

# Government Members' Dissenting Report

[The EWP is] a very skilled paper, and I'm sure the government has sweated long and hard over it, because of the difficulty of the issues. But I think there's a very clever piece of wording when the Prime Minister commented on Kyoto, he says that human-induced climate change is one of the major challenges confronting the world this century, and he goes on to say the potential for climate change is real.<sup>1</sup>

As the Prime Minister notes in his foreword to the Energy White Paper, quoted at the head of Chapter 2 of this Report, the Government's approach to energy policy for Australia to meet the challenges posed by human-induced climate change has been underpinned by three themes – prosperity, security and sustainability. The EWP is the outcome of a comprehensive review to provide a long-term framework to ensure that Australia's energy policy will achieve the balance of Australia meeting all its international obligations in ameliorating the effects of global climate change and utilising our energy advantage for the benefit of all Australians.

The emphasis of the EWP is therefore that of action over the long term, in a timeframe that is appropriate for the consideration of both the processes and the effects of climate change. As the Committee heard from Ms Kathleen Mackie of DEH:

The time horizon that we focused on was 20 to 30 years, but it was also to try to establish Australia's energy policy position so as to go beyond that as well.<sup>2</sup>

Nevertheless, the Committee's Report appears to have deliberately misunderstood or ignored this important focus of the EWP, and persistently frames its recommendations in terms of the limited ability of existing and developed technologies to deal with climate change issues. Government Members of the Committee believe that this is a clear indication that this inquiry into EWP was a cynical exercise which sought to promote a particular political agenda while brushing aside opportunities that might be available to Australia. A reasonable reading of the text of this Report would confirm our view of the predetermined nature of this Inquiry – for example, although Chapter 2 of the Report provides a comprehensive and concise overview of the EWP, including in paragraph 2.28 a reference to the Government's rejection of the recommendation of the 2003 Tambling Report to extend the MRET, because "[it] would impose significant economic costs", paragraph 3.26 of the Report then claims

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1 Bob Carter, Radio National, *Earthbeat*, ABC website 7 April 2005, at: <http://www.abc.net.au/rn/science/earth/stories/s1135187.htm>

2 Kathleen Mackie, Assistant Secretary, Policy Development Branch, DEH: Committee Hansard, Wednesday 4 August 2004, p 36.

"the EWP *fails to heed* (our italic) the advice from its own review panel ... to increase the MRET"!

The Government Members of the Committee agree with the Government's long-held position that human-induced climate change is one of the major challenges confronting the world this century (see, for example, David Kemp's speech to Royal Institute of International Affairs, 15 July 2002, <sup>3</sup>) and the EWP is a significant step forward for Australia in addressing these challenges. The EWP takes into account the energy needs for Australia's future, at the same time ensuring that Australia will not contribute to global warming.

Government Members of the Committee believe that the EWP is a well-considered blueprint for the future of Australia's energy needs. It will ensure that, as time goes by, the energy sector will reduce greenhouse gas emissions while maintaining affordable energy outputs to meet the needs of Australian industry and domestic markets. There is real incentive in the EWP for the development of alternate renewable energies as well as scope to continue using fossil fuels for our energy requirements without causing environmental, economic or social disruption.

In particular, we note the Prime Minister's comment that:

The framework [of the EWP] is backed up by substantial new initiatives, including additional incentives to encourage petroleum exploration in frontier areas; a comprehensive reform of fuel taxation to reduce the cost of fuel in business use; innovative trials of solar technology teamed with leading edge efficiency technologies to demonstrate "solar cities" of the future; a fund to generate at least \$1.5 billion in investment to demonstrate low-emission technologies to reduce greenhouse gas emissions from our energy sector; extra effort to back up our world first Renewable Energy Target with new commercialisation assistance for emerging renewable technologies; and a wide ranging effort to ensure the careful, prudent use of our valuable energy resources by industry and the community.<sup>4</sup>

Government Members recognise the concerns expressed in the submissions and by the witnesses to the inquiry about global warming and CO2 emissions. However, we believe that the EWP more than adequately addresses these concerns, therefore we do not support the recommendations contain in this Report.

