropriate policies in place, because the policies are poorly implemented or because the policies do not provide sufficient incentives for investment. **A more recent concern has been the move by some governments to retroactively scale back climate change-related policies and incentives, which has deterred investment in those countries.**²² [emphasis added]

1.34 Indeed, in a report commissioned by the Investor Network on Climate Risk, the Institutional Investors Group on Climate Change, the Investors Group on Climate Change and the United Nations Environment Programme Finance Initiative, it was noted that the Clean Energy Future legislative package provided 'real confidence' for

21 Institutional Investors Group on Climate Change, *2011 Global Investor Statement on Climate Change*, p. 1, 3.

22 Institutional Investors Group on Climate Change, *2011 Global Investor Statement on Climate Change*, p. 2.

investing in renewable energy in Australia. However, it was noted that not all of the risks of investing in Australia had been eliminated. In their report the group identified that the "political risk, in particular that the opposition Liberal Party may unwind elements of the proposals if elected"²³ was of particular concern.

1.35 The Coalition's policy that, if elected to government, they will repeal the carbon price mechanism has the potential to do much damage to business and investment certainty.

Dr Parkinson: ... Again, remember that the cost impacts of the carbon tax or the minerals resource rent tax are very small. The bigger issue in terms of impacts on investment are those that were spelled out in the Shergold review, which is that the continuing uncertainty about the policies that Australia might pursue to respond to climate change was having a very deleterious impact on the investment environment. That is why the Shergold review—the committee of which, as you will recall, was a group of secretaries and very senior people in the private sector—took the view that Australia should not wait for global action but should begin to move to address climate change... and that it was better to do it earlier rather than later, in the form of emissions trading.²⁴

Ms Quinn: ...There has also been a deal of analysis done in Australia about uncertainty in the electricity generation industry. There have been issues around the flow of investments into different technologies in Australia. It has been the case that different technologies are potentially being chosen because of uncertainty around the regulatory regime. It has not necessarily been crucial for the Australian economy because it has not been necessary to have a big step up in base load investment in the electricity generation sector but that investment will be needed over the next five years. We will need to start looking at building new base load sources of energy. Without a clear framework for pricing carbon in Australia it will add to the investment costs of electricity in Australia.²⁵

1.36 When appearing before the Select Committee on the Scrutiny of New Taxes, Mr Nathan Fabian, Chief Executive Officer of the Investor Group on Climate Change, a group representing Australian investors managing \$600 billion of investment funds told the inquiry:

We have concerns [about direct action]. Our preference for any policy framework in this area is that it is transparent, long-term and relatively certain. We are concerned that a policy that relies on governments primarily

23 US Investor Network on Climate Risk, European Institutional Investors Group on Climate Change, Investors Group on Climate Change - Australia and New Zealand, United Nations Environment Programme Finance Initiative, *Investment-grade Climate Change Policy – Financing the Transition to the Low-Carbon Economy*, 2011, p. 17.

24 Dr Martin Parkinson, Secretary, Department of the Treasury, *Senate Economics Legislation Estimates Committee Hansard*, 20 October 2011, p. 13.

25 Ms Meghan Quinn, General Manager, Macroeconomic Modelling Division, Macroeconomic Group, Department of the Treasury, *Committee Hansard*, 10 August 2011, p. 27.

to either regulate or make payments to industry is vulnerable. For the long-term it is not sustainable simply because of the cost that is likely to be incurred in that scheme and also because the environmental outcome in terms of reducing emissions to any target is unlikely to be met. If that uncertainty exists around the policy, it is probably going to change and it is probably going to change in the not-too-distant future. That creates investment risk and uncertainty for us and so we are not generally favourable on these kinds of policy frameworks in the absence of carbon pricing.²⁶

1.37 Another feature of the government's policy that provides investment certainty is the ability of emitters to advance auction permits. Mr Blair Comley, Secretary of the Department of Climate Change and Energy Efficiency explained to a Senate Estimates Committee how this feature of the legislative package facilitates business and investment certainty:

...What the advance auction of future vintage permits is really about is trying to provide future price information. If you talk to everyone in business, they are asking for the greatest degree of certainty about what the likely carbon obligation is for them. That is both on the side of businesses that have a very strong need to abate and on the side of businesses that have strong abatement options or renewable energy, for example, because they want to get a sense of what they can put in their business plans. What the forward auction of permits is trying to do is have a traded market so people can observe a future price so that when they are doing an investment plan that runs beyond the current year, they have got some better information as to what the price is likely to be.

CHAIR: Does that also promote business certainty?

Mr Comley: It does. But I would explain the answer a little bit. It does help business certainty. With carbon markets and all markets, some people will ask for absolute certainty. That is never going to exist in the same way that you never have absolute certainty about the exchange rate, labour costs or a whole range of other things. Forward auctioning of permits gives you more information than you otherwise would have about a potentially key cost of business. So the longer you have that forward price curve, the greater your degree of certainty. The important point here is that, for some people, it just gives them an estimate of the future price and that may be sufficient. For others, it gives them the capacity to hedge. It gives them the capacity to say, 'It might go up; it might go down. I just want to lock that in and I can buy a forward permit at that point in time.' For them the carbon price uncertainty does not exist at that point in time. From a business decision-making perspective, they then are exposed to the risk that they paid a high price and it turns out to be lower, but if their preference is to eliminate the carbon

26 Mr Nathan Fabian, Chief Executive Officer, Investor Group on Climate Change, *Committee Hansard*, 23 September 2011, pp 29–30.

price risk for their planning, it gives them an option that is not available if you do not have forward auctioning in the same way.²⁷

1.38 Mr Comley went on to explain that the international linkages that the government's Clean Energy Future legislative package provides for will also ensure investment certainty:

Purchase of overseas permits in a sense gives you another hedging option. It does two things. First, it is likely to constrain and reduce the total price of permits because we anticipate international permits would be less expensive over time. Second, it gives you another hedging option. At the moment, you could hedge when we have a forward auction of those or you could hedge with an eligible international unit. Potentially, that would deliver a benefit to consumers of products because the greater the level of risk that a business faces, the more they are going to have to price in a risk premium in their business decisions and ultimately that would lead to a higher cost structure and a higher cost to the consumers of those products. International permits and forward auctioning are both ways of giving hedging opportunities, which ultimately reduce prices.²⁸

1.39 Government senators note that the Coalition's direct action policy does not propose international linking. When appearing before this committee representatives of Loy Yang Power, identified the importance of being able to access international permits.

Senator THISTLETHWAITE: And you will be seeking to purchase those permits internationally as well?

Mr Thompson: We will, yes. In the fullness of time, I am not too sure whether we will start in that space.

Senator THISTLETHWAITE: The department of climate change gave evidence this morning that they had done a study or that Treasury had done a study which demonstrates that if businesses like yours are not able to access international permits on the international market once the carbon trading scheme begins in Australia, it will substantially push up costs.

Mr Thompson: Correct.

Senator THISTLETHWAITE: That is a view that you share as well, is it?

Mr Thompson: Yes, absolutely. Australia is not a large carbon market and Australia would be a price taker on carbon, if international permits are

27 Mr Blair Comley, Secretary, Department of Climate Change and Energy Efficiency, *Senate Environment and Communication Legislation Committee*; Estimates Hansard, 17 October 2011, p. 18.

28 Mr Blair Comley, Secretary, Department of Climate Change and Energy Efficiency, *Senate Environment and Communication Legislation Committee*; Estimates Hansard, 17 October 2011, p. 18.

allowed, depending on what constraints are put around that. And the beneficiaries of that will be the Australian community.²⁹

1.40 Loy Yang are not the only business in the electricity industry that have raised concerns with the Coalition's direct action plan and "pledge in blood" to abolish the carbon price mechanism. Virgin Australia, AGL Energy and Centennial Coal have all raised concerns stating that the Coalition's stance is causing uncertainty and delaying much needed investment.³⁰

Businesses have been counting on the certainty of the legislation to kick-start billions of dollars of new investment in electricity generation and transmission, and said the opposition's threats to abolish the carbon tax has destabilised their plans..."Whilst we have that different approach being taken by the two main parties it is going to make it harder for investors in this sector to commit capital to projects that are dependent one way or another on a price on carbon," Jerry Maycock, the chairman of AGL Energy, one of the country's biggest power and gas suppliers, said.³¹

1.41 The Energy Supply Association of Australia has also stated that further delay in the investment that is needed to meet growing electricity demand will in fact cause power prices to rise.

The [ESAA] estimates that about \$50 billion of investment is required in existing and new energy generation and network assets over the next five years to meet growing demand. To comply with the emissions trading scheme and continue to offer forward electricity contracts to consumers, electricity generators will need access to more than \$10 billion of permits once flexible prices begin, according to the ESAA. "To continue to offer fixed-price power, generators need to be able to hedge the price of carbon by purchasing carbon permits" ... "if they can't, then there will be rises in the power price..."³²

1.42 On the other side of this aspect of the debate, Mr. Ergas, in an opinion piece in *The Australian* newspaper made the unsubstantiated and ridiculous assertion of a carbon price, "climbing towards the hundreds of dollars" that would lead to a likelihood "that the system will eventually be dismantled." This "likelihood" is then the foundation for a different kind of uncertainty in Mr. Ergas' mind to that which the electricity generators face. In a startling bit of sophistry, Mr. Ergas conveniently waves away the very real uncertainty for generators of not moving to a carbon price:

29 Mr Kenneth John Thompson, Loy Yang Marketing Management Company Pty Ltd, Loy Yang Power, *Committee Hansard*, 16 September 2011, p. 31.

30 Angela Macdonald-Smith, Perry Williams, 'Abbott stand sparks power price anger', *Australian Financial Review*, 18 October 2011, p. 1.

31 Angela Macdonald-Smith, Perry Williams, 'Abbott stand sparks power price anger', *Australian Financial Review*, 18 October 2011, p. 1.

32 Angela Macdonald-Smith, Perry Williams, 'Abbott stand sparks power price anger', *Australian Financial Review*, 18 October 2011, p. 10.

"True, investors in electricity generation face uncertainty. But that is because the future international environment for carbon pricing is itself highly uncertain. And merely introducing a carbon tax here does nothing to wipe that uncertainty away".³³

1.43 If he is to be consistent, we should expect Mr. Ergas to view the imminent collapse of the Doha Round of international trade negotiations as a signal to bring back protectionism as an antidote to international uncertainty over trade. On this issue, we prefer the evidence of the representatives of the electricity generation industry over the opinion of Mr. Ergas.

1.44 Government senators note with concern the irresponsible actions of the Coalition that are serving only to undermine business and investment certainty, the result being harm to the wider public.

Conclusion

1.45 Government senators acknowledge that achieving major structural reform is hard work, made harder by the pointless obstinacy of the current Coalition. The creation of Medicare, the floating of the dollar, the removal of tariffs and the introduction of superannuation were all met with fierce resistance when they were first proposed yet these same reforms have served Australia well and have resulted in the economic freedoms and successes the country now enjoys. The decision to take the critical step to put a price on carbon will be similarly viewed in the years to come.

1.46 Government senators take the view that the government's Clean Energy Future legislative package creates the right incentives in the economy to reduce pollution in the most efficient way and encourage investment in clean energy technologies. It creates the certainty that business and industry are seeking yet will have only a modest impact on prices. As Treasury modelling has identified, it is expected that prices will only increase by 0.7 per cent in 2012-13 as a result of the introduction of a carbon price, less than a third of the effect on prices that the introduction of the Goods and Services Tax and related changes in 2000-01. The government's modelling shows that many prices, particularly food, will hardly be affected; the biggest cost increase will be utilities. The table below identifies the likely affect on household expenditure.

1.47 The Government will provide assistance to those Australians that need help most, particularly pensioners and low and middle-income households to cover these costs. All up, the average household will see cost increases of \$9.90 per week, while the average assistance will be \$10.10 per week. Households that improve their energy efficiency can end up coming out in front.

33 Professor Henry Ergas, Not a Model way to Sell A Carbon Tax; *The Australian*, 21 October 2011, p.14.

Recommendation: That the Senate pass the government's Clean Energy Future bills so that action is taken from next year to reduce greenhouse gas emissions and meet Australia's emissions reduction targets.

