

Additional Comments by the Australian Greens

1.1 The Australian Greens oppose in the strongest possible terms, the replacement of the Clean Energy Act 2011 with the Carbon Farming Initiative Amendment Bill 2014 (the Bill).

1.2 The greatest failure of the proposed legislation is that it is a short-term fix and incapable of being scaled up to meet our emissions reduction challenge without a massive burden on public expenditure. It would cost taxpayers billions of dollars to meet even mildly higher aspirations under an international agreement that will be negotiated up to the Paris Conference of the Parties next year.

1.3 The world expects Australia to do its fair share in limiting global warming to two degrees. The policy that is embodied in this legislation cannot come anywhere near this requirement.

1.4 Huge commercial opportunities currently exist for countries that are transitioning from a high pollution intensity economy into an efficient, low-carbon and prosperous one. The Carbon Farming Initiative Amendment Bill 2014 takes away any competitive advantages that Australia is currently developing and instead encourages businesses to be wasteful with its resources or to rely on government subsidies for its profitability.

1.5 Instead of the marketplace driving the innovations and productivity gains across multiple sectors of the economy, this bill will make government decision-makers responsible for choosing those advances in very limited sections of the economy.

1.6 It will not drive the transformational change necessary for Australia to prosper in a carbon constrained world faced with a climate change emergency for the following main reasons:

- (a) It is narrow. To achieve the lowest cost emission reductions, the bulk of the grant scheme will be focussed on energy efficiency. Despite the Minister's assurances, energy generation, mining and transport will be cast aside from Direct Action. Carbon farming will only be competitive if the integrity of the scheme is completely abandoned by giving absolute discretion to the Minister to vary the relevant methodologies.
- (b) It is unfinanceable because the grants are so small, contracts are limited to five years, payment is available only on completion and the prices on offer are so low that it falls far short of being investment grade. Finance institutions and banks will not waste their time to finance a project under the emissions reduction fund.
- (c) It is optional so there is no incentive for polluters to participate. The scheme will be underutilised by all except those best placed to receive easy subsidies. Low participation increases the cost of reducing emissions because of less competitive pressure. Furthermore any

reductions in emissions in one area of the economy will be lost by gains in another unregulated area.

- (d) It is costly because it requires a huge bureaucracy to administer the grant scheme. There will be very little emissions reductions for the amount of public money required to administer these expensive tasks.
- (e) It is economically illiterate because to achieve enough abatement to achieve the government's paltry 5% reduction target would require a carbon price of between \$20-40 but under the existing budget, the scheme could only pay \$3.60 per tonne.
- (f) It is pointless because those projects that are most likely to succeed under a reverse auction will be low-cost and have a short payback period, meaning they were the most likely to happen anyway, without the government's corporate welfare on offer.

1.7 In addition to these fundamental design flaws are the significant weakening of the methodologies that calculate how much carbon has been sequestered in the land.

1.8 Like the entire Direct Action policy, the mechanical framework has been painfully contorted in order to achieve superficial political objectives. In this case, the government's political objective is to make funds for carbon farming competitive against energy efficiency or capital upgrade projects. To achieve this, carbon farming rules have to be massively weakened in order to get public money out the door and into forestry projects similar to those driven by managed investment schemes under the Howard government.

1.9 The wide discretion provided to the minister under the Bill to allow projects to generate credits removes any guarantee that a tonne of carbon paid for does not end up in the atmosphere. This would result in the worst of both worlds, public money spent on abatement projects that have no identifiable environmental benefit.

1.10 To meet the UNFCCC Kyoto rules, Australia's policy framework must be rigorous. By giving the Minister huge discretion to undermine methodologies makes our compliance highly questionable and may make carbon credits ineligible in international markets.

1.11 Another area of serious concern is the removal of the prohibition on a project earning credits from the clearing of native forests or using material obtained from clearing a forest under s. 27(4)(j) of the Carbon Farming Initiative Act 2011 to be replaced with the requirement for the minister simply 'consider any adverse environmental impacts' would breach the Kyoto rules. Again the intention of the bill is to offer desperately needed revenue streams to the failing native forest logging industry.

1.12 Finally the Greens are concerned by the weakening of the additionality rules, the changes to the permanency requirements in order to allow 25 years of sequestration instead of 100 (25% of the time, but still 80% of the value) and the delinking of projects from Natural Resource Management plans.

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