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SUBMISSION TO THE

# SENATE SELECT COMMITTEE ON CLIMATE POLICY

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## Introduction

The Uniting Church's commitment to the environment arises out of the Christian belief that God, as the Creator of the universe, calls us into a special relationship with the environment – a relationship of mutuality and interdependence which seeks the reconciliation of all creation with God. We believe that God's will for the earth is renewal and reconciliation, not destruction by human beings.

The Uniting Church regards human-induced climate change as a most serious threat to the future and integrity of life on earth. In 2006, the Assembly Standing Committee of the Church resolved to adopt the statement *For the Sake of the Planet and all its People: A Uniting Church in Australia Statement on Climate Change*.<sup>1</sup> The statement declares:

It is increasingly the case that some humans consume the earth's resources whilst other humans pay the price. Australia must acknowledge that it has a responsibility to reduce our reliance on fossil fuels. As long as we remain prepared to abuse the atmosphere and entire ecosystems for the sake of short-term economic gain for a few, we undermine our own future.

...

The Uniting Church in Australia believes that it is important for the Australian Government to set and commit to meeting serious targets for greenhouse gas emission reductions primarily through the promotion of renewable energy sources, measures to reduce energy demand and promotion of energy efficiency measures

The statement also highlights the Church's particular concern with the fate of some of our most vulnerable Pacific neighbours. Our partner churches in the Pacific have called on their sisters and brothers in the church throughout the world to act in solidarity to reduce the causes of human induced climate change by ratifying the Kyoto Protocol, reducing energy use and developing clean, renewable energy sources.

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<sup>1</sup> This statement is available at: [http://www.unitingjustice.org.au/images/pdfs/issues/living-sustainably/assembly-resolutions/11\\_asc\\_climatechange2006.pdf](http://www.unitingjustice.org.au/images/pdfs/issues/living-sustainably/assembly-resolutions/11_asc_climatechange2006.pdf)

In 1977 at its Inaugural Assembly, the Church stated that "(a) Christian responsibility to society has always been regarded as fundamental to the mission of the Church. In the Uniting Church our response to the Christian gospel will continue to involve us in social and national affairs."<sup>2</sup> In this statement, we also pledged "ourselves to hope and work for a nation whose goals are not guided by self-interest alone, but by concern for the welfare of all persons everywhere". It is in this spirit that the Uniting Church in Australia makes this submission to the Senate Select Committee on Climate Policy.

This submission has been prepared by UnitingJustice Australia, the justice unit of the National Assembly of the Uniting Church in Australia, and the Justice and International Mission Unit of the Synod of Victoria and Tasmania, Uniting Church in Australia.

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<sup>2</sup> Uniting Church in Australia, Inaugural Assembly (1977), *Statement to the Nation*, available: <http://www.unitingjustice.org.au/component/content/article/15-uniting-church-statements/190-statementtothenation-1977.htm>

## Recommendations

1. The Carbon Pollution Reduction Scheme legislation should be significantly improved and passed through Parliament.
2. Direct assistance should not be given to coal-fired electricity generators.
3. Instead of compensating coal-fired electricity generators, the Government should prioritise support for Australia's renewable energy sector and the provisions of additional support to assist affected workers and regions with structural adjustment. Renewable energy projects should be particularly supported in these strongly-affected regions as appropriate.
4. A proportion of revenue from the auction of Australian emissions units should be allocated to climate change assistance for developing countries, in recognition of Australia's obligations under the UNFCCC and the Kyoto Protocol.
5. Australia should commit, at a minimum, to a unilateral 25 percent reduction in net emissions by 2020 and work cooperatively internationally to enable a 90 percent reduction in Australian net emissions by 2050 (based on 1990 emission levels).
6. The Carbon Pollution Reduction Scheme should be modified to allow for voluntary actions by households and community groups to result in an additional reduction in Australia's greenhouse gas emissions beyond the cap set on the emissions of companies captured by the CPRS.
7. Any changes to the CPRS legislation or climate change policy more generally must as a priority protect and most vulnerable and disadvantaged in Australia and not reverse the commitments already made in this regard.
8. The introduction of the Carbon Pollution Reduction Scheme should not be delayed because of the current global and domestic economic conditions. The 2010 start date should be maintained.