**Senator Doug Cameron
Deputy Chair**

Senator Matt Thistlethwaite

Table 2: Price impact on household expenditure³⁴

Product or service	Price impact 2012-13 (%)
Milk, cheese and other dairy products	0.4
Breads, cakes and cereal products	0.4
Fruit and vegetables	0.4
Meat and seafood	0.4
Restaurant meals and takeaway food	0.4
Clothing, footwear	0.2
Electricity, gas, utilities	7.9
Beer, wine and alcohol	0.2
Travel and accommodation	0.5
Rent	0.6
Hospital and medical services	0.3
Pharmaceuticals	0.3
Audio-visual equipment, computers	0.4
Furniture and furnishings	0.4
Household appliances, utensils and tools	0.8
Education	0.3
Sport and recreation	0.3

34 *The Impact of a Carbon Price on Household Expenditure as modelled by Treasury for the Clean Energy Future Package announced on 10th July 2011 by the Government*; http://www.treasury.gov.au/documents/2118/PDF/Modelling_carbon_price_household.pdf, viewed 27th October 2011.

Government Senators' Dissenting Report: Appendix 1

Table 1 – Summary of parliamentary inquiries concerning climate change³⁵

Committee inquiry	Summary of findings and recommendations
<p>House of Representatives Standing Committee on Environment, Recreation and the Arts: A review of Audit Report No. 32 1992-93—an efficiency audit of the Implementation of an Interim Greenhouse Response (May 1994).</p> <p>http://www.aph.gov.au/house/committee/reports/1994/1994_PP92.pdf</p>	<p>The National Energy Management Program (NEMP) is one of the approaches the Commonwealth Government is taking to achieve its targeted reduction in greenhouse gas emissions. The diverse range of activities which make up the program are likely, at best, to bring about a reduction in carbon dioxide emissions equivalent to only ten per cent of the required target. Although the program consists entirely of 'no-regrets' measures, it is central to the National Greenhouse Response Strategy. It needs to be pursued with as much vigour and commitment as the Department of Primary Industries and Energy can muster.</p> <p>The NEMP should be significantly expanded and there is a need for the Government to commit more resources to it. However, to establish a more effective program the Department first needs to implement the recommendations of the auditors and the consultants.</p> <p>The Committee has made several recommendations which reinforce the findings of the auditors and the consultants and which, if implemented along with their recommendations ;will provide the basis for the expansion of the program. Resources need to be committed which allow the program to expand to a level that will do more towards attaining the Government's greenhouse gas emissions reduction target. The Committee recommends that:</p> <p>(1) the Commonwealth Government make a genuine commitment to the National Energy Management Program and demonstrate its commitment by; providing substantially increased financial and personnel support for the program; and ensuring that the scale of financial and personnel support is commensurate with the objectives of the program</p>

35 Joint Select Committee on Australia's Clean Energy Future Legislation, *Advisory Report on the Clean Energy Bills and the Steel Transformation Bill 2011*, October 2011, pp 6–10.

	<p>and the Government's greenhouse gas emission reduction targets. (Paragraph 2.23)</p> <p>(2) the Government's commitment to the success of the National Energy Management Program be matched by the Executive of the Department of Primary Industries and Energy taking an active leadership role in promoting the program and ensuring that sufficient staff are made available. (Paragraph 2.24)</p> <p>(3) as part of its restructuring of the National Energy Management Program, the Department of Primary Industries and Energy closely examines and scrutinises the program activities currently operating and reduces the number of activities to a level consistent with effective operations and managerial resources. The Department should identify, for continuation, those activities that are the most useful in achieving the objectives of the program. (Paragraph 3.33)</p> <p>(4) as part of the restructuring of the National Energy Management Program, the Department of Primary Industries and Energy should develop and initiate new program activities that will be more effective in achieving targeted reductions in greenhouse gas emissions. (Paragraph 3.34)</p> <p>(5) to facilitate public input to the National Energy Management Program and to generate greater public awareness and interest, a comprehensive report on all programs relating to greenhouse gas emissions be presented to the Parliament annually, shortly after the budget is presented, (Paragraph 3.55)</p> <p>(6) before the end of 1996, the Australian National Audit Office completes a follow-up efficiency audit on the continuing implementation and administration of the National Energy Management Program. (Paragraph 4.7)³⁶</p>
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36 House of Representatives Standing Committee on Environment, Recreation and the Arts, *A review of Audit Report No. 32 1992-93—an efficiency audit of the Implementation of an Interim Greenhouse Response*, May 1994, http://www.aph.gov.au/house/committee/reports/1994/1994_PP92.pdf, (accessed 25 October 2011).

<p>House of Representatives Standing Committee on Environment, Recreation and the Arts: Inquiry into the regulatory arrangements for trading in greenhouse gas emissions (25 August 1998).</p> <p>http://www.aph.gov.au/house/committee/environ/greenhse/gasrpt/contents.htm</p>	<p>Recommendation (1)</p> <p>The Committee recommends that emissions permits be licences to emit, which are issued on terms that are clear, understandable, and known. Permits should not confer property rights.</p> <p>Recommendation (2)</p> <p>The Committee recommends the early trialling of emissions trading in Australia under the following conditions: voluntary participation; based on emissions levels at the start-up date of the trial; without prejudice to the eventual design of the compulsory emissions trading scheme, except for a guarantee of recognition in the compulsory scheme for emissions reductions made during the trial; consideration to be given to preferentially allocating permits in the compulsory scheme to participants in the trial; and continuing consultation about the design of the compulsory scheme.³⁷</p>
<p>Senate Environment, Communications, Information Technology and the Arts References Committee: Renewable Energy (Electricity) Bill 2000; Renewable Energy (Electricity) (Charge) Bill 2000 (August 2000).</p> <p>http://www.aph.gov.au/Senate/committee/ecita_ctte/completed_inquiries/1999-02/reb2000/report/index.htm</p>	<p>Recommendation 1</p> <p>The Committee recommends that non-plantation native forest wood products and wood wastes be specifically excluded from the list of eligible renewable energy sources.</p> <p>Recommendation 2</p> <p>The Committee recommends that the Renewable Energy (Electricity) Bill 2000 be amended to include the list of eligible renewable energy sources, with the provision for more detailed rules and definitions to be included in the regulations.</p> <p>Recommendation 3</p> <p>The Committee recommends that future reviews of the 2 per cent measure give consideration to mandating a portfolio of sources, a cap on the contribution of any one source and/or a measure, which recognises the greenhouse</p>

37 House of Representatives Standing Committee on Environment, Recreation and the Arts, *Inquiry into the regulatory arrangements for trading in greenhouse gas emissions*, 25 August 1998, <http://www.aph.gov.au/house/committee/environ/greenhse/gasrpt/contents.htm>, (accessed 25 October 2011).

	<p>intensities of particular sources.</p> <p>Recommendation 4</p> <p>The Committee recommends that the legislation be amended to ensure that the shortfall charge is recognised as being a penalty, that it should clearly not be tax deductible and that it be indexed for CPI increases.</p> <p>Recommendation 5</p> <p>The Committee recognises that the penalty may not be adequate to encourage liable entities to purchase Renewable Energy Certificates rather than pay the penalty, and/or that it may not deliver a diverse range of technologies, and recommends that the Government consider increasing the penalty. Failing that, the Committee recommends that the behaviour of wholesalers be closely monitored to assess whether they are choosing to pay the charge in lieu of buying available certificates (i.e. for which generation capacity exists). Should this be the case, the level of the charge should be increased to a level at which higher cost renewables, such as wind, will be competitive.</p> <p>Recommendation 6</p> <p>The Committee recommends that the time available to liable parties to make up a certificate shortfall and have the charge refunded be reduced from 3 years to 1 year, and that the refund be discounted by 50 per cent for that year.</p> <p>Recommendation 7</p> <p>The Committee recommends a regular linear phase-in path of at least 950 GWh each year.</p> <p>Recommendation 8</p> <p>The Committee recommends consideration of possible upward revision of the target be included in future reviews of the 2 per cent renewables measure, with a view to establishing a world-class renewable energy industry and increasing the proportion of renewable generation in the years after 2010.</p> <p>Recommendation 9</p> <p>The Committee recommends that the Government consult</p>
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	<p>with the Western Australian Government about the circumstances of small remote communities in the Pilbara.</p> <p>Recommendation 10</p> <p>The Committee recommends the exclusion of legitimate cogeneration projects from liability under the measure.</p> <p>Recommendation 11</p> <p>The Committee recommends that the Bills be amended to provide that the renewable energy liability cannot be incurred twice for the same block of energy.</p> <p>Recommendation 12</p> <p>The Committee recommends that the Government take steps to ensure that the renewable electricity generation funded by voluntary contributions to Greenpower schemes in most states is additional to the annual targets and that agreement be reached with the states as soon as possible on a process to ensure that this is the case.</p> <p>Recommendation 13</p> <p>The Committee recommends that the Government commences discussions with the States as soon as possible to develop uniform national codes governing interconnections to power grids and uniform arrangements for net metering, which would guarantee a fair price for independent generators.</p> <p>Recommendation 14</p> <p>The Committee recommends that the legislation be amended to provide for a wide-ranging review of the measure to be completed within 3 years. The review should be carried out by an independent person or body and receive public input to both its inquiry and conclusions.³⁸</p>
Joint Standing Committee on Treaties: Report 38	Committee observations

38 Senate Environment, Communications, Information Technology and the Arts References Committee, *Renewable Energy (Electricity) Bill 2000; Renewable Energy (Electricity) (Charge) Bill 2000*, August 2000, http://www.aph.gov.au/Senate/committee/ecita_ctte/completed_inquiries/1999-02/reb2000/report/index.htm (accessed 25 October 2011).

The Kyoto Protocol – Discussion Paper (April 2001).

<http://www.aph.gov.au/house/committee/jsct/kyoto/kyoto.htm>

2.28 Even the harshest critics of the IPCC do not deny that global warming has occurred.

2.29 The major points of disagreement revolve around: the balance of causes – the extent to which global warming has been influenced by natural phenomena as opposed to human activities; and projections of future temperatures and sea levels – with critics claiming that the IPCC estimates are exaggerated.

2.30 There are validly held differences of opinion within the scientific community on the weight to be attached to various possible causes of global warming and on the likely range of consequences of global warming.

2.31 It is conceivable that as the scientific debate continues, new dimensions and disciplines will be considered, some of which will influence the predicted outcomes of global warming. The continuing refinement of computer-based climate modelling techniques to include new elements is one such example.

2.32 Nevertheless, the balance of scientific opinion is clearly and substantially in favour of the assessments made by the IPCC.

2.33 We note that the Australian Government is prepared to accept the IPCC's opinion that the world's climate has changed over the last 100 years and that human activity has had a discernible impact on that change.

2.34 Moreover, the Australian Government has judged that it is reasonable to be involved in coordinated international action on climate change, as foreshadowed in the UNFCCC and provided for by the Kyoto Protocol, to help mitigate the future risks associated with climate change...

3.43 Debate about the potential social, economic and environmental impacts of the Kyoto Protocol is passionate, often contradictory and, in many respects, likely to continue until the impacts are, one way or another, actually realised.

3.44 If Australia were to ratify the Protocol, some sectors of the economy will be under great pressure to reduce greenhouse gas emissions – by changing operational practices, finding greater efficiencies and implementing

	<p>new technologies. It is not yet clear whether those industries with high rates of fossil fuel use will be able to adapt sufficiently to create sustainable futures. Some members of the Committee are concerned that such industries might collapse: paying the ultimate price for Australia's compliance with the Kyoto Protocol.</p> <p>3.45 On the other hand, it is possible also that new business opportunities will emerge for energy efficient industries or through the development of a national emissions trading market.</p> <p>3.46 Those who argue that the costs of mitigation are greater than the benefits of new opportunities have, at present, more support from the economic modelling that has been done to date. But the models are not without their critics and even those who have conducted the modelling acknowledge that it is not possible to complete an accurate analysis until the final design of the Protocol is agreed upon.</p> <p>3.47 As suggested in our observations at the conclusion of Chapter 2, issues such as the treatment of carbon sinks and the extent of flexibility mechanisms may significantly influence the domestic cost of implementing the Protocol. These issues need to be resolved before a final best estimate of the economic, social and environmental impact of the Protocol can be calculated.</p> <p>3.48 In any event, continuing investment in the development of technologies that promote the cleaner combustion of fossil fuels and the development of alternative sources of energy is a wise focus for the national research effort.³⁹</p>
<p>Senate Environment, Communications, Information Technology and the Arts Legislation Committee: Provisions of Inquiry into the Renewable Energy (Electricity) Amendment</p>	<p>Background – the Mandatory Renewable Energy Target</p> <p>1.3 The bill amends the Renewable Energy (Electricity) Act 2000 and the Renewable Energy (Electricity) (Charge) Act 2000, which established the Mandatory Renewable Energy Target (MRET) scheme.</p> <p>1.4 The original bills establishing the MRET were the</p>

39 Joint Standing Committee on Treaties, *Report 38 The Kyoto Protocol – Discussion Paper*, April 2001, pp 11–12, 33–34, <http://www.aph.gov.au/house/committee/jsct/kyoto/kyoto.htm>, (accessed 25 October 2011)

Bill 2002 (2 December 2002).

http://www.aph.gov.au/Senate/committee/ecita_ctte/completed_inquiries/2002-04/renewable_energy/index.htm

subject of a Senate Environment, Communications, Information Technology and the Arts Legislation Committee inquiry, which reported in August 2000. The scheme also took place in the wider context of a References Committee inquiry into the progress and adequacy of Australia's policies to reduce global warming, resulting in the report titled *The Heat is On: Australia's Greenhouse Future*, tabled in November 2000.

