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The Parliament of the Commonwealth of Australia

# Advisory Report on the Clean Energy Bills and the Steel Transformation Bill 2011

Joint Select Committee on Australia's Clean Energy Future Legislation

October 2011  
Canberra

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## Chair's foreword

Australia is committed to reducing its greenhouse gas emissions by at least 5 per cent below 2000 levels by 2020. This lies at the heart of Australia's efforts to introduce a mechanism to place a value on greenhouse gas emissions and to achieve lasting reductions over time.

The Government has a plan to meet this target, and looks beyond it to meeting longer term commitments to reduce our emissions, which is set out in the 18 bills in the Clean Energy Legislative Package and the Steel Transformation Plan 2011. The design of this plan has been the subject of considerable public debate, discussion and policy development.

Our national commitment to reducing greenhouse gas emissions is based on scientific evidence about the adverse impacts on our planet and our nation of greenhouse gas emissions from human activity, both now and over the longer term. The scientific evidence is well-founded, is accepted and continues to be appropriately tested and scrutinised. However, the committee also noted the many unfounded and unwarranted attacks that have been made on scientists in the course of this debate.

As a nation, we have been discussing this issue for more than 10 years. There have been numerous reviews since 1999, all of which have concluded that a market-based emissions trading scheme is the most appropriate way to act. Other countries are acting, through mechanisms designed to suit their own situations, including through emissions trading schemes.

Since 2009, the Australian Parliament has considered legislation to introduce a mechanism to put a price on greenhouse gas emissions. The bills in the Clean Energy Legislative Package reflect this decade of policy development, consultation and scrutiny.

In considering the Package, the committee has looked at whether it provides a foundation for future economic growth, and for the transition to an economy

based on cleaner and more sustainable energy sources. It is clear that a regulatory framework which provides certainty over time and allows businesses to make the decisions about the most appropriate way to act is preferable to one in which the government directs outcomes.

The consequences of not having a robust and certain framework are clear: businesses will face greater risk associated with making decisions and act – or not act - accordingly. The Package provides the certainty that businesses need to make those decisions to ensure future investment.

It is appropriate that people, in considering a reform, should consider the short-term impacts it will have. The Government has addressed these through a series of measures to provide transitional assistance to emissions-intensive, trade-exposed industries, household assistance to low and middle-income earners, and measures to improve energy efficiency and the development and adoption of new technologies.

Beyond this, the longer term costs of not taking action must also be considered. There are the direct economic consequences of squeezing the task of meeting our 2020 commitment to reducing greenhouse gas emissions into a shorter and shorter timeframe. But further inaction or delay also poses deeper and more long-lasting implications for us all.

There is a clear and real detriment from not tackling the task of greenhouse gas emissions reduction in a coordinated way. It will stifle investment in cleaner energy and energy efficiency, delay the adoption of new technologies and increase the ultimate costs we all must bear. The costs of economic change are greatly reduced when they occur gradually, which the Package proposes.

The impact of delaying investment in our energy sector is real and serious. Individual Australians are now experiencing the costs of not making necessary investment in energy infrastructure due to a lack of certainty on addressing greenhouse gas emissions reduction. They have faced significant increases in electricity prices precisely because we have not taken action, and these impacts will continue. These costs far outstrip any impact of placing a price on greenhouse gas emissions now.

In considering how to meet our commitment to reduce Australia's greenhouse gas emissions, we must ensure that the regulatory framework does this at least cost, in a way which is tailored to the Australian economy and which ensures that transitional costs are minimised. It is also critical that this framework gives clarity and certainty for investors over time, particularly in our critical energy sector.

The committee is confident that the Package delivers these outcomes.

The committee received evidence from a range of businesses, local governments and others who may be covered by the mechanism. While many of these

acknowledged the benefits that would flow from the full range of reforms encompassed by the Package, including the recently passed Carbon Farming Initiative, there was a degree of uncertainty about its application from some groups.

This uncertainty is, to some extent understandable, given the high level of much public discussion and the misconceptions about the reforms that have gained currency. To deal with this, considerable effort is needed in the implementation of the Package to ensure that those covered by it are aware of its impacts, their obligations and the opportunities available to them.