## General comments

The Uniting Church has welcomed the public consultation processes of both the Garnaut Review and the Department of Climate Change Green Paper as significant opportunities for Australians to explore our shared hopes and aspirations for the future and the values and priorities which should drive public policy. We welcome this current inquiry being conducted by the Senate Select Committee on Climate Policy as a continuation of these important consultation processes.

Human-induced climate change does indeed represent what has often been described as the greatest ever market failure. Should global greenhouse gas emissions continue to rise along a 'business as usual' trajectory, the result will be catastrophic environmental damage and concomitant devastation for people all over the world. The Uniting Church welcomes the proposed Carbon Pollution Reduction Scheme as one important strategy in the necessary transformation to a 'green' economic system, that, while market-based, is designed to serve all people and contribute to the wellbeing of the planet and future generations.

As Christians, we are called to witness to the gospel of life, justice and peace. The Uniting Church's advocacy is focussed first and foremost on its call to stand with and serve people who are marginalised through poverty, oppression and persecution. We believe that we are called to work within society to seek life-affirming solutions to the problems created by systems, structures and policies which are based on values such as greed and individualism and which promote consumerism, materialism and economic inequity. Our comments on the Government's climate change policies, including the Carbon Pollution Reduction Scheme, reflect our commitments to uphold the integrity of the planet as God's good creation and serve the needs of people who suffer the effects of poverty and social marginalisation. For the Uniting Church, social justice and environmental sustainability are inherently connected to each other and must always take precedence over the desire for increasing profits and the amassing of wealth by a relative few.

The following principles, therefore, underlie our comments and responses to climate change policy and the proposed Carbon Pollution Reduction Scheme:

- We must urgently do all we can to reduce our greenhouse gas emissions
- Australia's action domestically to reduce its greenhouse gas emissions has a major impact on our credibility in climate change negotiations in the international arena

- As a priority we must ensure that low-income households and people affected by poverty do not suffer further as a result of the introduction of the CPRS
- The protection of the environment for its own sake and for the sake of our children and future generations should take precedence over maintaining and growing the already large profits of big industry
- We must begin to transform our economy from one based on fossil fuels to a 'green' economy that reflects respect for the limited resources of the planet and the need for justice and equity among all people.

In addressing the issue of appropriate and effective climate change policy, we recognise that there are two separate key issues that need to be considered:

- The target for the net reduction in Australia's greenhouse gas emissions, with 2020 being a key date as a milestone towards progress in emission reductions;
- The CPRS design as an emission trading scheme, which is one component towards emission reduction. The design is important as it sets up who pays for emission reductions and who gets incentives to reduce their emissions or continue with business as usual.

## Emissions trading and climate change policy

***a) the choice of emissions trading as the central policy to reduce Australia's carbon pollution, taking into account the need to:***

***(i) reduce carbon pollution at the lowest economic cost,***

***(ii) put in place long-term incentives for investment in clean energy and low-emission technology, and***

***(iii) contribute to a global solution to climate change***

In our submission on the Carbon Pollution Reduction Scheme Green Paper<sup>3</sup>, the Uniting Church expressed its support for the Government's proposed emissions trading scheme as an effective and important strategy for reducing Australia's greenhouse gas emissions.

We believe that the primary objectives of the CPRS must be to contribute effectively and appropriately to avoiding dangerous climate change, begin Australia's transformation to a low-carbon economy and allow

<sup>3</sup> available at: [http://www.unitingjustice.org.au/images/pdfs/issues/living-sustainably/submissions/cprsgreenpaper\\_uca\\_090908.pdf](http://www.unitingjustice.org.au/images/pdfs/issues/living-sustainably/submissions/cprsgreenpaper_uca_090908.pdf)

Australia to act with credibility in the international climate change negotiations.