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3 Chatham House website at [http://www.riia.org/pdf/briefing\\_papers/David%20Kemp%20Climate%Change%Speech%2015%20July%2002.pdf](http://www.riia.org/pdf/briefing_papers/David%20Kemp%20Climate%Change%Speech%2015%20July%2002.pdf)

4 Hon John Howard, Prime Minister's Forward, EWP

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## Comments to Committee Recommendations

### Recommendation 1

**The Committee recommends that the Government, in consultation with energy interest groups and the energy industry, develops a detailed long-term strategy that includes specific CO<sub>2</sub> emissions reduction targets for 2010, 2020 and 2030, with the ultimate goal of reducing greenhouse emissions by at least 60% by 2050. [para. 4.10]**

The EWP makes it clear that the new technologies can be developed through government incentives which will ensure that a broader range of renewables are available on the open market to effect the reduction of greenhouse gases. By increasing the range and lowering the cost of low-emission technologies long-term emission reductions will be brought within reach.<sup>5</sup>

### Recommendation 2

**The Committee recommends that the Government sets abatement timeframes and raises the abatement targets for projects seeking funding through the Low-Emissions Technology Development Fund. [para. 4.15]**

Government members agree in principle to making the Low-Emissions Technology Development Fund as efficient and economically responsible as possible, and agree that review of the abatement timeframes and targets may be appropriate if it proves likely to be effective.

### Recommendation 3

**The Committee recommends that the Government:**

- **recognises that geosequestration is one of many options for reducing Australia's CO<sub>2</sub> emissions; and ensures that the greater proportion of the Low Emissions Technology Fund is made available to technologies which can provide emission reductions in the short term;**

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5 Department of Prime Minister and Cabinet, *Securing Australia's Energy Future, Fact Sheet, Low-emission Energy Technologies, website 21 April 2005, at:* [http://www.dpmc.gov.au/publications/energy\\_future/docs/factsheet\\_1.pdf](http://www.dpmc.gov.au/publications/energy_future/docs/factsheet_1.pdf)

- **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. 4.24]**

Government Members consider the EWP has addressed the first point - the establishment of the Low-Emissions Technology Development Fund is designed specifically to develop and demonstrate technologies which can provide emission reductions.

Government Members consider simplistic the recommendation that the polluter pays for research and development. Companies involved in the delivery of Australia's energy who were required to pay for research and development without support from Government would pass these costs on to the consumer. The EWP, through its excise reduction program and support of the development of renewables, aims at reducing energy costs, not increasing them.

The Low Emissions Technology Fund is expected to provide support for demonstrations in the period to 2020, with possibilities for commercial uptake starting in 2020–2030.<sup>6</sup> The Government Members consider that it would be premature to further extend the fund at this time before the results of the scheme are known.

#### **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. 4.28]**

Government Members agree that the EWP addresses energy efficiencies, and encourages uptake by:

- improving market signals through reform of Australia's energy markets,
- continuing to develop and update minimum energy performance requirements
- providing information to consumers and businesses about the energy performance of appliances and buildings
- encouraging firms to identify and report on energy use and energy efficiency opportunities.

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6 Department of Prime Minister and Cabinet, *Securing Australia's Energy Future, Fact Sheet, Low-emissions Technology Fund, website 21 April 2005, at:* [http://www.dpmc.gov.au/publications/energy\\_future/docs/factsheet\\_2.pdf](http://www.dpmc.gov.au/publications/energy_future/docs/factsheet_2.pdf)

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- requiring large energy resource project proponents and businesses receiving fuel excise credits of over \$3 million per annum to join the Greenhouse Challenge
  - working with state and territory governments to improve the delivery of existing programs.<sup>7</sup>

Government members therefore believe that the EWP's approach to the uptake of energy efficiencies will achieve results in accordance with the need to reduce CO2 emissions.

### **Recommendation 5**

**The Committee recommends that the Government continue to fund the Photovoltaic Rebate Programme (PVRP), and set targets for the installation of stand alone (RAPS) Photovoltaic (PV) energy systems and for grid-connected PV energy systems. [para. 4.36]**

Government Members consider this recommendation superfluous as the Government already supports the development of photovoltaics and has placed photovoltaics in the Market Leadership category, recognising that the technology deserves high government support.<sup>8</sup> The Government has recognised that the demand for this technology in the Asia Pacific region is potentially large,<sup>9</sup> and the Solar Cities trials will address current lack of rewards for the unique characteristics of photovoltaics, and market barriers to energy efficiency.<sup>10</sup>

### **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. 4.37]**

Government Members believe this recommendation is also superfluous. The EWP is clear about the Government's position on the MRET – it will remain at current levels.

