

ACTU Submission

Senate Standing Committee on Environment and Communications
Inquiry into Direct Action Plan

20 January, 2014



Introduction

The Australian Council of Trade Unions (ACTU) welcomes the opportunity to provide comments to the Environment and Communications References Committee in its inquiry into the Government's proposed Direct Action Plan.

Since 2009, Australian unions have actively engaged in the debate about how best to mitigate the dangers of global warming. Unions believe there is an environmental imperative to act but there is also an economic and social imperative. Unless decisive action is taken to drive long term change in the way we produce and use energy, our pollution levels will continue to rise. In an increasingly carbon-constrained world, continuing with business as usual is not a viable option.

A range of market and non-market measures are needed to change how we produce and use energy. Unions support of suite of measures that:

- Price carbon pollution and cap emissions across major polluting sectors of the economy;
- Provide a transparent framework with clear rules and governance;
- Safeguard workers in, and communities and regions dependent on, emissions-intensive industries by avoiding carbon leakage and supporting industries to adopt best practice emissions-intensity and energy demand management;
- Support industries to improve current practices through the adoption of low carbon and energy efficient processes and products while also supporting Australian industries to maximise the opportunities by providing the goods and services needed in a low pollution economy;
- Fund investment in low carbon technologies and clean energy options in an industry policy framework which supports the development of domestic industry supply capabilities;
- Provide generous assistance for affected workers and their communities to ensure just and fair conditions, including support to gain the skills and knowledge needed to access employment opportunities in a low carbon economy; and
- Support low income households.

Policy-Making Context

Our comments to this inquiry need to be contextualised by a brief summary of the current public policy-making context. In a globalised world with complex trade and investment networks, many countries are seeking answers to the question of how to remain competitive. Quick political fixes will not work. Stories of manufacturing sites shutting down or moving offshore are symptomatic of a challenge requiring government leadership: leadership with a commitment to develop and implement comprehensive industry policy focused on maintaining a broad based economy, strengthening the competitiveness of the Australian economy and supporting industries of the future.

The parallel debate on climate change policy cannot be isolated from this broader discussion. A robust and effective policy on climate change is essential to Australia's competitiveness. In an increasingly carbon-constrained world, investing in low carbon and energy efficient technologies is essential. It reduces the energy input costs experienced by industry while providing a cost effective way to address emissions. Furthermore, climate policy complemented by industry policy will drive investment in the local clean energy industry and the jobs of the future.

The move to a carbon constrained world is happening now. This is demonstrated by the facts:

- Over 190 countries – including China and the US – agree on the need to avoid a 2°C warming if we are to have a chance of avoiding the most dangerous impacts of climate change;
- All major emitting economies now have domestic policies and measures to support their 2020 emission reduction targets;
- Australia's top 5 trading partners (China, Japan, US, South Korea and Singapore) and another 8 of our top 20 trading partners (NZ, UK, Germany, Italy, France, Netherlands, Switzerland and Canada) have implemented or are piloting carbon trading or taxation schemes at varying levels of their economy;
- China, Australia's largest trading partner, is implementing market mechanisms to reduce emissions. Emissions trading schemes commenced in Shenzhen and Shanghai in June and November 2013 respectively. Pilot emission trading schemes are proposed to start in six other cities covering one-third of China's economy and about a one-fifth of China's energy use;
- South Korea, Australia's third largest export market, has legislation and will implement an emissions trading scheme from 2015.

It is also clear that the shift to a low carbon economy is an opportunity to develop new industry and create the associated jobs. Total investment in clean energy for the year reached US\$244 billion in 2012.

Various modelling has long shown the employment creation opportunities of strong government policy on climate change. Recent research by the International Trade Union Confederation of twelve countries (including Australia) assessed the job creation potential of investing 2 percent of GDP in the green economy. It demonstrated 48 million new jobs spread across the twelve countries could be created over the next five years.

However, with the global shift now on, we no longer need to rely on modelling. Across Europe, at least 3.4 million people are employed in 'green' jobs; exceeding the number of workers in emission-intensive sectors. This includes jobs in the renewable energy sector, efficient transportation, and the manufacturing, installation and servicing of energy efficiency measures.

In the USA, in the period 2003 to 2010, jobs in the wind power industry doubled and in the solar thermal industry tripled. Over the past year, while the US has continued to experience significant economic challenges, employment in the solar energy sector increased by over 13 percent. This was six times faster than average employment growth across the economy.

Just one of many programs in the US supporting investment is the Department of Energy Loan Programs. It has supported job creation not only in construction but in manufacturing and the services sector. In Oregon, this program supported the installation of 338 wind turbines which created 1,000 jobs in the construction phase. A wind farm project in Hawaii, providing renewable power to 6,000 homes, created work down the manufacturing and services supply chain. Over 100 businesses were engaged across 20 states including wind turbine assembly in Iowa and a Texan company supplying the advanced energy storage system.

The opportunities of the shift to a low carbon economy will flow to – and be maximised by – those countries that credibly and comprehensively act on climate change.