The CPRS does not adequately put in place the incentives needed for long-term investment in clean-energy and renewable technologies. We believe the scheme should be changed to prioritise the development and expansion of the renewable energy sector over maintaining the profits and current carbon-intensive activities of coal-fired electricity generators.

The scheme in its current form also misses the opportunity presented in the large volume of emissions unit revenue to assist developing countries in climate change adaptation and mitigation and to meet Australia's international obligations in this area.

We believe it is vital that the CPRS be improved and the resulting legislation passed. Australia needs to immediately begin putting in place policies and frameworks now to start reducing our greenhouse gas emissions and transforming our economy away from carbon-intensive production and towards low-carbon and renewable energy industries. While it is important to recognise that the CPRS is only one of what must be numerous tools developed and implemented, it is a significant one and thus everything possible must be done to ensure that it will provide an effective start upon which to build. Furthermore, Australia must go to the UNFCCC negotiations in Copenhagen in December this year with a contribution to make to the global action on climate change. Only from this position will the Australian delegation be able to push for other nations, both developed and developing, to commit to climate change mitigation and adaptation frameworks which are in Australia's national interest.

Many opponents to the CPRS, from business and politics, have argued that the scheme should be delayed given the current state of the Australian and global economies. We flatly reject this argument. The global financial crisis does not provide a reason to delay action on climate change and the introduction of an effective Carbon Pollution Reduction Scheme. The costs to the community of delaying action will be far greater than the cost of implementing an improved CPRS now.

Furthermore, current economic conditions provide an opportunity to move Australia's economy to a model which will be internationally competitive in the emerging low-carbon world. As the Australian economy comes out of the current economic downturn new investment will be needed, and it is entirely appropriate that we ensure now that these investments will create new employment and economic opportunities which place us well internationally.

In order to provide the certainty needed for the economy to recover from the current crisis, and for investment to occur in the lowest emissions intensive industries and firms, the CPRS must be implemented

as soon as possible. As such, we support maintaining the 2010 start date for the scheme. On balance, we support the CPRS being passed even in its current form, without amendment, compared to it being blocked in the Senate and no action being taken.

***b) the relative contributions to overall emission reduction targets from complementary measures such as renewable energy feed-in laws, energy efficiency and the protection or development of terrestrial carbon stores such as native forests and soils***

We are strongly supportive that the Government introduce a range of complementary measures to assist with reducing Australia's greenhouse gas emissions, in addition to the CPRS. These additional measures would enable Australia to reduce its emissions to a greater level than the current 5-15% range by 2020 as outlined by the Government. Such measures include<sup>4</sup>:

- promotion of energy efficiency measures, including areas like lighting, refrigeration;
- improvements in building standards;
- improvements in public transport;
- improvements in the efficiencies of motor systems and commercial air handling;
- reducing deforestation in Australia; and
- setting certain emissions standards on industries to force some minimum technology standards where appropriate to do so and where certain businesses lag well behind the rest of their sector.

The contribution that such measures could play in reducing Australia's greenhouse gas emissions was outlined in the report by McKinsey and Company, *An Australian Cost Curve for Greenhouse Gas Reduction*.

We are concerned about allowing the biosequestration to be included as part of Australia's emission reduction efforts, out of some degree of uncertainty about how robust the accounting can be to accurately determine what level of emissions are actually removed by any particularly biosequestration method. If the accounting is not accurate, including such mechanisms can create a low cost pathway to avoid having to reduce emissions and fail in reality to deliver on actual emission reductions.

