

24 June 2014

Ms Christine McDonald
Secretary
Standing Committee on Environment and Communications Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2601

Dear Ms McDonald

INQUIRY INTO THE CARBON FARMING INITIATIVE AMENDMENT BILL 2014

The Australian Sustainable Built Environment Council (ASBEC) writes in response to the Senate Inquiry into the Carbon Farming Initiative Amendment Bill 2014.

ASBEC believes that an effective climate change policy must overcome structural and financial barriers to cost-effective greenhouse gas (GHG) abatement. Our enclosed report 'Delivering abatement through direct action', which we submitted during the government's ERF consultation period, demonstrates that if designed properly, the proposed Emissions Reduction Fund (ERF) could help to deliver such potential within Australia's building sector.

However, we are concerned that the current design of the scheme makes it difficult for our sector to access the ERF and is not conducive to unlocking the up to 30 million tonnes of potential carbon abatement per year available within our sector.

If designed properly, the ERF could generate significant incentives for energy efficiency upgrades and other abatement projects across the built environment, overcoming existing market barriers that often make action in this sector commercially unviable.

We recommend the following changes to design of the ERF:

1. **Reconsider the minimum bid size** – the White Paper states that to be eligible, bids must have an average abatement volume of 2,000t CO₂-e per annum. This will rule out most building-scale retrofit projects. The consequential requirement to aggregate 'multi-building' bids will be a very significant barrier to the built environment's participation in the ERF.

Solution: Implement a minimum bid volume of 2,000t CO₂-e for the entire contract duration rather than as a per-annum average.

2. **Enable 50% funding upfront** – even though credits might be calculated upfront, they will only be generated and paid as abatement is delivered. This will inhibit the take up of the ERF in our industry where the application of capital for emissions abatement competes with shorter term and more attractive investment options. It will also be a significant disadvantage for capital – constrained proponents and will undermine additionality objectives (only those with available capital will proceed)

Solution: Enable 50% funding upfront for activities which rely upon deemed verification.



3. **Extend contract durations** – 5 year contracts will limit investment in large, capital-intensive projects with longer payback periods and will therefore reduce the total abatement volume.

Solution: That longer contract terms be introduced, with a provision to deem and pay extended abatement upfront.

4. **Extend the incentives** accorded to the farming sector, such as deeming and aggregation, to the property sector, to encourage further participation by commercial, industrial, and residential property holders.

ASBEC has urged the Government to reconsider its position on the above recommendations to maximise the participation of the property sector in the Emissions Reduction Fund.

Without a large take up of our sector under the ERF, we believe the Government's target of reducing emissions to five per cent below 2000 levels by 2020 will be more difficult to achieve.

We are available to discuss these issues further.

Yours Sincerely

Tom Roper
President
Chair, ASBEC Direct Action Working Group

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