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7 Department of Prime Minister and Cabinet, *Securing Australia's Energy Future, Fact Sheet, Energy Efficiency Measures*, website 21 April 2005, at: [http://www.dpmc.gov.au/publications/energy\\_future/docs/factsheet\\_5.pdf](http://www.dpmc.gov.au/publications/energy_future/docs/factsheet_5.pdf)

8 EWP, p.169.

9 EWP, p. 173.

10 EWP, p. 172.

As stated in the EWP,<sup>11</sup> the Government believes that the cost of increasing the MRET cannot be justified.

The Government's position on infrastructure grants for developing renewables is also clear. In the Solar Cities trial program pricing mechanisms will be developed to ensure that consumers will not be worse off during the trial period. Getting these signals right in the market can have important economic and environmental benefits. Delaying the need for new generation infrastructure will reduce costs and allow more time for development of low-emission generation options.<sup>12</sup>

### **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. 4.42]**

Government Members do not support this recommendation. The excise reduction on diesel is part of the Government's overhaul of the excise tax regime. The advent of cleaner diesel fuel and more efficient and cleaner engines will ensure that CO2 emissions will decline.<sup>13</sup> Excise on biofuels and gaseous fuels is not, in the view of the Government, likely to reduce their use in country areas. Fuel excise has been demonstrated not to be the driver of fuel usage.<sup>14</sup>

### **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. 4.45]**

Government Senators note that this recommendation is unnecessary as:

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11 EWP, p. 148.

12 EWP, p. 146.

13 Ms Kathleen Mackie, DEH, *Committee Hansard*, Canberra 4 August 2004, p. 34.

14 DEH, *Submission 2*, p. 4.

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...Government incentives will ensure that a broader range of renewables are available on the open market, thereby lowering the cost of low-emission technologies and bringing about long-term emission reductions.<sup>15</sup>

### **Recommendation 9**

**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. 4.46]**

Government Members consider that the EWP clearly outlines the Government's plans to attain achievable efficiencies in CO2 abatement, and shows that the current reduction in CO2 emissions is on track to meet the Kyoto target by 2010.

### **Recommendation 10**

**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. 4.49]**

Government members of the Committee believe a carbon trading scheme is unlikely to achieve carbon emissions reductions; the EWP's proposals to assist in the development and demonstration of renewables is a better approach to achieving emission reductions.

Moreover, we note that a carbon trading scheme allowing transfer of carbon credits would work fundamentally to maintain the real level of carbon emission in the developed economies without restraining emission in the developing economies involved in the transfer. In other words such a scheme would more likely work to retard rather than advance the reduction of global emission level.

However, we do note that there may be potential economic benefits in emissions trading, but only when supported by complementary measures and when consistent with the national interest.<sup>16</sup>

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15 Department of Prime Minister and Cabinet, *Securing Australia's Energy Future, Fact Sheet, Low-emission Energy Technologies*, website 21 April 2005, at: [http://www.dpmc.gov.au/publications/energy\\_future/docs/factsheet\\_1.pdf](http://www.dpmc.gov.au/publications/energy_future/docs/factsheet_1.pdf)

16 Senator The Hon. Ian Campbell, Minister for the Environment and Heritage, *Media Release*, 15 April, 2005.

**Recommendation 11**

**The Committee recommends the Government reconsider the benefits of a carbon tax as a tool to reduce carbon emissions in the industrial sector. [para. 4.50]**

Government Members believe that there is no evidence a carbon tax would be an effective response to climate change. Furthermore:

- the introduction of a carbon tax is unnecessary given Australia is on track to meet its Kyoto target,
- a carbon tax would be premature in the absence of effective longer-term global action on climate change,
- a carbon tax would increase costs for Australian homeowners and businesses and would be an attack on Australia's economic growth,
- business would move offshore to avoid a carbon tax, taking Australian jobs with them.

**Senator the Hon. Judith Troeth  
Liberal Party of Australia**

**Senator Tsebin Tchen  
Liberal Party of Australia**