We note with disappointment that the Australian Government missed an opportunity to do more to address Australia's greenhouse gas emissions through the recent stimulus package. The report by HSBC

<sup>4</sup> McKinsey & Company (2008), *An Australian Cost Curve for Greenhouse Gas Reduction*, p.14

Global Research, A Climate for Recovery, points out that only 9.3% of Australia's stimulus package was used for 'green' measures compared to 15.6% on average globally and 37.8% by China.<sup>5</sup> It was noted in this report that Australia failed to allocate any of the stimulus package to lower carbon power.<sup>6</sup>

***c) whether the Government's Carbon Pollution Reduction Scheme is environmentally effective, in particular with regard to the adequacy or otherwise of the Government's 2020 and 2050 greenhouse gas emission reduction targets in avoiding dangerous climate change***

Australia's emissions reduction targets and the Carbon Pollution Reduction Scheme mechanism are two distinct issues. The CPRS will be the primary means through which Australia will meet these targets, however the CPRS legislation and mechanism itself will not determine the targets. Rather the structure of the scheme, and particularly its compensation mechanisms, will determine primarily the relative costs borne by government, industry and the community in reducing Australia's emissions and the ease with which Australia's economy and society can make the transition to a low-carbon future. We believe that the current arrangement of compensation for industry in the CPRS will increase the difficulty and costs borne by government and the community for reducing Australia's emissions, however this issue is discussed in greater detail in our response to part e) of the inquiry's terms.

The CPRS would be environmentally effective, therefore, if it was part of climate change policy which incorporates environmentally effective emissions reduction targets.

## Emissions reduction targets

Climate change is a global problem which requires a unified global solution. Unmitigated climate change will have a significant impact on Australia, more so than on other developed nations. The Australian Government has acknowledged that stabilisation of the world's atmospheric concentrations of greenhouse gases below 450ppm-e is in Australia's national interest and so this goal must guide our actions domestically and in the international arena. Australia's action domestically to reduce emissions will be a critical influence on our international credibility and capacity to help shape an effective global response to climate change.

<sup>5</sup> Robins, N., R. Clover, and C. Singh, 'A Climate for Recovery', HSBC Global Research, 25 February 2009, p. 2

<sup>6</sup> Ibid. p.13

We do not believe that the Australian Government's current commitment to 5-15 percent emissions reduction targets equates to an appropriate contribution to the global effort to avoid dangerous climate change. It will not place Australia in a credible position to push for stronger action on climate change in the international climate change negotiations.

At a minimum we should commit to a unilateral 25 percent cut in emissions by 2020 and 90 percent by 2050 as part of a comprehensive global agreement (based on 1990 levels). The Garnaut Review estimated this reduction as Australia's contribution to a 450ppm-e stabilisation target.<sup>7</sup> Modelling from the Australian Treasury has shown that average economic growth between the 2010s and 2040s will be reduced by only 0.1 of a percent in a 25 percent emissions reduction scenario compared with the 'business as usual' scenario where no mitigation action occurs.<sup>8</sup> Given the catastrophic environmental and economic costs that have been forecast as a consequence of inadequate or ineffective action on climate change, we believe this small economic sacrifice is entirely appropriate.

***d) an appropriate mechanism for determining what a fair and equitable contribution to the global emission reduction effort would be***

Australia's contribution to the global emission reduction effort will depend on our willingness to adopt strong and fair domestic reduction targets comparable to our means and responsibility for global emissions. Importantly, it will also be measured by our compliance with our international obligations to assist developing countries with mitigation and adaptation measures.

## Assistance for developing countries

The Uniting Church believes that a proportion of revenue from the auction of Australian emission units under the CPRS must be allotted to climate change assistance for developing countries. Such an allocation is excluded completely from the CPRS draft legislation, and Australian Government commitments in this regard are currently vastly inadequate.

Assisting developing countries with reducing their emissions (mitigation), adaptation and the transfer of technology are obligations under both the UN Framework Convention on Climate Change and the Kyoto Protocol.