1.5 The Government's renewable energy target places a legal liability on wholesale purchasers of electricity to proportionately contribute towards the generation of an additional 9,500 GWh of renewable energy per year by 2010.

1.6 The measure applies nationally, with all electricity retailers and wholesale electricity buyers on liable grids in all States and Territories contributing proportionately to the achievement of the measure.

...

Conclusions and recommendations

2.35 The Committee supports the changes to the definitions contained in S.17, and in particular, both the focus on sources rather than technologies and the flexibility granted to the Renewable Energy Regulator under proposed subsections 3-5.

2.36 The MRET scheme is intended to encompass and encourage the development of a diverse range of renewable energy sources, and the amendments recommended would assist some of these to reach their full potential. The changes recommended are also consistent with the administrative nature of the bill, and their application would be safeguarded by the new discretionary powers of the Regulator. In particular, the adoption of a single 'biomass' category is consistent with other changes to S.17, while the use of wood waste is already accepted within the operation of the current Act.

2.37 However, the adoption of a definition to include all biomass from 'woody perennials' (i.e. trees) as suggested by Greenfield Resource Options amounts to a more substantial policy change to the regime and should therefore be considered in the 2002 Review.

	<p>...</p> <p>2.42 Although accepting that the standard operations of sugar mill generators could fall within the definition of ‘gaming’, the Committee considers that the amendments are appropriate. For the scheme to have continued credibility, the Regulator must have a broad discretionary power to determine what constitutes gaming in any given instance, especially in the context of the diverse industry involved in the MRET scheme.</p> <p>2.43 The proper operation of the anti-gaming provisions must also be taken in the context of the enhanced information gathering powers for the Regulator contained in proposed Part 11A, together with the broad rights of objection, review and appeal under Part 6 of the Act.</p> <p>2.44 There is no reason to consider that the legitimate operations of sugar mills would be classified as gaming by the Regulator, but it must also be recognised that gaming could occur in the sugar industry, by reason of their use of a readily transportable fuel source and multiple linked power stations. The Committee is not convinced of the necessity to limit or further define the powers envisaged by the bill.</p> <p>...</p> <p>The Committee recommends that the bill be passed, with consideration of the recommendations of this report.⁴⁰</p>
<p>Senate Environment, Communications, Information Technology and the Arts Legislation Committee: Kyoto Protocol Ratification Bill 2003 [No.2] (25 March</p>	<p>Recommendation</p> <p>5.94 The Committee recommends:</p> <p>That the Kyoto Protocol Ratification Bill 2003 [No. 2] not be proceeded with.⁴¹</p>

40 Senate Environment, Communications, Information Technology and the Arts Legislation Committee, *Provisions of Inquiry into the Renewable Energy (Electricity) Amendment Bill 2002*, 2 December 2002, pp 1–2, 16–18, 33.
http://www.aph.gov.au/Senate/committee/ecita_ctte/completed_inquiries/2002-04/renewable_energy/index.htm, (accessed 25 October 2011).

41 Senate Environment, Communications, Information Technology and the Arts Legislation Committee, *Kyoto Protocol Ratification Bill 2003 [No.2]*, 25 March 2004,
http://www.aph.gov.au/Senate/committee/ecita_ctte/completed_inquiries/2002-04/kyoto/index.htm, (accessed 25 October 2011).

<p>2004).</p> <p>http://www.aph.gov.au/Senate/committee/ecita_ctte/completed_inquiries/2002-04/kyoto/index.htm</p>	
<p>Senate Environment, Communications, Information Technology and the Arts Legislation Committee: Provisions of the Renewable Energy (Electricity) Amendment Bill 2006 (9 May 2006).</p> <p>http://www.aph.gov.au/Senate/committee/ecita_ctte/completed_inquiries/2004-07/renewableenergy/report/index.htm</p>	<p>There was general support for the majority of amendments to the Renewable Energy Bill, which can be attributed to the administrative – and fairly uncontentious – nature of the amendments...</p> <p>The bill seeks to streamline elements of the energy industry and promote market transparency. Whilst it was clear from evidence to the inquiry that the bill does not address a key concern of submitters – that is, changes to the MRET scheme – the amendments proposed will implement small, but important changes to the operation of the energy market in Australia.</p> <p>The committee recommends that the bill be passed.⁴²</p>
<p>Senate Environment, Communications, Information Technology and the Arts References Committee: Budgetary and environmental implications of the Government's Energy White Paper (16 May 2005).</p> <p>http://www.aph.gov.au/Senate/committee/ecita_ctte/completed_inquiries/2004-07/energy_white_paper/report/index.htm</p>	<p>Recommendation 1</p> <p>The Committee recommends that the Government, in consultation with energy interest groups and the energy industry, develop a detailed long-term strategy that includes specific CO₂ emissions reduction targets for 2010, 2020 and 2030, with the ultimate goal of reducing greenhouse emissions by at least 60% by 2050 [para. 4.12].</p> <p>Recommendation 2</p> <p>The Committee recommends that the Government set abatement timeframes and raise the abatement targets for projects seeking funding through the Low-Emissions Technology Development Fund [para. 4.17].</p> <p>Recommendation 3</p> <p>The Committee recommends that the Government: recognise that geosequestration is one of many options for</p>

42 Senate Environment, Communications, Information Technology and the Arts Legislation Committee, *Provisions of the Renewable Energy (Electricity) Amendment Bill 2006*, 9 May 2006, http://www.aph.gov.au/Senate/committee/ecita_ctte/completed_inquiries/2004-07/renewableenergy/report/index.htm, (accessed 25 October 2011)

reducing Australia's CO₂ emissions; and ensure that the greater proportion of the Low Emissions Technology Fund is made available to technologies which can provide emission reductions in the short term; fund only cost and abatement effective research and development on the basis of the principle that the polluter pays; and extend the life of the Low Emissions Technology Fund to cover the timeframe set out for emissions reductions targets, namely a reduction of at least 60% by 2050 [para. 4.26].

Recommendation 4

The Committee recommends that the Government provide incentives to encourage the uptake of current energy efficiencies, such as by adopting the NSW BASIX energy efficiency scheme on a national basis [para. 4.30].

Recommendation 5

The Committee recommends that the Government continue to fund the Photovoltaic Rebate Programme (PVRP), and set targets for the installation of standalone (RAPS) Photovoltaic (PV) energy systems and for grid-connected PV energy systems [para. 4.38].

Recommendation 6

The Committee recommends that the Government re-examine the projected costs of increasing the MRET to at least 5% by 2010, to 10% by 2020, and 50% by 2050, and if it is not prepared to do this, provide infrastructure grants for renewable energy developments [para. 4.39].

Recommendation 7

The Committee recommends that the Government not proceed with the proposed reductions in excise on diesel and petrol in the EWP, unless the decision to impose excise on biofuels and gaseous fuels by 2012 is reversed [para. 4.44].

Recommendation 8

The Committee recommends that the Government develop a more comprehensive policy framework that will set stronger market incentives to invest in energy efficiencies and mandate standards for CO₂ abatement with specific, quantifiable and meaningful targets [para. 4.47].

	<p>Recommendation 9</p> <p>The Committee recommends that the Government move to review its own operations in order to achieve maximum energy efficiencies and CO2 abatement prior to 2010 [para. 4.48].</p> <p>Recommendation 10</p> <p>The Committee recommends that the Government introduce a carbon trading scheme, or at least provide support for the states' carbon trading scheme, and mandate maximum levels of carbon emissions for Australia, according to diminishing benchmarks towards the goal of 60% by 2050 [para. 4.51].</p> <p>Recommendation 11</p> <p>The Committee recommends that the Government reconsider the benefits of a carbon tax as a tool to reduce carbon emissions in the industrial sector [para. 4.52].</p>
<p>House Standing Committee on Environment and Heritage: Inquiry into sustainable cities (12 September 2005).</p> <p>http://www.aph.gov.au/house/committee/environmentandheritage/report.htm</p>	<p>Recommendation 1</p> <p>The committee recommends that the Australian Government: establish an Australian Sustainability Charter that sets key national targets across a number of areas, including water, transport, energy, building design and planning; encourage a Council of Australian Governments agreement to the charter and its key targets.</p> <p>Recommendation 2</p> <p>The committee recommends that all new relevant Australian Government policy proposals be evaluated as to whether they would impact on urban sustainability and if so, be assessed against the Australian Sustainability Charter and the COAG agreed sustainability targets.</p> <p>Recommendation 3</p> <p>The committee recommends that: the Australian Government establish an independent Australian Sustainability Commission headed by a National Sustainability Commissioner; task the Commission with monitoring the extent to which Commonwealth funds and State and Territory use of Commonwealth funds promotes the COAG agreed sustainability targets; and task the</p>

Commission with exploring the concept of incentive payments to the States and Territories for sustainability outcomes along the lines of the National Competition Council model.

Recommendation 4

The committee recommends that the Department of Transport and Regional Services raise with the Development Assessment Forum the proposal to extend membership of the forum to representatives from the Department of Environment and Heritage and the CSIRO.

Recommendation 5

The committee recommends that the Department of Transport and Regional Services, in consultation with the Department of the Environment and Heritage, investigate options to extend the Roads to Recovery programme to include other modes of transport as a step towards including sustainability in the funding criteria.

Recommendation 6

The committee recommends that: transport infrastructure planning decisions be benchmarked against the recommended Australian Sustainability Charter; and the Australian Government significantly boost its funding commitment for public transport systems, particularly light and heavy rail, in the major cities.

Recommendation 7

The committee recommends that the provision of Australian Government transport infrastructure funds include provision of funding specifically for sustainable public transport infrastructure for suburbs and developments on the outer fringes of our cities.

Recommendation 8

The committee recommends that the Australian Government review the current FBT concessions for car use with a view to removing incentives for greater car use and extending incentives to other modes of transport.