Much has been made about the potential impacts of the Package on the Australian economy and individual households and businesses, and this was reflected in the letters and emails received by the committee. In many cases the claims made about these impacts are overstated, reflecting misunderstandings or the arguments of specific interests.

The Treasury has conducted the most comprehensive modelling exercise undertaken on this issue and its work is to be commended. While the Treasury's work has been scrutinised and criticised from a range of perspectives, and others have attempted to quantify specific impacts based on their own circumstances, no comprehensive alternative has been provided and much of the commentary reflects the policy outcomes sought by specific participants in the debate.

The Treasury estimates that the impact on Australian households will, by and large, be modest, with price increases passed on by business averaging 0.7 per cent in 2012-13. While price impacts in some sectors, such as electricity, will be more significant, the household compensation package is designed to mitigate the impacts on low and middle-income households. Compared with the costs of dealing with the effects of rising sea levels and changes to the suitability of land for agricultural use that will occur under business as usual, these effects are small.

Based on the evidence before it and the material on the public record, the Package represents the most comprehensive, efficient and equitable basis for Australia to meet its commitments to reduce greenhouse gas emissions and move to a clean energy economy. Businesses that are early developers of clean technology have the opportunity to reap significant financial rewards.

On behalf of the committee, I thank those that have given their time to contribute to this inquiry through writing letters and emails, in providing formal submissions and in giving evidence at its hearings.

Anna Burke MP  
Chair





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## Membership of the Committee

Chair Ms Anna Burke, MP

Deputy Chair Senator Christine Milne

Members	Mr Adam Bandt, MP	Senator Simon Birmingham
	Mr Darren Cheeseman, MP	Senator Mathias Cormann
	Mr George Christensen, MP	Senator Louise Pratt
	Ms Joanna Gash, MP	Senator Anne Urquhart
	Mr Ed Husic, MP	
	Mr Bernie Ripoll, MP	
	Mr Tony Smith, MP	
	Mr Tony Windsor, MP	

## Committee Secretariat

Secretary Mr Stephen Boyd

Inquiry Secretary Mr David Monk

Technical Advisor Mr Simon Writer

Research Officer Dr Phillip Hilton

Administrative Officer Ms Natasha Petrovic



## Resolution of Appointment

On 13 September 2011 the House of Representatives moved the following resolution. On 14 September 2011 the Senate concurred with the House resolution.

- (1) That a Joint Select Committee on Australia's Clean Energy Future Legislation be appointed to inquire into and report on the provisions of the following bills:
  - (a) Clean Energy 2011;
  - (b) Clean Energy (Consequential Amendments) 2011;
  - (c) Clean Energy (Income Tax Rates Amendments) 2011;
  - (d) Clean Energy (Household Assistance Amendments) 2011;
  - (e) Clean Energy (Tax Laws Amendments) 2011;
  - (f) Clean Energy (Fuel Tax Legislation Amendment) 2011;
  - (g) Clean Energy (Customs Tariff Amendment) 2011;
  - (h) Clean Energy (Excise Tariff Legislation Amendment) 2011;
  - (i) Ozone Protection and Synthetic Greenhouse Gas (Import Levy) Amendment 2011;
  - (j) Ozone Protection and Synthetic Greenhouse Gas (Manufacture Levy) Amendment 2011;
  - (k) Clean Energy (Unit Shortfall Charge – General) 2011;
  - (l) Clean Energy (Unit Issue Charge – Auctions) 2011;
  - (m) Clean Energy (Unit Issue Charge – Fixed Charge) 2011;
  - (n) Clean Energy (International Unit Surrender Charge) 2011;
  - (o) Clean Energy (Charges – Customs) 2011;
  - (p) Clean Energy (Charges – Excise) 2011;
  - (q) Clean Energy Regulator 2011;
  - (r) Climate Change Authority 2011; and
  - (s) Steel Transformation Plan 2011.
- (2) That the committee consist of 14 members, four members of the House of Representatives to be nominated by the Government Whip or Whips, three

members of the House of Representatives to be nominated by the Opposition Whip or Whips, one Greens member, one non-aligned member, two senators to be nominated by the Leader of the Government in the Senate, two senators to be nominated by the Leader of the Opposition in the Senate, and one Greens senator.