<sup>7</sup> Garnaut Climate Change Review (2008), *Final report*, p.xxx

<sup>8</sup> Australian Treasury (2008), *Australia's Low Pollution Future: The Economics of Climate Change*, 'Chapter 6: Mitigation scenarios – Australian results', p.144, available: [http://treasury.gov.au/lowpollutionfuture/report/downloads/06\\_Chapter6.pdf](http://treasury.gov.au/lowpollutionfuture/report/downloads/06_Chapter6.pdf)

Article 4.3 of the UNFCCC states that:

The developed country Parties and other developed Parties included in Annex II shall provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties in complying with their obligations under Article 12, paragraph 1. They shall also provide such financial resources, including for the transfer of technology, needed by the developing country Parties to meet the agreed full incremental costs of implementing measures that are covered by paragraph 1 of this Article and that are agreed between a developing country Party and the international entity or entities referred to in Article 11, in accordance with this Article. The implementation of these commitments shall take into account the need for adequacy and predictability in the flow of funds and the importance of appropriate burden sharing among the developed country Parties

Article 4.4 specifically states that:

The developed country Parties and other developed Parties included in Annex II shall also assist the developing country Parties that are particularly vulnerable to the adverse effects of climate change in meeting costs of adaptation to those adverse effects

Article 4.5 of the UNFCCC states that developed country Parties and other developed Parties included in Annex II shall:

...take all practicable steps to promote, facilitate and finance, as appropriate, the transfer of, or access to, environmentally sound technologies and know-how to other parties, particularly developing country Parties, to enable them to implement the provisions of the Convention

Article 4.7 states:

The extent to which developing country Parties will effectively implement their commitments under the Convention will depend on the effective implementation by developed country Parties of their commitments under the Convention related to financial resources and transfer of technology and will take fully into account that economic and social development and poverty eradication are the first and overriding priorities of the developing country Parties.

Australia is listed in both Annex I and Annex II of the UNFCCC.

Article 10(c) of the Kyoto Protocol states that Parties shall:

Cooperate in the promotion of effective modalities for the development, application and diffusion of, and take all practicable steps to promote, facilitate and finance, as appropriate, the transfer of, or access to, environmentally sound technologies, know-how, practices and processes pertinent to climate change, in particular to developing countries, including the formulation of policies and programmes for the effective transfer of environmentally sound technologies that are publicly owned or in the public domain and the creation of an enabling environment for the private sector, to promote and enhance the transfer of, and access to, environmentally sound technologies.

Despite these international obligations on developed countries, international funding efforts have to date been woeful. Since September 2007, the rich and high-polluting countries have increased their contributions to the Least Developed Countries Fund (LDCF) by only US\$9.54 million (\$10.6 million) bringing the total pledged to US\$172.84 million (\$192 million).<sup>9</sup> Australia's contribution to the LDCF has been only \$7.5 million in 2007.<sup>10</sup> Oxfam's estimate for urgent adaptation needs which should come from this fund is at least US\$2 billion (\$2.2 billion), leaving a yawning gap between what's needed and what has been delivered.<sup>11</sup>

Under the Kyoto Protocol the key opportunity for adaptation financing is the Adaptation Fund (AF). However, in its current state, it will never be able to provide the level of funding required because revenue raised is limited to one mechanism; a 2% levy applied to the Clean Development Mechanism (CDM). Initial funding is unlikely to be available before 2010. The total funding this is expected to raise by 2012 is only US\$80-300 million per annum.<sup>12</sup> The global costs for adaptation in developing countries are estimated to be in the tens of billions of dollars per annum.<sup>13</sup>

We note the estimate of Make Poverty History, of which we are a member, that Australia's fair share of adaptation funding for developing countries would be US\$1.5 billion (\$1.7 billion) on an annual basis by 2015 in addition to Australia providing its promised 0.7% Gross National Income (GNI) for development aid to address poverty.<sup>14</sup>

9 These figures are sourced from the Global Environment Facility, as of May 2008

10 Garnaut Climate Change Review (2008), *Draft Report*, p.316

11 This figure is based on a scaling up of all existing National Adaptation Programs of Action (of which there are 31 as of June 2008) to all 49 Least Developed Countries.