Recommendation 9

The committee recommends that the Australian

	<p>Government review the tariff policy on four wheel drive vehicles with a view to increasing the tariff rate on four wheel drive vehicles, except for primary producers and others who have a legitimate need for four wheel drive capability.</p> <p>Recommendation 10</p> <p>The committee recommends that the Australian Government provide adequate funding to develop new programmes and support existing programmes, such as TravelSmart and the National Cycling Strategy, that promote and facilitate public and active transport options.</p> <p>Recommendation 11</p> <p>The committee recommends that the Department of Transport and Regional Services investigate developing emission standards for older vehicles and work with the States and Territories with a view to instituting mandatory testing and reporting at point of sale.</p> <p>Recommendation 12</p> <p>The committee recommends that COAG, as part of the National Water Initiative, fund an education campaign educating the public about the benefits, economics and safety of using recycled water.</p> <p>Recommendation 13</p> <p>The committee recommends that the National Water Commission, in consultation with the States and Territories and the public, prepare an independent and transparent report on water options for each of the Australian capital cities and major regional centres.</p> <p>Recommendation 14</p> <p>The committee recommends that the Department of the Environment and Heritage undertake a public education campaign to increase community awareness of the Water Efficiency Labelling and Standards Scheme.</p> <p>Recommendation 15</p> <p>The committee recommends that the Australian Government ensure research and development regarding water resource management takes into account Water</p>
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	<p>Sensitive Urban Design principles.</p> <p>Recommendation 16</p> <p>The committee recommends that the Australian Government commission research, either as part of the National Water Initiative or separately, to consider the economic viability and environmental benefits of decentralised water management systems.</p> <p>Recommendation 17</p> <p>The committee recommends that the Australian Government encourage the States and Territories to mandate disclosure of the energy efficiency and greenhouse performance of residences at point of sale and point of lease.</p> <p>Recommendation 18</p> <p>The committee recommends that the Australian Government, possibly through the CSIRO, investigate the value of a mass balance analysis for Australia.</p> <p>Recommendation 19</p> <p>The committee recommends that the Australian Government, in consultation with the Housing Industry of Australia, CSIRO and other industry and scientific bodies, investigate the establishment of a ‘sustainable building material’ labelling system.</p> <p>Recommendation 20</p> <p>The committee recommends that the Australian Government encourage the States and Territories to put in place a regime whereby approval for major residential and commercial renovations is conditional upon meeting energy efficiency and greenhouse performance requirements.</p> <p>Recommendation 21</p> <p>The committee recommends that the Department of the Environment and Heritage and the Australian Building Codes Board work with industry groups to raise awareness among builders, architects and developers of the economic and environmental benefits of sustainable building practices, including reusing and recycling building</p>
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	<p>materials.</p> <p>Recommendation 22</p> <p>The committee recommends that the Australian Building Codes Board develop a nationally consistent building ratings tool that takes into account the range of environmental and sustainability factors dealt with by existing codes.</p> <p>Recommendation 23</p> <p>The committee recommends that the Australian Government increase the First Home Owner grant to \$10,000 for those homes that meet a high standard of specified sustainability criteria and that these criteria be: stringent; and within the abilities of an HIA accredited builder.</p> <p>Recommendation 24</p> <p>The committee recommends that those States and Territories that do not have a 5 star rating system implement one as a priority.</p> <p>Recommendation 25</p> <p>The committee recommends that Australian Government departments and agencies that own property take steps to improve the sustainability of those buildings, at least to the 5 star rating, and that departments and agencies that rent property consider measures to improve building efficiency when seeking tenancy agreements.</p> <p>Recommendation 26</p> <p>The committee recommends that the Australian Government double the photovoltaic rebate to further encourage the uptake of photovoltaic systems.</p> <p>Recommendation 27</p> <p>The committee recommends that the Australian Government further develop its commitment to energy sustainability, particularly in the area of increasing the use of renewable energy.</p> <p>Recommendation 28</p>
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The committee recommends that the Australian Government, through the National Framework for Energy Efficiency, examine the economic and environmental benefits of decentralised energy delivery and encourage investment in this area.

Recommendation 29

The committee recommends the Australian Government investigate US and German initiatives in the area of solar energy generation and purchase, and, where appropriate, implement or emulate them.

Recommendation 30

The committee recommends that the Australian Government: conduct an audit of existing research and funding opportunities for issues relating to the built environment and urban policy to ensure the adequacy of technical and policy research in this area; and, give consideration to nominating the built environment as a national research priority.

Recommendation 31

The committee recommends that, with reference to the Swedish model of environmental objectives, the Australian Government: develop an accessible and identifiable set of national environmental (or sustainability) objectives for Australia (based on the Australian Sustainability Charter recommendation in chapter 3); implement a national report card for Australia which represents transparently and simply our progress towards the objectives; and encourage similar programmes at a community level, possibly emulating the Tidy Towns or Celebrate WA programmes, but focusing on sustainability.

Recommendation 32

The committee recommends that Australia investigate opportunities to establish a Sustainable Cities network across Australia and Asia, and extend its regional and international commitment to urban sustainability through avenues such as: Technology and research exchange; Pilot demonstration projects, particularly in the area of water and waste treatment; Increased aid for social development

	in urban areas; and Local government partnership programmes. ⁴³
<p>Senate Economics Legislation Committee: Inquiry into the provisions of the Energy Efficiency Opportunities Bill 2005 (10 November 2005):</p> <p>http://www.aph.gov.au/senate/committee/economics_ctte/completed_inquiries/2004-07/energy/report/index.htm</p>	<p>The Committee is of the view that this Bill requires further work before it can be passed by the Senate. In particular, the Committee is concerned about the testimony of a number of witnesses that they were surprised about its contents, despite an extensive consultation process. The Committee is also concerned that a number of substantive issues in relation to the Bill are to be introduced by regulation instead of being incorporated in the body of the Bill. This need to rely on as yet unseen regulations indicates that the Bill is being introduced before many substantive issues have been resolved.</p> <p>Further, the Bill provides for what appear to be excessively severe penalties for compliance breaches, and inappropriately wide powers to conduct inspections, in what is intended to be an essentially co-operative approach to improving energy use efficiency. There are also unresolved issues about the treatment of commercially sensitive information. For these reasons, the Committee considers that the Government should withdraw the bill for re-drafting.</p> <p>Recommendation 1</p> <p>2.39 The Committee recommends that the Bill not proceed unless amended:</p> <p>(i) to give a clear indication to corporations and individuals affected by it of the extent of their obligations and liabilities on the face of the Statute itself, rather than delegating them to regulations;</p> <p>(ii) to change the penalty provisions in clause 29(3) to a level more appropriate to the nature of a regulatory statute, and in particular, by removing the custodial penalty;</p> <p>(iii) to provide that the signing obligation in clause 22(4)(b) of the Bill be placed on the Chief Executive Officer, or some other suitable senior executive officer, not the Chairman of the Board; and</p>

43 House Standing Committee on Environment and Heritage, *Inquiry into sustainable cities*, 12 September 2005, <http://www.aph.gov.au/house/committee/enviro/cities/report.htm>, (accessed 25 October 2011).

	(iv) to provide more appropriate and stronger protection for commercially sensitive and confidential information.
<p>House Standing Committee on Environment and Heritage: Inquiry into a Sustainability Charter, 'Sustainability for survival: creating a climate for change' (5 September 2007).</p> <p>http://www.aph.gov.au/house/committee/enviro/charter/report.htm</p>	<p>In its report, Sustainable Cities, tabled 12 September 2005, the Committee recommended that the Australian Government establish an Australian Sustainability Charter. While there is considerable support for the concept of a Sustainability Charter, there is also much debate about nearly all aspects of developing and implementing one. The Committee thought it would be useful to identify and flesh out some of the more contentious issues surrounding a Sustainability Charter and to make concrete recommendations. On 16 February 2006 it therefore resolved, under provisions of the House of Representatives standing order 215(c), to undertake an inquiry into a Sustainability Charter. Its recommendations follow.</p> <p>Recommendation 1</p> <p>The Committee recommends that within the first six months of the 42nd Parliament, the Minister for the Environment and Water Resources introduce a Bill for an Act to establish a statutory national Sustainability Commission, headed by a Sustainability Commissioner.</p> <p>In drafting this legislation, the Australian Government should seek input from the state and territory governments.</p> <p>In the Committee's view, and drawing from some of the suggestions made in submissions, the legislation should outline the ongoing roles of the Commission and Commissioner.</p> <p>The ongoing role of the Commission should involve: defining what sustainability means to Australia; creating an aspirational Sustainability Charter with objectives and milestones; creating a supplementary technical implementation agreement containing targets; evaluating progress towards meeting national sustainability goals, objectives and targets and reporting on this to both Houses of Federal Parliament; conducting inquiries into sustainability matters, recommending remedial measures for unsustainable practices and gaps in policies and acknowledging those that are sustainable; reviewing (when necessary) national sustainability goals, objectives and targets; building and strengthening partnerships with government, industry and the community (nationally and</p>

internationally); □ influencing and guiding government, industry and the community in advancing sustainability outcomes; collecting, maintaining and disseminating information on sustainability, including national performance statistics.

The Commissioner should: head the office of the national Sustainability Commission and chair the advisory committee; be an independent statutory officer; be appointed with support of the government and the parliament for a 10 year, non-renewable period; be removed from office only by agreement of both Houses of Parliament on the grounds of misconduct, neglect of duty, or physical or mental incapacity; report annually to parliament; seek input from bodies such as the Commonwealth Scientific and Industrial Research Organisation in defining scientifically sound

Targets; have wide powers of access to people, places and papers in undertaking his/her duties; represent Australia at international sustainability forums; be bound by the functions and powers of the enabling legislation as well as meeting the obligations under the Public Service Act 1999 (Commonwealth); undertake and oversee (as appropriate) the duties of the Commission; draw upon existing sustainability measures.

Further, the legislation should provide for: the establishment of an advisory committee, chaired by the Commissioner and comprised of government, industry and community sustainability champions; informational and performance reporting against the Charter.

Recommendation 2

The Committee reiterates its recommendation in the Sustainable Cities report to establish a national Sustainability Charter.

The Charter should: be aspirational; define sustainability in an Australian context; contain clear and concise overarching objectives and timeframes.

The supplementary technical implementation agreement should: contain targets that are closely aligned with the objectives of the Charter; be used primarily by government and industry.

	<p>The scope of the Charter should, at a minimum, cover the following sustainability sectors: the built environment; water; energy; transport; ecological footprint; economics; waste; social equity and health; community engagement and education; and integrate their related components.</p> <p>The process used for devising the Charter and supplementary technical implementation agreement should be transparent, participatory and inclusive.</p> <p>Recommendation 3</p> <p>The Committee recommends the Australian Government take a leadership role in advancing sustainability outcomes, not only through the measures outlined in Recommendation 1, but also through: the use of monetary and non-monetary incentives for governments, industry and the community in advancing sustainability outcomes; assessing existing and future policy against the proposed Sustainability Charter.</p>
<p>Senate Standing Committee on Environment, Communications, Information Technology and the Arts: National Greenhouse and Energy Reporting Bill 2007 [Provisions] (6 September 2007).</p> <p>http://www.aph.gov.au/Senate/committee/ecita_ctte/completed_inquiries/2004-07/greenhouse/report/index.htm</p>	<p>The committee noted the Commonwealth's intention regarding clause 5, expressed in the Explanatory Memorandum, 'is to work cooperatively with State and Territory governments to transition towards a single reporting system across all jurisdictions'. The committee supports the continuing cooperation between governments in implementing a national greenhouse reporting scheme. It is pleased to note that all parties remain committed to making progress with this initiative, and believes that some fine tuning of clause 5 may help ensure that this cooperation continues.</p> <p>Recommendation 1</p> <p>The committee recommends that clause 5 be re-drafted along the lines proposed by Professor Williams and others, to have the effect that the minister may by regulation exclude the operation of a state or territory law that duplicates reporting under the national reporting scheme.</p> <p>Recommendation 2</p> <p>The committee recommends that: subclause 27(1) be redrafted to replace the word 'may' with the word 'must'; and (for consistency) consideration be given to the deletion of subclause 27(2)(c).</p>

	<p>Conclusion</p> <p>The committee is satisfied with the bill as a whole. The committee believes that the bill lays the foundation for a rigorous, transparent and nationally consistent greenhouse and energy reporting system. This will also help form the vital foundation for any future emissions trading scheme in Australia.</p> <p>The committee recognises the need, expressed by many stakeholders, for on-going consultation in the development of the regulations that will underpin the proposed system. The committee is confident that the government is committed to processes that will ensure constructive dialogue with stakeholders in the development of these regulations.</p> <p>Recommendation 3</p> <p>The committee recommends that, apart from those recommendations made above, the bill be passed.</p>
<p>Senate Standing Committee on Economics: Inquiry into the National Market Driven Energy Efficiency Target Bill 2007 [2008] and Renewable Energy Legislation Amendment (Renewable Power Percentage) Bill 2008 (30 May 2008).</p> <p>http://www.aph.gov.au/senate/committee/economics_ctte/nmdeet_08/report/index.htm</p>	<p>Conclusion</p> <p>As the MRET scheme is strongly linked to the proposed ETS, it is premature to amend the renewable energy power percentages without having regard to the wider implications of any pre-ETS alterations. The intent of the bill in promoting renewable energy use is not the main issue of concern of the committee, as this is in line with the government's policy to increase renewable energy use by 2020. Therefore, the committee agrees in general with the intentions of the bill.</p> <p>In addition, amending the existing MRET scheme when the government has yet to release details of the emissions trading scheme and related renewable energy schemes is not an optimum approach. To do so could impose obligations on industry, consumers and other stakeholders that may be inconsistent with any aspects of the scheme relating to and promoting the use of renewable energy.</p> <p>Recommendation</p> <p>As an emissions trading scheme and its implementation mechanisms have yet to be finalised, the committee recommends this bill not be passed.</p>

Joint Standing Committee on Treaties: Report 100: Review into treaties tabled on 25 June 2008 (2) – Kyoto Protocol to the United Nations Framework Convention on Climate Change (19 March 2009).