Direct Action - Credible Climate Policy?

The experience of other countries demonstrates that if new industry and workers are to benefit while economy wide emissions are reduced, government must provide policy focused on improving the carbon competitiveness of local industry and supporting new low carbon and energy efficient technology sectors.

Germany provides an example of the strategy and policy mix that can maximise the benefits to local industry. In place is a market mechanism, a renewable energy target and a range of measures to support clean technology investment. Now one in every hundred jobs is ascribed (directly or indirectly) to the renewable energy sector. The jobs are diverse and ongoing. There are jobs in manufacturing, installation, operation and maintenance. The data also shows that legislation is a clear driver of job creation. In 2011, 72 percent of renewable jobs were a direct result of legislation.

It is a question of whether the Abbott Government's proposed Direct Action Policy can achieve the emissions reduction needed while maximising job security and creation by assisting existing industry to become more carbon competitive and supporting new low carbon technology industries respectively.

The most efficient and effective policy mix to achieve emission reductions across the economy (and thus maximise the opportunities across the economy) includes:

- A cap on emissions to drive long-term structural changes in the Australian economy;
- A price on carbon pollution that covers all major polluting sectors of the economy, more equitably distributing the responsibility to reduce emissions;
- Industry policy including targeted investment in clean energy, low carbon and energy efficiency technologies, and research and development to drive innovation to support existing industry while maximising the opportunities of new industry; and
- Support for households.

Against these three criteria, the Direct Action Plan does not measure up:

- By not capping emissions or providing a signal beyond 2020 (the year in which the Emissions Reduction Fund Program will conclude), the Direct Action Plan fails to provide the required long term incentive and certainty to the market for industry to invest in deep emission-reduction investments with longer payback periods. Without a clear signal

driving abatement, it also risks delaying climate action to post-2020, which will be more costly and disruptive to the economy;

- Rather than providing a price on carbon pollution which delivers a clear signal to industry that if it chooses to pollute it must pay, the Direct Action Plan takes the view that industry can pollute and government will pay industry (using taxpayer funds) to lower its pollution. This is fundamentally inequitable.
- Without a carbon price, the government is limited to the current budget allocation (capped at \$1.5 billion) to support low carbon and energy efficiency projects. This may reduce emissions but in an isolated manner. Furthermore, independent analysis of the budget allocation suggests it is insufficient to meet the low end of the emissions reduction target range.

The narrow application of the Direct Action Plan and its lack of a clear carbon price will undermine the efficiency of the shift to a low carbon economy. It will demand more real resource expenditure to achieve the same pollution reduction objectives; resources which this government has indicated it is not prepared to commit. The Direct Action Plan will result in government paying more for abatement by industry than if abatement was driven by a price and cap on emissions.

Furthermore, it will be near impossible for the Direct Action Plan to avoid funding non-additional abatement. This means government will be paying business for projects and abatement that would have occurred even in the absence of government policy.

This brief analysis¹ raises serious concerns with the credibility of the Direct Action Plan to efficiently, effectively and fairly reduce Australia's emissions while supporting existing industry and enabling investment in new industries.

Without an effective policy, the shift to a low carbon economy will be delayed. This will increase the cost and create greater uncertainty for industry and workers as the economy responds to the global carbon constrained environment. Finally it will result in missed opportunities. Innovation in low carbon and energy efficiency technologies presents new opportunities for industry, creating jobs of the future. Without a credible policy we will miss the opportunity to develop domestic industry capabilities.

Conclusion

As a stakeholder representing workers – a key constituency with an interest in the future competitiveness of the Australian economy – this is a frustrating submission for the ACTU to prepare.

Australia already has a policy which provides a cap on emissions, a market measure that places a price on carbon pollution, and targeted investment in low carbon and energy efficiency technologies. It is the *Clean Energy Future* package.

As the ACTU has stated previously, repealing the *Clean Energy Future* package is irresponsible policy making. Repeal:

¹ For more detailed analysis, see the submission prepared by the AMWU to this inquiry.

- Discards a fair and inclusive approach to action on climate change through the protection of jobs (through industry assistance) and the provision of assistance to households and communities while driving a reduction in Australia's emissions.
- Throws out mechanisms to incentivise the adoption of new low carbon and energy efficient technologies; underpin the commercial viability and market potential of low emission technologies; and induce substitution towards lower carbon fuels, products and services; and
- Removes industry support, resulting in little assistance to industry to remain competitive in the current global shift to a low carbon economy.

Of significant concern is that the commitment to repeal and introduce the Direct Action Plan creates policy uncertainty as there is little support for the Direct Action Plan. This risks creation of a climate change policy void and ignores the research showing the need for comprehensive policy to underpin emission reduction activities now.

We call on this inquiry to strongly recommend to Government that it reconsider repealing the *Clean Energy Future* package and persisting with the development of the Direct Action Plan. It is not in the interest of Australian workers, the Australian economy, or the environment.



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