



Business Council of Australia

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House Standing Committee on the Environment and Energy
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House Standing Committee on the Environment and Energy Inquiry - Zali Steggall Climate Change Bill(s) 2020

The Business Council welcomes the opportunity to provide input to the House Standing Committee on the Environment and Energy Inquiry into the Climate Change (National Framework for Adaptation and Mitigation) Bill 2020, and Climate Change (National Framework for Adaptation and Mitigation) (Consequential and Transitional Provisions) Bill 2020.

For over a decade the Business Council has supported strong action on climate change, and today we continue to advocate for policies that will reduce Australia's carbon emissions and deliver the more carbon efficient economy Australians and our members want.

We believe the central issue now is setting a national target of net-zero emissions by 2050 and, critically, outlining a pathway to achieve this goal. The high-level policy framework outlined in the proposed legislation represents an important starting point for the development of a clearly defined, nationally guided and coordinated climate policy response.

The policy framework in the legislation provides an architecture which will be critical to mapping out a planned and predictable approach to emissions reduction across the economy as we work towards the net-zero target in 2050 — noting that many of the individual policy measures required for such a response are already a part of the national and jurisdictional governments' suite of climate-related policies. Importantly, the proposed legislation provides a much needed overarching framework for streamlining and consolidating these existing measures.

What investors want fundamentally from such a climate policy response is twofold:

- a clearly articulated policy destination; and
- a policy pathway for achieving this destination.

What the broader community stands to gain from such a climate policy response includes:

- opportunities for new jobs, particularly in the wake of the COVID pandemic induced recession;
- opportunities for new domestic and export industries;
- greater economic resilience in regional Australia;
- a stronger competitive position internationally; and ultimately
- sustained growth in productivity and the real incomes of Australians.

Strengths of the proposed legislation

The proposed legislation clearly defines a policy destination for the Australian economy of net-zero emissions by the year 2050, which is consistent with Australia's Paris Agreement commitment, and the emissions goals of all Australian States and Territories. We note that the use of a system of emissions budgeting is a critical supporting policy element in being able to track progress towards (and drive achievement of) net-zero emissions by 2050.

Many nations and businesses are already focussing their efforts on achieving net-zero emissions by 2050, including some of Australia's largest companies and trading and investment partners (eg. Japan, South Korea and Canada). Investors would be further enabled by a firm, durable set of policy 'goal posts' that serve to increase long term certainty and effectively strengthen the business case (or investment economics) for reducing emissions over time.

The workability of the proposed legislation lies in its specification of a policy framework for defining a policy pathway, rather than attempting to specify the policy mechanism(s) to be implemented. As a set of guiding principles and decision-making processes, the proposed legislation is more amenable to consideration by all sides of the political debate, with the possibility of greater alignment going forward. The framework itself is capable of determining the appropriate policy mechanism(s) as required.

The proposed legislation adopts a science-based, risk-management approach to addressing climate change (in its objects and other sections) which is aligned with how businesses and their shareholders, increasingly, are responding to climate-related risks. Australian companies and their directors in particular, would be assisted by such a framework in discharging their duties to manage and disclose climate-related risks under general and corporations law. Having a very clear set of government policy 'goal posts' would enable company directors to focus their resources and efforts more efficiently with respect to climate-related transition risks.

The proposed legislation recognises the importance of ensuring people and community impacts are considered in the low-carbon energy transition. A fair employment transition will create new jobs, drive economic diversification and encourage investments. It ensures environmental sustainability, but also the need to manage the economic and social impacts. The proposed legislation reinforces the need for a collaborative approach that brings together all impacted stakeholders to enable a planned and coordinated transition to net-zero emissions.

Feedback on the proposed legislation

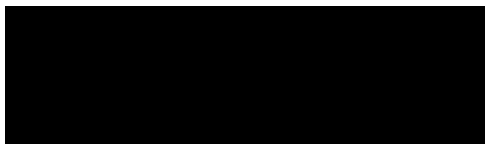
There are a number of aspects of the proposed legislation which we believe require careful interpretation in order to be consistent with an efficient, least-cost climate policy response for Australia.

- Any reference to 'sectoral policies' should not preclude emissions mitigation and adaptation efforts being optimised across sectors — which means the resulting pattern of abatement across sectors will work its way up the national abatement supply curve in pursuit of the national target (that is, most efficiently).
- The 'national emissions budgets' timeframe needs to be aligned with private sector decision-making and the need to balance investor certainty with policy flexibility — the five year timeframe in the proposed legislation may not be the optimal timeframe and may need to be supplemented with other options.
- The role of the proposed independent body (Climate Change Commission) could possibly be performed by the existing Climate Change Authority, given its broadly similar remit and subject to amendment of its legislation where necessary — the creation of a whole new institutional architecture would appear to be unnecessary.
- Any reference to Australia's scope 3 export emissions in the proposed legislation, while potentially relevant in terms of Australia's exposure to global supply chain risks, needs to be clearly delineated from Australia's primary responsibility for its scope 1 emissions (only) under the Paris Agreement.

- The Parliament should maintain ultimate decision-making power over climate policy in Australia, notwithstanding the integral role played by an independent advisory body in a decision-making process — overtime one would expect and hope that the advice from the independent body becomes so highly regarded that it becomes widely accepted by the Parliament.
- The framework needs to enable effective national leadership of Australia’s climate policy response so that emissions mitigation and adaptation efforts at the jurisdictional level can be efficiently integrated across all jurisdictions.

Please don’t hesitate to contact us should you wish to discuss our submission.

Yours sincerely



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