<http://www.aph.gov.au/house/committee/jsct/25june2008/report2.htm>

Global heating

Recommendation 1

The Committee finds that it is in Australia's interests to secure global agreement to deliver deep cuts in emissions so as to stabilise concentrations of greenhouse gases in the atmosphere at 450 parts per million or lower by 2050.

Addressing climate change

Recommendation 2

The Committee recommends that the Australian Government be willing to adopt a policy setting to reduce Australia's emissions of greenhouse gases by 80 percent by 2050 in seeking agreement from other developed countries to also cut emissions by 80 percent by 2050.

Recommendation 3

The Committee recommends that the Australian Government pursue the creation of an international carbon market as the primary mechanism for reducing greenhouse gas emissions.

Recommendation 4

The Committee recommends that the Australian Government take the following position to the 15th Conference of the Parties to the United National Framework Convention on Climate Change in Copenhagen, Denmark: that the international community reach an agreement to stabilise greenhouse gas emissions at around 450 parts per million or lower of carbon equivalent; that the agreement distribute responsibilities for reducing greenhouse gas emissions across nations by requiring developed nations to reduce emissions by 80 percent by 2050, with the residual reductions distributed fairly between developing and transitional nations; and that the agreement establish an international carbon market as the primary mechanism for achieving the necessary reductions.

Greenhouse gas reductions in Australia

Recommendation 5

The Committee recommends that the Australian Government work through the Council of Australian Governments to establish a high quality integrated public transport system including light rail technology.

Recommendation 6

The Committee recommends that the Australian Government endeavour to move to 'full carbon accounting' to ensure that emissions resulting from forestry activities as well as biosequestration are accurately accounted for.

Recommendation 7

The Committee recommends that the Australian Government, through both the Council of Australian Governments and ongoing work on the Carbon Pollution Reduction Scheme, and in consultation with relevant indigenous communities, explore ways to reduce greenhouse gas emissions from savannah burning.

Recommendation 8

The Committee recommends that promising renewable energy technologies which are not cost-competitive at the moment, including geothermal, solar thermal, large scale photovoltaic and wave energy, are further supported.

Recommendation 9

The Committee recommends that the Australian Government establish a coordinating mechanism through the Council of Australian Governments to ensure integration and coordination of greenhouse gas reduction actions across all States, Territories and levels of government, including local and State government planning processes.

Climate change adaptation in Australia

Recommendation 10

The Committee recommends that the Australian Government direct the Australian Building Codes Board to review the Building Code of Australia to ensure that it better provides for energy efficiency standards suitable for varied climate zones.

	<p>Recommendation 11</p> <p>The Committee recommends that the Australian Government investigate using revegetation as an adaptation mechanism to reduce temperature and increase rainfall in applicable parts of Australia.</p> <p>Recommendation 12</p> <p>The Committee recommends that the Australian Government conduct an inquiry into adaptation strategies for climate change. This inquiry should include consideration of projected sea-level rise due to climate change and its impact upon Australian coastal communities and neighbouring countries.</p>
<p>House Standing Committee on Primary Industries and Resources Inquiry into the Draft Offshore Petroleum Amendment (Greenhouse Gas Storage) Bill, 'Down under: Greenhouse Gas Storage' (15 August 2008).</p> <p>http://www.aph.gov.au/house/committee/pir/exposuredraft/report.htm</p>	<p>General</p> <p>Recommendation 1</p> <p>The Committee recommends the inclusion within the Bill of an objects clause, providing that the legislation: provide greenhouse gas injection and storage proponents with the certainty needed to bring forward investment; and preserve pre-existing rights of the petroleum industry as far as is practicable to minimise sovereign risk to existing titleholders' investment in Australia's offshore resources.</p> <p>Recommendation 2</p> <p>The Committee recommends that the responsible Commonwealth Minister utilise established formal consultation pathways to consult with State Governments, industry and environmental organisations, with a view to achieving national consistency in the administration of GHG storage legislation.</p> <p>Access and property rights</p> <p>Recommendation 3</p> <p>The Committee recommends that no acreage be automatically excluded from consideration for selection on the grounds of pre-existing petroleum activities.</p> <p>Recommendation 4</p> <p>The Committee recommends that the process for</p>

identifying and shortlisting acreage for release should be transparent and systematic, and should consider the views and submissions of all relevant stakeholders.

Recommendation 5

The Committee recommends that the criteria established for assessing work bid applications facilitates the uptake of CCS activities while maintaining transparency and consistency.

Recommendation 6

The Committee recommends that the legislation be amended to allow for a GHG assessment permit holder to apply for a single right of renewal for a maximum three years duration.

Recommendation 7

The Committee recommends that the GHG injection and storage rights conferred under s.137 of the Offshore Petroleum Act 2006 be maintained where practical.

Recommendation 8

The Committee recommends that the Government review the Offshore Petroleum Act and proposed amendments to provide for the development of integrated petroleum projects, including the injection and storage of GHG from multiple sources into a single storage formation.

Managing interactions

Recommendation 9

The Committee recommends that the Bill be amended to provide for the responsible Commonwealth Minister to direct the parties to negotiate in good faith where there are potential or actual overlapping GHG storage and petroleum titles, under both pre-commencement and post-commencement petroleum titles; and that the responsible Commonwealth Minister be empowered to direct an outcome.

Recommendation 10

The Committee recommends that the regulations and guidelines attendant upon the legislation are released for

	<p>stakeholder and public comment as a matter of urgency.</p> <p>Investment certainty</p> <p>Recommendation 11</p> <p>The Committee recommends that incumbent petroleum operators be offered a one-off opportunity to incorporate a GHG assessment permit over their exploration or production licence, with the condition that they must demonstrate utilisation of this permit within five years, or surrender it.</p> <p>Recommendation 12</p> <p>The Committee recommends that those proponents who can demonstrate a readily available CO₂ stream for imminent injection receive preferential consideration when assessing bids for GHG acreage allocation.</p> <p>Recommendation 13</p> <p>The Committee recommends that the Government consider further financial incentives for the earliest movers in this new industry, and that these incentives be made public at the earliest opportunity.</p> <p>Recommendation 14</p> <p>The Committee recommends that a process for the formal transfer of long term liability from a GHG operator to the Government be established within the proposed legislation, such transfer to be conditional upon strict adherence to prescribed site closure criteria.</p> <p>GHG storage</p> <p>Recommendation 15</p> <p>The Committee recommends that general criteria for achieving a site closing certificate be established and published as part of the implementation of the legislation.</p> <p>Recommendation 16</p> <p>The Committee recommends that non-fixed closure timeframes as currently prescribed within the proposed legislation be used in preference to alternative models such as fixed term closure periods.</p>
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	<p>Recommendation 17</p> <p>The Committee recommends that community and stakeholder engagement strategies be considered as part of any GHG storage activity.</p> <p>Recommendation 18</p> <p>The Committee recommends consideration be given to making monitoring data associated with GHG storage project publicly available.</p> <p>Recommendation 19</p> <p>The Committee recommends the use of consultative pathways to provide feedback on the wider community's concerns to the responsible Commonwealth Minister.</p>
<p>Senate Standing Committee on Environment, Communications and the Arts: Inquiry into Save Our Solar (Solar Rebate Protection) Bill 2008 (25 August 2008).</p> <p>http://www.aph.gov.au/Senate/committee/eca_ctte/solar_rebate/report/index.htm</p>	<p>Recommendation 1</p> <p>The committee recommends that the government: Continue to provide support to households to take up renewable energy and energy efficiency initiatives, including through schemes such as the SHCP; Give consideration to providing incentives to householders to install larger photovoltaic systems; and as part of its deliberations with COAG on feed-in tariffs, note industry preference for the introduction of a feed-in tariff scheme as a sustainable, long term mechanism to encourage domestic uptake of solar energy systems.</p> <p>Recommendation 2</p> <p>Coalition Senators recommend the Rudd Government reverse the means test and provide certainty to industry with ongoing funding of the rebate for the next five years.</p> <p>Recommendation 3</p> <p>Coalition Senators recommend the Rudd Government strongly consider a national feed-in tariff system and immediately begin consultation with the solar industry and experts to establish the most cost effective mix of tariffs and rebates to maximise environmental outcomes.</p>
<p>Senate Standing Committee on Economics: Inquiry into the Offshore Petroleum</p>	<p>Recommendation 1</p> <p>The committee recommends that the Senate pass the bill.</p>

<p>Amendment (Greenhouse Gas Storage) Bill 2008 & 3 related bills (23 September 2008).</p> <p>http://www.aph.gov.au/senate/committee/economic_ctte/offshore_petrol_08/report/index.htm</p>	<p>Recommendation 2</p> <p>The committee recommends that the operation of the bill be reviewed three years after its proclamation.</p> <p>Recommendation 3</p> <p>That the government consider establishing an expert panel to advise the minister on matters of site selection, licensing, regulation, monitoring and environmental impact and site closures. Such advice should be made public.</p> <p>Recommendation 4</p> <p>The committee recommends that the government reject calls for it to assume explicitly longer-term liability for any leakage from carbon storage projects. Rather, it should investigate the means by which those companies undertaking such projects can contribute to the future costs of coping with any such leakage.</p>
<p>Senate Standing Committee on Rural and Regional Affairs and Transport: Inquiry into the Implementation, Operation and Administration of the Legislation Underpinning Carbon Sink Forests (23 September 2008).</p> <p>http://www.aph.gov.au/senate/committee/rrat_ctte/carbon_sink/report/index.htm</p>	<p>Recommendations</p> <ol style="list-style-type: none"> 1. The Guidelines should be mandatory regulations. 2. There should be incorporated into the regulations conditions which must be met before the tax deductions would apply, namely; the carbon sink forests must be registered on the property title; no native vegetation can be cleared for or converted to carbon sink forests; carbon sink forests should be biodiverse and cannot be harvested or cleared, and no carbon sink forest can be established in the absence of a hydrological analysis including ground water and interception, of the proposed area to be planted. 3. To avoid the destruction of rural communities and the displacement of food crops, prime agricultural land must be excluded from carbon sink plantings.
<p>Senate Standing Committee on Environment, Communications and the Arts: Inquiry into the Renewable Energy (Electricity) Amendment (Feed-in-Tariff) Bill 2008</p>	<p>Recommendation 1</p> <p>Noting strong industry, consumer and government support for FIT schemes, the committee recommends that the Commonwealth government, through COAG, work as quickly as practicable to implement a FIT framework that is as far as possible nationally uniform and consistent.</p>

<p>(10 November 2008).</p> <p>http://www.aph.gov.au/Senate/committee/eca_ctte/renewable_energy/report/index.htm</p>	<p>Recommendation 2</p> <p>The committee recommends that all governments consider carefully the evidence received by this Senate inquiry regarding metering, as well as the track record of existing FIT schemes overseas, in designing a nationally consistent FIT framework for Australia.</p> <p>Recommendation 3</p> <p>The committee recommends that a more regular system of payments to generators be considered than the annual payments in the proposed bill.</p> <p>Recommendation 4</p> <p>The committee recommends that tariff depression rates form part of the nationally consistent FIT framework, but that there also be capacity for depression rate 'pauses' to be instituted following a rate review procedure.</p> <p>Recommendation 5</p> <p>The committee recommends that tariff depression rates be technology-specific.</p> <p>Recommendation 6</p> <p>While strongly supporting a nationally consistent feed-in tariff framework, the committee recommends the current bill not proceed.</p>
<p>Senate Standing Committee on Rural and Regional Affairs and Transport: Inquiry into Climate Change and the Australian Agricultural Sector (4 Dec 2008).</p> <p>http://www.aph.gov.au/senate/committee/rrat_ctte/climate_change/report/index.htm</p>	<p>Recommendation 1</p> <p>The Government should significantly increase the research effort in relation to the potential of soil carbon as a climate mitigation measure, as a means of reducing the capital input costs to agriculture as a means of increasing resilience in agricultural systems.</p> <p>Recommendation 2</p> <p>The committee recommends that the Government should provide for a full carbon accounting framework in relation to agricultural and forestry sectors in a domestic emissions trading scheme.</p> <p>Recommendation 3</p>