- (3) That every nomination of a member of the committee be notified in writing to the President of the Senate and the Speaker of the House of Representatives.
- (4) That the persons appointed for the time being to serve on the committee shall constitute the committee notwithstanding any failure by the Senate or the House of Representatives to appoint the full number of senators or members referred to in this resolution.
- (5) That the committee elect a Government member as its chair.
- (6) That the committee elect a member as its deputy chair who shall act as chair of the committee at any time when the chair is not present at a meeting of the committee, and at any time when the chair and deputy chair are not present at a meeting of the committee the members shall elect another member to act as chair at that meeting.
- (7) That, in the event of an equally divided vote, the chair, or the deputy chair when acting as chair, have a casting vote.
- (8) That four members of the committee constitute a quorum of the committee provided that in a deliberative meeting the quorum shall include at least one Government member of either House and one non-Government member of either house.
- (9) That the committee have power to call for witnesses to attend and for documents to be produced.
- (10) That the committee may conduct proceedings at any place it sees fit.
- (11) That the committee have the power to adjourn from time to time and to sit during any adjournment of the Senate and the House of Representatives.
- (12) That the committee report on or before 7 October 2011.
- (13) That the provisions of this resolution, so far as they are inconsistent with the standing orders, have effect notwithstanding anything contained in the standing orders.
- (14) That a message be sent to the Senate acquainting it of this resolution and requesting that it concur with the action accordingly.



## List of abbreviations

ACCU	Australian carbon credit unit
ACTU	Australian Council of Trade Unions
AMEC	Association of Mining and Exploration Companies
ANEDO	Australian Network of Environmental Defenders' Offices
ANREU	Australian National Registry of Emissions Units
ASX	Australian Securities Exchange
BFVG	Bundaberg Fruit and Vegetable Growers
CDM	Clean development mechanism
CEF	Clean energy future
CEO	Chief Executive Officer
CFI	Carbon Farming Initiative
CFMEU	Construction, Forestry, Mining and Energy Union
CO <sub>2</sub> -e	Carbon dioxide equivalent
COTA	Council on the Ageing
DCCEE	Department of Climate Change and Energy Efficiency
DIISR	Department of Innovation, Industry, Science and Research
EITE	Emissions intensive trade exposed
EM	Explanatory Memorandum
ETS	Emissions trading scheme
GDP	Gross Domestic Product

GEDO	Greenhouse and Energy Data Officer
IGCC	Investor Group on Climate Change
LNG	Liquid Natural Gas
MPCCC	Multi-Party Committee on Climate Change
NGERS	National Greenhouse and Energy Reporting System
ORER	Office of the Renewable Energy Regulator
OTN	Obligation transfer number
STP Bill	Steel Transformation Plan Bill 2011
TPI	Totally and permanently incapacitated
UNFCCC	United Nations Framework on Climate Change



# Recommendations

## Recommendation 1

The Senate and the House of Representatives pass the following bills:

- the Clean Energy Bill 2011;
- the other 17 bills in the clean energy package; and
- the Steel Transformation Plan Bill 2011.

## Recommendation 2

That the Government examine the proposals made by LPG Australia concerning the treatment of LPG under the mechanism and, where appropriate, refine the provisions to ensure that a carbon price is most efficiently applied to all uses of LPG.

## Recommendation 3

That the Department of Sustainability, Environment, Water, Population and Communities proactively and transparently assesses the Green Cooling Association's recommendations such that they may, if appropriate, be given Parliamentary consideration.

## Recommendation 4

That the Government intensify its efforts to promote awareness and understanding of the mechanism, including through:

- working with the Clean Energy Regulator to provide information and guidance to liable entities about the mechanism and compliance with it in good time for the start of the mechanism on 1 July 2012;

- working with representative bodies, state, territory and local governments, to inform state, territory and local governments, businesses, community organisations and individuals about:
  - ⇒ the linkages between the mechanism and related initiatives like the Carbon Farming Initiative; and
  - ⇒ opportunities for government support for and investment in clean energy and energy efficiency initiatives.