	<p>DAFF should prioritise strategic planning for climate change mitigation and adaptation in agriculture and rural communities and play a greater leadership role than is currently the case.</p>
<p>Senate Select Committee on Fuel & Energy (30 August 2010).</p> <p>http://www.aph.gov.au/Senate/committee/fuelenergy_ctte/final_report/index.htm</p>	<p>Recommendation 1</p> <p>The committee recommends that, in the new Parliament, the Senate re-establish the Select Committee on Fuel and Energy with the same terms of reference as the current committee, empowered to consider all the evidence and records received by it and for the specific purpose of completing and tabling a comprehensive report on the findings of the committee.</p>
<p>Senate Standing Committee on Economics: Inquiry into the Exposure draft of the legislation to implement the Carbon Pollution Reduction Scheme (16 April 2009):</p> <p>http://www.aph.gov.au/senate/committee/economics_ctte/cprs_09/report/index.htm</p>	<p>Recommendation 1</p> <p>The Committee recommends that the bills should be passed without delay.</p> <p>Recommendation 2</p> <p>The Committee recommends that the Government coordinates and advances a whole of government approach to jobs and skills in emerging low pollution industries.</p> <p>The Committee further recommends that a process be developed which ensures effective implementation of all Government programs and policies which support green jobs and skill development throughout all sectors of the economy.</p> <p>The Government should also develop Australia's current and future skills base to ensure it has sufficient skills to take advantage of emerging employment opportunities driven through the CPRS and other complementary climate change policies.</p> <p>Recommendation 3</p> <p>The Committee recommends that the government develop policies complementary to the CPRS to encourage voluntary action.</p> <p>Recommendation 4</p> <p>The Committee recommends that the wording of section 14(5) of the CPRS Bill 2009 be amended so that in making</p>

	<p>recommendations on emissions caps the Minister "shall have regard" rather than "may have regard" to "voluntary action".</p> <p>Recommendation 5</p> <p>The Committee recommends that the Government continues to seek ways to assist the commercial scale development of renewable energy sources and sequestration technology as a priority.</p>
<p>Senate Finance and Public Administration: Inquiry into the National Greenhouse and Energy Amendment Bill 2009 (7 May 2009).</p> <p>http://www.aph.gov.au/senate/committee/fapa_ctte/national_greenhouse_energy_reporting/report/index.htm</p>	<p>Recommendation 1</p> <p>The committee recommends that the Senate pass the bill.</p>
<p>Senate Economics Legislation Committee: Inquiry into the Carbon Pollution Reduction Scheme Bill and related bills (15 June 2009).</p> <p>http://www.aph.gov.au/senate/committee/economics_ctte/cprs_2_09/report/index.htm</p>	<p>Recommendation 1</p> <p>The Committee recommends that the Senate pass the bills.</p>
<p>Senate Select Committee on Climate Policy (15 June 2009).</p> <p>http://www.aph.gov.au/Senate/committee/climate_ctte/report/index.htm</p>	<p>Recommendation 1</p> <p>The committee notes that the Treasury modelling was conducted in economic circumstances that were markedly different to those in which the legislation is proposed to now be introduced. Since the modelling was conducted the global financial crisis has led to a marked deterioration in the short-term economic outlook.</p> <p>Whilst the CPRS package has been revised on two occasions, the modelling continues to fail to take into account the impact of these changed economic circumstances. The committee considers the modelling undertaken by Treasury to be inadequate and recommends</p>

that the Government direct Treasury to undertake further modelling. The further modelling should: consider in detail the short-term adjustment costs; respond to criticisms made of Treasury's initial modelling including: taking into account the deterioration of the Australian economy the likely effect of the CPRS upon jobs and upon the environment the absence of any modelling of the impact of the CPRS on regional Australia; and model other types of schemes that have been proposed as alternatives to CPRS, including: a conventional baseline-and-credit scheme an intensity model a carbon tax a consumption-based carbon tax, and the McKibbin hybrid approach.

Recommendation 2

The committee recommends that the CPRS legislation not be passed in its current form.

Recommendation 3

The committee recommends any remodelled CPRS legislation clarify future arrangements to provide continued support for methane gas capture and energy generation following the foreshadowed cessation of state based schemes.

Recommendation 4

The committee recommends that the Government work with the NSW, ACT and Queensland governments to clarify, as a priority, transitional arrangements for power generation projects from waste methane which may be affected by the possible cessation of the NSW GGAS and similar programmes.

Recommendation 5

The committee recommends that the Government consider in detail different claims made about the probable expense of the expanded Renewable Energy Target. Analysis of the different cost estimates should be included in the Regulatory Impact Statement (RIS) accompanying the legislation to amend the Renewable Energy (Electricity) Act 2000.

Recommendation 6

The committee recommends that following the decision by COAG on 30 April 2009 to exempt major emitters, the Government should explain in the RIS accompanying the amendment bills: any differences in costs caused to householders and other industry sectors arising from the decision; the impact the exemptions will have on the efficiency and effectiveness of the scheme; and the form which compensation to householders will take.

Recommendation 7

The committee recommends the Government review the impact of the CPRS to avoid the EITE provisions generating perverse outcomes for the agriculture sector and the food processing and manufacturing sector such as scaling down and splitting operations.

Recommendation 8

The committee recommends that, as a priority, the Government develop complementary policy measures for greenhouse gas abatement and mitigation in the agricultural sector; and that such policy measures be underpinned by substantially greater research and development in this area.

Recommendation 9

The committee recommends that the Government establish an agriculture and land use policy taskforce to accelerate the development of complementary climate change policy measures for the land use sector; and to promote full carbon accounting in land use, agriculture and forestry sectors in international climate change fora.

Recommendation 10

The committee recommends that the Government promote the testing, development and roll-out of environmental restoration and land stewardship schemes, giving priority to schemes that can make a significant contribution to emissions reductions, agricultural productivity and biodiversity conservation.

Recommendation 11

The committee recommends that the Government promote the testing, development and roll-out of soil carbon

	<p>technologies and schemes, giving priority to schemes that can make a significant contribution to emissions reductions and soil health.</p> <p>Recommendation 12</p> <p>The committee recommends that the Government takes steps to ensure that Australia encourages reform of international carbon accounting rules.</p> <p>Recommendation 13</p> <p>The Committee recommends that the Government provide greater funding so that recommendations 8, 9, 10, 11 and 12 can be implemented in a timely manner.</p>
<p>Senate Economics Legislation Committee: Inquiry into the Renewable Energy (Electricity) Amendment Bill 2009 and a related bill (12 August 2009).</p> <p>http://www.aph.gov.au/senate/committee/economics_ctte/renewable_energy_09/report/index.htm</p>	<p>Recommendation 1</p> <p>The committee recommends that as part of the 2014 review of the RET, the Treasury projection of total electricity demand in 2020 is reviewed and if it is revised up, there be a corresponding increase in the RET to maintain the goal of 20 per cent of electricity being generated from renewable sources in 2020.</p> <p>Recommendation 2</p> <p>The Committee recommends that to underline the shortfall charge's role as a penalty rather than a price ceiling, it be reviewed after any year in which the maximum price for a renewable energy certificate exceeds 80 per cent of the shortfall charge.</p> <p>Recommendation 3</p> <p>The Committee recommends that the banking of renewable energy certificates be assessed as a part of the 2014 review.</p> <p>Recommendation 4</p> <p>The Committee recommends that the Senate pass the bills.</p>
<p>House Standing Committee on Climate Change, Water, Environment and the Arts: Inquiry into climate change and environmental impacts on</p>	<p>Recommendation 1</p> <p>The Committee recommends that the Australian Government commission a study on international coastal zone governance arrangements, policies and programs for addressing coastal climate change impacts, and adaptation</p>

coastal communities
“Managing our coastal
zone in a changing
climate: the time to act is
now” (26 October 2009).

<http://www.aph.gov.au/house/committee/ccwea/coastalzone/report.htm>

strategies. The completed study should be made public.

Recommendation 2

The Committee notes the importance of mitigation measures in addressing climate change impacts and accordingly recommends that the Australian Government continue to take urgent action to ensure that Australia can best contribute to a reduction in global greenhouse gas emissions.

Recommendation 3

The Committee recommends that the Australian Government increase its investment in coastal based climate change research on: sea level rise projections and the dynamics of polar ice sheets, particularly in the Antarctic extreme sea level events, including as a result of storm surge and tropical cyclones regional variations in sea level rise: ocean acidification, particularly impacts on Australia’s coral reefs, higher ocean temperatures and changing ocean currents.

Recommendation 4

The Committee recommends that the coastal zone component of the National Climate Change Science Framework and proposed National Climate Change Science strategy be clearly identified by the proposed high level coordination group and involve key coastal stakeholders.

Recommendation 5

The Committee recommends that the Department of Climate Change continue to fund research to: establish the wave climate around the coast so as to identify those locations most at risk from wave erosion; examine how the wave climate nationally interacts with varying landform types.

Recommendation 6

The Committee recommends that the Australian Government continue funding under the Climate Change Adaptation Skills for Professionals Program. In addition, the Australian Government should liaise with tertiary institutions to ensure an adequate supply of appropriately

skilled coastal planners and engineers.

Recommendation 7

The Committee recommends that the Australian Government: continue the Local Adaptation Pathways Program as a competitive funding program; review the program's guidelines to secure better outcomes by:

⇒ use of consistent methodology for vulnerability assessments

⇒ evaluation of the outcomes of the projects that are undertaken with the grants

⇒ encouraging regional applications from local councils whenever possible.

Recommendation 8

The Committee recommends that the Department of Climate Change share all data collected through vulnerability assessments undertaken as part of the Australian Government Local Adaptation Pathways Program on the proposed National Coastal Zone Database (see also recommendation 42).

Recommendation 9

The Committee recommends that the Australian Government establish a coastal zone research network within the National Climate Change Adaptation Research Facility and that it complete a coastal zone research plan.

Recommendation 10

The Committee recommends that: the Department of Infrastructure, Transport, Regional Development and Local Government undertake a study into the human and resourcing needs of local governments to effectively plan for and adapt to the impacts of climate change; this study be carried out in conjunction with the Australian Local Government Association and the National Sea Change Taskforce

Recommendation 11

The Committee recommends that the Australian Government establish a National Coastal Zone Database to

improve access to and consistency of information relevant to coastal zone adaptation. The National Coastal Zone Database should be an online portal that allows ready access to: ‘first pass’ National Coastal Vulnerability Assessment data; state and local Digital Elevation Modelling; National Climate Change Adaptation Research Facility reports; federal Local Adaptation Pathways Program reports; state and local coastal vulnerability assessment results.

Recommendation 12

The Committee recommends that, following the completion of the ‘first pass’ National Coastal Vulnerability Assessment, the Australian Government consider the resourcing and financing of second and third pass assessments, in conjunction with state, territory and local government authorities.

Recommendation 13

The Committee recommends that the Australian Government take urgent action to protect Australians from the threats of dengue fever and chikungunya virus. The knowledge gaps identified by the National Climate Change Adaptation Research Facility research plan with regards to the relationship between climate variation and vector-borne disease should be urgently addressed. The Australian Government should: undertake research into the relationship between climate change and vector-borne disease; produce modelling to allow for advanced early warning of impending threats from vector-borne disease; continue to work towards producing a structured national framework for dealing with mosquito outbreaks in Australia; increase biosecurity measures to better protect against chikungunya virus entering Australia.

Recommendation 14

To further enhance Australia’s disaster mitigation, preparedness, response and recovery arrangements in the event of possible major coastal disasters, the Committee recommends that the Australian Government establish a grants program, the Coastal Natural Disaster Mitigation Program, to fund natural disaster mitigation projects in the Australian coastal zone.

The Committee also recommends that the Australian

Emergency Management Committee (AEMC) consider the following issues: improved data on coastal disaster risk assessment and vulnerable coastal sites; improved access and evacuation routes for coastal communities; improved coastal community awareness of and resilience to natural disasters; improved coordination of coastal disaster mitigation arrangements with other initiatives currently underway, such as reviews of the Australian Building Code and land use planning policies to take into account climate change impacts; improved early warning systems for coastal areas in the event of an extreme sea level event (storm surge, erosion, flooding).

The Committee further recommends that the AEMC provide a report on these matters to the Ministerial Council for Police and Emergency Management.

Recommendation 15

The Committee recommends that the Australian Government, through the Ministerial Council for Police and Emergency Management, recognise the extensive Surf Life Saving Australia network and take appropriate steps to integrate this network into emergency services preparedness, planning, and response systems and activities.

Recommendation 16

The Committee notes that major initiatives relating to climate change adaptation risk assessment and infrastructure are currently in progress. Given that much of Australia's infrastructure is in the coastal zone and the particular threats facing the coastal zone from climate change, involving significant socioeconomic costs, the Committee recommends that the Australian Government ensure there is a comprehensive national assessment of coastal infrastructure vulnerability to inundation from sea level rise and extreme sea level events.

Recommendation 17

The Committee recommends that the Department of Climate Change, in collaboration with the Queensland Government, CSIRO and Indigenous communities in the Torres Strait, undertake a major study into the vulnerability of the Torres Strait to the impacts of climate change and provide assistance in the development of an

	<p>adaptation plan.</p> <p>Recommendation 18</p> <p>The Committee recommends that the Australian Government give the five recommendations calling for information, studies and data, as proposed by the Torres Strait Regional Authority, early and urgent consideration with a view to their implementation.</p> <p>Recommendation 19</p> <p>The Committee recommends that the Australian Government request the Productivity Commission to undertake an inquiry into the projected impacts of climate change and related insurance matters, with a particular focus on: insurance coverage of coastal properties, given the concentration of Australia's population and infrastructure along the coast; estimates of the value of properties potentially exposed to this risk; insurance affordability, availability and uptake; existing and emerging gaps in insurance coverage, with a particular focus on coverage of coastal risks such as storm surge/inundation, landslip/erosion and sea level rise (including the combined effects of sea inundation and riverine flooding); the need for a clear definition of the circumstances under which an insurance claim is payable due to storm surge/inundation, landslip/erosion and sea level rise, as well as due to permanent submersion of some or all of the land; the possibility of a government instrument that prohibits continued occupation of the land or future building development on the property due to sea hazard; gaps in the information needed to properly assess insurance risk and availability of nationally consistent data on climate change risks; examining the key actions for governments proposed by the Insurance Council of Australia and the Insurance Australia Group in their submissions to this inquiry; possible responses to a withdrawal of insurance for certain risks or regions, noting the increased burden this could place on government and taxpayers.</p> <p>Recommendation 20</p> <p>The Committee notes the Council of Australian Governments initiative (through the Local Government and Planning Ministers Council) to develop state-specific</p>
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climate change planning policies by mid 2011, to inform local governments and regional planning responses to climate change. The Committee recommends that the Australian Government ensure that the outcomes of this initiative are included as part of the action plan under the proposed new Intergovernmental Agreement on the Coastal Zone.

Recommendation 21

The Committee recommends that the Australian Government consider the benefits of adopting a nationally consistent sea level rise planning benchmark and, if so, whether this be done on a statutory basis or otherwise. The outcomes of this consideration should then be included as part of the action plan for the proposed Intergovernmental Agreement on the Coastal Zone.

Recommendation 22

The Committee recommends that the Building Code of Australia, including cyclone building codes, be revised with the objective of increasing resilience to climate change.

Recommendation 23

Noting the gap in research on legal issues and climate change impacts on the coastal zone, the Committee recommends that the Australian Government request that the Australian Law Reform Commission undertake an urgent inquiry into this area, with particular focus on: clarification of liability issues with regard to public authorities acting or not acting in terms of climate change adaptation and possible coastal hazards (e.g. legal basis to implement adaptation strategies of protect, redesign, rebuild, elevate, relocate and retreat); clarification of liability issues with regard to private property holders acting to protect their properties from the impacts of climate change; legal issues associated with the impacts of climate change on existing developments, as opposed to planned new developments; mechanisms to ensure mandatory risk disclosure to the public about climate change risks and coastal hazards (e.g. legislation harmonised across all states requiring mandatory disclosure of all known and predicted risk data by state and local governments to property purchasers during

property conveyance and title search processes); whether there should be broader indemnification of local government authorities.

Recommendation 24

The Committee recommends that the Australian Government, through the Council of Australian Governments process, examine the establishment of a system of national coastal zone environmental accounts, employing the model developed by the South East Queensland Healthy Waterways Partnership.

Recommendation 25

The Committee recommends that the Australian Government, through the Australian Bureau of Statistics, ensure that: accurate and consistent methods of measuring the numbers and the impact of tourists and other non-residents in coastal areas are undertaken to enable resources to be better matched with demand for infrastructure and services; improved data on long-term demographic trends in coastal areas is made available to assist in coastal zone planning and management.

Recommendation 26

The Committee recommends that the Australian Government: expand the list of national priority areas identified under the Caring for our Country program to include climate change impacts on biodiversity; give consideration in future funding rounds to projects that:

⇒ involve working with state/territory and local governments to improve coastal land use planning

⇒ seek to address loss of coastal habitat as a result of coastal development and population pressures.

Recommendation 27

The Committee recommends that, in seeking to expand the area protected within Australia's National Reserve System (NRS) under the Caring for our Country program, the Australian Government focus on high biodiversity coastal habitat, including more effective off-reserve coastal zone conservation and expanded coastal reserves that provide larger buffer zones. In undertaking this initiative, the

Australian Government should continue to work with state/territory and local governments, Indigenous groups, conservation organisations, private landholders and other stakeholders to ensure that these protected areas are added to the NRS in a timely manner.

Recommendation 28

The Committee recommends that the Australian Government, in considering its response to the Independent Review of the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act), take into account concerns about the EPBC Act and coastal zone management raised as part of this inquiry—in particular, the need to address the cumulative impacts of coastal development. This could be achieved by numerous means, including: a land clearing trigger; defining coastal ecosystems as a matter of national environmental significance; making more use of landscape-scale assessments through strategic assessments or bioregional plans.

Recommendation 29

The Committee recommends that the Australian Government: continue working with the Queensland Government and local councils under the existing Great Barrier Reef Intergovernmental Agreement to improve land use planning in the catchment; commission analysis of the Great Barrier Reef as a case study for integrated coastal zone management (ICZM) in Australia. The study should draw out possible directions for ICZM in Australia with regard to:

⇒ addressing challenges associated with climate change impacts on biodiversity

⇒ declining water quality from catchment runoff and loss of coastal habitat from coastal development and population pressures

⇒ building cooperative partnerships between Commonwealth, state and local government, and other stakeholders

⇒ establishing governance and institutional frameworks

Recommendation 30

The Committee recommends that the Australian Government urgently commission a detailed climate change vulnerability assessment for Kakadu National Park, in consultation with the park's traditional owners and other stakeholders and drawing on the results of the 'first pass' National Coastal Vulnerability Assessment of the park. This assessment should specifically focus on the vulnerability of Kakadu's freshwater wetland systems to saltwater intrusion. A key outcome of the assessment should be the development of a Climate Change Action Plan for Kakadu National Park, with coordinated input from the Australian Government and Northern Territory Government, Indigenous land owners, researchers and other stakeholders.

Recommendation 31

The Committee recommends that the Australian Government: require that all Ramsar listed wetlands have effective and operational management plans and that resources are allocated by governments to monitor the implementation of these plans; increase the number of coastal wetlands classified as Ramsar sites, particularly those classified as Nationally Important wetlands; work with state and territory governments through the Natural Resource Management Ministerial Council, and in consultation with other stakeholders, to improve the management and monitoring of coastal wetlands, particularly Ramsar sites located in close proximity to development; improve public awareness about what actions impacting on a Ramsar wetland should be referred to the Minister under the Environment Protection and Biodiversity Conservation Act 1999; ensure that the National Guidelines for Ramsar Wetlands also include modules on the process for nominating Ramsar wetlands; develop a climate change action plan for coastal Ramsar wetlands and Nationally Important wetlands.

Recommendation 32

The Committee recommends that the Australian Government: work through the Natural Resource Management Ministerial Council and in consultation with Birds Australia and other stakeholders to implement a National Shorebirds Protection Strategy. The strategy

should focus on tightening restrictions on beach driving and access to bird breeding habitat, preserving habitat, identifying suitable buffer zones for migration of coastal bird habitat, managing pest animals and increased public education; provide further funding to Birds Australia and other research groups to ensure continued monitoring and data collection with regard to migratory and resident shorebirds; provide funding to strengthen partnerships between domestic and international shorebird conservation groups to increase awareness and conservation efforts in other countries; commission a detailed climate change impact study on Australia's migratory and resident shorebirds; in its consideration of amendments to the Environment Protection and Biodiversity Conservation Act 1999 following the independent review, give consideration to the formal listing of coastal shorebird and sea bird communities as threatened species/ecological communities under the act.

Recommendation 33

The Committee recommends that the Australian Government: work with the Natural Resource Management Ministerial Council and other stakeholders to develop an action plan to:

⇒ ensure that coastal buffers, coastal habitat corridors and high ecological value areas are identified and included in Commonwealth, state and local government management processes

⇒ ensure appropriate infrastructure planning and that land is made available to allow for the migration of coastal ecosystems

⇒ promote cooperative ecosystem-based planning and management approaches across jurisdictions

⇒ implement a nationally consistent coastal and marine biodiversity monitoring and reporting framework

⇒ develop a targeted strategy to address key gaps in knowledge of coastal and marine biodiversity and improve access and sharing of knowledge and data

⇒ develop regional climate change adaptation policies and plans and integrate them into coastal and marine

	<p>bioregional planning processes</p> <p>⇒ ensure that all future national coastal zone policy incorporates these priorities, as well as future revised national sustainability, biodiversity, climate change and environmental policy frameworks.</p> <p>Recommendation 34</p> <p>The Committee recommends that coastal based Natural Resource Management bodies seeking funding under the Caring for our Country program have coastal and marine priorities, as well as coastal zone management principles integrated in their management plans.</p> <p>Recommendation 35</p> <p>The Committee recommends that the Australian Government, in consultation with Indigenous Australians and other coastal stakeholders, commission work to provide a national repository identifying Indigenous and non-Indigenous cultural heritage sites in vulnerable coastal areas.</p> <p>Recommendation 36</p> <p>The Committee recommends that the Australian Government urgently commission further research on socioeconomic vulnerability to climate change impacts, particularly in coastal communities.</p> <p>Recommendation 37</p> <p>The Committee recommends that the Australian Government: consider the Victorian Government’s model of a sustainable coastal community as part of the proposed Intergovernmental Agreement on the Coastal Zone to be concluded through the Council of Australian Governments; ensure an early response to the recommendations provided in the Sustainability for Survival: Creating a Climate for Change—Inquiry into a Sustainability Charter report and the Sustainable Cities report.</p> <p>Recommendation 38</p> <p>The Committee recommends that the Australian</p>
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Government request that the Centre for Excellence for Local Government ensure a particular focus on capacity building for coastal local councils. Capacity building should focus on addressing issues relating to: population growth pressure; planning and design of new infrastructure; integrated coastal zone management; climate change impacts and adaptation.

Recommendation 39

The Committee recommends that the Australian Government give consideration to establishing a separate funding program for infrastructure enhancement in coastal areas vulnerable to climate change. Such funding should be provided according to a formula requiring contributions, either financial or in-kind, from state governments and relevant local government authorities.

Recommendation 40

The Committee recommends that the Australian Government undertake an awareness campaign to alert coastal communities to the key challenges facing the coastal zone and the value of community engagement in addressing these challenges. The campaign should aim to build understanding and awareness of coastal management issues to encourage the continued membership and support of volunteer networks in the coastal zone.

Recommendation 41

The Committee recommends that the Australian Government nominate 2012 as the Year of the Coast, to further build community awareness about the issues facing the coastal zone. The Australian Government should work with coastal stakeholders, volunteer groups and the general community in determining key activities as part of this initiative.

Recommendation 42

The Committee recommends that the National Coastal Zone Database be expanded over time to include information on environmental data and management and planning information relevant to the coastal zone.

Recommendation 43

The Committee recommends that the Australian Government provide funding support for the ongoing activities of the Australian Coastal Alliance in providing a national information and communication interface between research organisations and local government authorities and other coastal stakeholders.

Recommendation 44

The Committee recommends that the Australian Government, in cooperation with state, territory and local governments, and in consultation with coastal stakeholders, develop an Intergovernmental Agreement on the Coastal Zone to be endorsed by the Council of Australian Governments. The intergovernmental agreement should: define the roles and responsibilities of the three tiers of government—federal, state and local—involved in coastal zone management; include a formal mechanism for community consultation; incorporate principles based on strategic regional coastal planning and landscape scale/ecosystem based coastal zone management; include an effective implementation plan with resources allocated to ensure that objectives are realised; be overseen by a new Coastal Zone Ministerial Council; be made public.

Recommendation 45

The Committee recommends that the Australian Government: ensure that the Intergovernmental Agreement on the Coastal Zone forms the basis for a National Coastal Zone Policy and Strategy, which should set out the principles, objectives and actions that must be undertaken to address the challenges of integrated coastal zone management for Australia; establish a broad based National Catchment-Coast-Marine Management program to provide funding for initiatives relating to:

⇒ sustainable coastal communities

⇒ climate change and biodiversity

⇒ implementation of projects to progress integrated coastal zone management;

establish a National Coastal Zone Management Unit within the Department of Environment, Water, Heritage

	<p>and the Arts to support the implementation of these national initiatives; develop a Coastal Sustainability Charter based on the Victorian Government model.</p> <p>Recommendation 46</p> <p>The Committee recommends that the Australian Government establish a National Coastal Advisory Council to: provide independent advice to government; advise the new coastal unit within the Department of the Environment, Water, Heritage and the Arts; ensure community input into national coastal zone policy, planning and management.</p> <p>Recommendation 47</p> <p>The Committee recommends that proposals for a National Oceans and Coast Act and a statutory Coastal Council be the subject of ongoing consideration once the Intergovernmental Coastal Zone Agreement is determined.</p>
<p>Senate Education, Employment and Workplace relations Committee: Inquiry into the Effects of Climate Change on Training and Employment Needs (discharged 23 November 2009).</p> <p>http://www.apf.gov.au/Senate/committee/eet_ctte/employ_climate/report/index.htm</p>	<p>Recommendation</p> <p>1.5 The committee recommends that this inquiry not be proceeded with and be discharged from the notice paper.</p>
<p>House Standing Committee on Primary Industries and Resources: Inquiry into the role of government in assisting Australian farmers to adapt to the impacts of climate change (15 March 2010).</p> <p>http://www.apf.gov.au/house/committee/pir/australianfarmers/report.htm</p>	<p>Making Decisions On-farm</p> <p>Recommendation 1</p> <p>The Committee recommends that the Australian Government support rural counselling and support groups, such as Rural Alive and Well, and place funding for such groups on a permanent and regular basis.</p> <p>Recommendation 2</p> <p>The Committee recommends that the Australian Government, as part of its overall response to issues affecting agriculture and climate change, take more</p>

	<p>effective account of the needs and decision making processes of farmers and ensure that the delivery of adaptation programs is flexible and responsive to the needs of farmers and rural communities.</p> <p>Recommendation 3</p> <p>The Committee recommends that the Australian Government, as part of its overall response to issues affecting agriculture and climate change, invest research funding in the following high priority areas: Soil carbon sequestration; Soil stabilisation and pasture improvements using methods such as perennial pastures, pasture cropping, rotational grazing, biodynamic farming, minimum/no till cultivation and controlled traffic farming; Soil water retention strategies and water use efficiency; Landscape planning and natural resource management; and Risk management.</p> <p>Recommendation 4</p> <p>The Committee recommends that the Australian Government, in conjunction with State and Territory Governments, establish a national Continuously Operating Reference Station network across Australia and regulate for signal compatibility between different GPS systems.</p> <p>Recommendation 5</p> <p>The Committee recommends that the Australian Government support further research efforts into the mitigation of greenhouse gas emissions from agriculture.</p> <p>Recommendation 6</p> <p>The Committee recommends that the Australian Government, as part of its overall response to issues affecting agriculture and climate change, increase its investment and support for research into energy efficiency in the agriculture sector and the development of alternative energy and alternative fuels on-farm, particularly in regard to: Biofuels; Biomass from agricultural waste; and Biochar.</p> <p>Recommendation 7</p> <p>The Committee recommends that the Australian Government increase funding for research into improving</p>
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the consistency and accuracy of weather and climate forecasting, especially at a seasonal and regional level.

Recommendation 8

The Committee recommends that the Australian Government develop an education and training scheme for farmers in the understanding and use of weather and climate information.

Recommendation 9

The Committee recommends that the Australian Government maintain its commitment to climate change research pertaining to Australia's agricultural industries, ensuring that the funding is committed, sustained and pays due attention to regional as well as national needs and priorities. Climate change research must reflect the changes affecting different regions, soils and topography—as all have an impact on changes in farming practices to deal with them.

Recommendation 10

The Committee recommends that the Australian Government, as part of its ongoing strategy development to issues affecting agriculture and climate change, develop a strategy to capture, evaluate and disseminate the range of farmer driven innovations that have a significant capacity to increase the resilience and productivity of farm enterprises.

Recommendation 11

The Committee recommends that the Australian Government ensures that there is an overall body to receive and analyse research and co-ordinate research across the nation in relation to climate change adaptation in agriculture, and that said body is given the necessary resources of staff and funds to carry out its role.

Recommendation 12

The Committee recommends that the Australian Government give greater consideration to better integration of local and regional organisations into its overall response to the issues affecting agriculture and climate change, and provide additional funding to support

	<p>the management role of these local and regional organisations.</p> <p>Recommendation 13</p> <p>The Committee recommends that the Australian Government give further consideration to the analysis of government policy and outcomes in the submission to the current inquiry made by the Future Farm Industries CRC, with a view to ensuring the better coordination of research and extension efforts and the delivery of effective policy outcomes.</p> <p>Recommendation 14</p> <p>The Committee recommends that the Australian Government, as part of its overall response to issues affecting agriculture and climate change, explore further opportunities to facilitate adaptation to climate variability and climate change through the use of targeted, industry and issue specific, incentives.</p> <p>Recommendation 15</p> <p>The Committee recommends that the Australian Government place funding for local and community organisations engaged in the work of supporting farmers in adapting to climate variability and climate change upon a permanent and regular basis.</p>
<p>Senate Economics Legislation Committee: Inquiry into the Safe Climate (Energy Efficient Non-Residential Buildings Scheme) Bill 2009 (17 March 2010).</p> <p>http://www.aph.gov.au/senate/committee/economics_ctte/energy_efficient_buildings_09/report/index.htm</p>	<p>Recommendation 1</p> <p>The committee recommends that through its mandatory disclosure initiative, the federal government collect and analyse data to identify those factors that correlate with the emissions intensity of non-residential buildings. This information should be collated by location and made publicly available.</p> <p>Recommendation 2</p> <p>The committee notes the CPRS legislation and recommends that in preparation for the full implementation of the scheme, steps be undertaken to analyse the data referred to in recommendation 1 and formulate an appropriate scheme to enforce energy efficiency for commercial buildings.</p>

<p>Senate Finance and Public Administration Committee: Native Vegetation Laws, Greenhouse Gas Abatement and Climate Change Measures (30 April 2010).</p> <p>http://www.aph.gov.au/senate/committee/fapa_ctte/climate_change/report/index.htm</p>	<p>Recommendation 1</p> <p>The committee recommends that COAG re-examine the native vegetation legislation and its 2006 recommendations with a view to establishing a balance between maximising agricultural production and best practice conservation.</p> <p>Recommendation 2</p> <p>The committee recommends that the Commonwealth initiate, through the Natural Resource Management Ministerial Council, a national review to assess</p> <p>the impact of various native vegetation legislative and regulatory regimes, particularly those at the state level. In undertaking such a review, the following issues should be specifically addressed: the liability of landholders complying with native vegetation laws for the payment of rates or taxes for land that is not available for productive use; the right of landholders to manage competing environmental objectives over land where restrictions have been imposed, for example the management of noxious weeds and pests in protected native vegetation areas; the institution of inexpensive, accessible, timely and independent administrative appeals processes against decisions of enforcement agencies or officials regarding the granting of permits or institution of regulatory regimes over private land; the application of state-wide regulations where there are distinct and notable variations in both the environmental conditions and objectives across regions within states; the burden of these laws on newer farming areas and communities as opposed to more established ones; and, the imposition of caveats by state authorities which prevent or restrict the</p> <p>existing use of land when converting title from leasehold to freehold.</p> <p>Recommendation 3</p> <p>The committee recommends a review of best practice in relation to stewardship initiatives across the country with a view to re-orienting future regulatory activities.</p>
<p>Senate Environment and Communications Legislation Committee:</p>	<p>Recommendation 1</p>

Carbon Credits (Carbon Farming Initiative) Bill 2011, Carbon Credits (Consequential Amendments) Bill 2011 and the Australian National Registry of Emissions Units Bill 2011 (27 May 2011).

http://www.aph.gov.au/SENATE/committee/ec_ctte/carbon_farming/report/index.htm

The committee recommends the government consider options to ensure there are no perverse incentives to cease existing abatement projects, and encourage first movers to undertake further abatement or sequestration activities under the Carbon Farming Initiative.

Recommendation 2

The committee recommends the government consider what more can be done to fast track development of methodologies, and to develop and test the workability of carbon offsets projects in key agricultural industries.

Recommendation 3

The committee recommends the government continue to monitor scientific research relevant to the issue of permanence and adjust permanence obligations in the CFI to reflect international consensus on this matter.

Recommendation 4

The committee recommends that in developing the negative list the government takes care to preserve abatement incentives, for example by tightly defining excluded projects to reflect local environmental conditions or circumstances.

Recommendation 5

The committee recommends the government consider options for improving the capacity of natural resource management plans to take account of climate change mitigations options and adaptation needs, and to maximise the broader environmental and social benefits of the Carbon Farming Initiative.

Recommendation 6

The committee recommends the government consider further changes to regional natural resource management plans to improve their governance and consistency, such as by requiring each plan to: be managed by a statutory authority; address the same basic criteria, at a minimum; and be enforced to the same standard.

Recommendation 7

	<p>The committee recommends the government address obstacles to indigenous participation in the CFI, including resolving outstanding uncertainties in relation to participation by holders of non-exclusive native title.</p> <p>Recommendation 8</p> <p>The committee recommends the government make clear that Kyoto-compliant credits will be linked to any future carbon price mechanism.</p> <p>Recommendation 9</p> <p>The committee recommends that, subject to the recommendations contained elsewhere in this report, the Senate pass the Carbon Credits (Carbon Farming Initiative) Bill 2011; the Carbon Credits (Consequential Amendments) Bill 2011; and the Australian National Registry of Emissions Units Bill 2011.</p>
<p>House of Representatives Standing Committee on Climate Change, Environment and the Arts: Advisory Report on Bills Referred 24 March 2011 [CFI Bills] (23 May 2011).</p> <p>http://www.aph.gov.au/house/committee/ccea/24March2011/report.htm</p>	<p>Recommendation 1</p> <p>The Committee recommends that the House of Representatives pass the Carbon Credits (Carbon Farming Initiative) Bill 2011.</p> <p>Recommendation 2</p> <p>The Committee recommends that the House of Representatives pass the Carbon Credits (Consequential Amendments) Bill 2011.</p> <p>Recommendation 3</p> <p>The Committee recommends that the House of Representatives pass the Australian National Registry of Emissions Units Bill 2011.</p>
<p>House Standing Committee on Climate Change, Environment and the Arts Inquiry into Australia's biodiversity in a changing climate (ongoing).</p> <p>http://www.aph.gov.au/house/committee/ccea/cbio/index.htm</p>	<p>Report not yet tabled.</p>

Senate Select Committee on Scrutiny of New Taxes Inquiry into Carbon Tax Pricing Mechanisms (ongoing).

http://www.aph.gov.au/Senate/committee/scrutinynewtaxes_ctte/index.htm

Interim report recommendations

Recommendation 1

It is the Committee's view that the carbon tax should be opposed and the legislation defeated in the Parliament as: there is no electoral mandate for the carbon tax; the modelling that supports it is based on a number of highly contestable assumptions; it is likely to undermine Australian businesses' ability to compete in the global economy; it will have significant adverse effects on particular sectors and regions, with a particularly disproportionate impact on regional Australia; the effect of the policy on the cost of living, and on jobs is likely to be higher than the government's current estimates indicate; there is considerable evidence that the carbon tax will not result in any real environmental gain, despite imposing a significant cost on the economy over the next thirty years.

The Committee recommends that the carbon tax be opposed by the Parliament.

Recommendation 2

The Committee recommends that if the Parliament believes that it should proceed with the carbon tax, any provisions in the legislation designed to bind future governments seeking to prevent them from amending or rescinding the scheme be removed.

Recommendation 3

The Committee recommends that if the Parliament believes that it should proceed with the carbon tax, that it does so once current global economic circumstances have improved and there is a legally binding global agreement on tackling climate change.

Recommendation 4

The Committee recommends that, should the government remain committed to proceeding with its carbon tax, before any vote the Senate should demand that: the government release all of its modelling, including the actual models, datasets and specifications used by the Treasury, to allow third party review; the government establish an Independent Expert Panel to review its modelling approach and framework; the Productivity

	Commission be asked to undertake a cost-benefit analysis of the proposed carbon tax; the legislation should be amended to ensure that any increase in the tax or lowering of the emissions cap be made a disallowable instrument and to ensure that carbon permits are not private property.
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