12 Garnaut Climate Change Review, op. cit., p.316

13 Oxfam International (2007), *Adapting to climate change*, Oxfam Briefing Paper 104

14 Make Poverty History (2008), *See the Bigger Picture. Act on*

Garnaut's Draft Report correctly states that the unquantified assurances for technology transfer to developing countries under the UNFCCC and Kyoto Protocol have not been translated into action. He states; "Some technology transfer has occurred under the Kyoto Protocol's Clean Development Mechanism, but nothing on the scale required to underpin broad-based mitigation [emission reductions] in developing countries".<sup>15</sup> The report goes on to state that under the UNFCCC on average less than US\$1 billion (\$1.1 billion) a year was allocated to climate change projects between 1991 and 2004.<sup>16</sup> Garnaut states that "Developed country governments and international development finance institutions will need to step into the breach to provide developing countries with financing to kick-start the move to a low-emissions future" until such time as developing countries are able to participate in the international trade in emission rights.<sup>17</sup> He goes on to state that "Such financing would provide critical technology – existing and new – to support the transition to a low-carbon economy, but could extend beyond the energy markets to other areas such as reducing deforestation".<sup>18</sup>

The current inadequate funding contributions to adaptation and mitigation come as communities in developing countries are experiencing first hand the deep injustice of the impacts of climate change. Rich nations, including Australia, have for decades emitted a disproportionate share of greenhouse gases into the atmosphere, and yet it will be the poorest and least responsible countries and communities that will be worst affected by the affects of climate change caused by these emissions. Climate change is already beginning to undermine poverty reduction and sustainable development objectives under the Millennium Development Goals (MDGs), and is set to deteriorate even further. It cuts across all development issues and seriously threatens the lives and livelihoods of poor people around the world. It affects all sectors of development from food and water security, to health and sanitation, to displacement and migration, and conflict and disasters.<sup>19</sup> Developing countries are more vulnerable to climate change because they are more dependent on their natural resources than developed countries, and have a lower capacity to cope with environmental hazards and shocks.<sup>20</sup>

On our own doorstep, low-lying Pacific communities need support in adaptation. The small island states of the Pacific are especially vulnerable to the impacts of climate change, sea level rise and extreme weather events. In 2007 damages from severe flooding alone in Northern Fiji cost FJ\$10m (\$7.1m). In Tuvalu king tides destroyed many homes and contaminated food supplies. In the 2004-5 cyclone

season the Cook Islands incurred millions of dollars of damage from five cyclones in one single month, heavily affecting its economy and infrastructure.<sup>21</sup> Fresh water is an extremely limited resource in most Pacific island states and many rely on a single water source. Any changes to the replenishment of this source or contamination by saltwater (from rising sea levels or leakage from storm surges) would then have catastrophic consequences for the viability of Pacific communities.<sup>22</sup> Pacific Island societies are highly dependent on their natural environment with communities, infrastructure, agricultural land and tourist resorts are all concentrated in coastal zones. The rapid poverty reduction that is needed to help poor communities build resistance to the stresses of climate change is threatened by the onset and intensification of climate change effects.

This issue is of particular concern in the Uniting Church due to our close relationship with our partner churches in the Asia Pacific region. This concern was highlighted in a recent open letter from several Australian religious leaders (including the President of the Uniting Church, Rev. Gregor Henderson) to the Australian Government, which called for greater action to reduce Australia's greenhouse gas emissions and greater assistance for Pacific island communities to help them adapt to the effects of climate change. Australia, as the wealthiest developed nation and largest greenhouse gas emitter in the Pacific region, has a responsibility to lead the way in not only reducing its own emissions, but also to provide financial assistance to nations in the region struggling to adapt to climate change.

Whilst we acknowledge the recent advances made by the Government in this area (including the Adaptation to Climate Change initiative), our commitments to date have been inadequate. The significant amount of revenue expected from the auction of Australian emissions units represents a unique and vital opportunity to meet our obligations to developing countries under the UNFCC and the Kyoto Protocol, including to our neighbours in the Pacific. This support for developing countries will be vital for achieving a position global agreement at the UNFCCC negotiations in Copenhagen this year. This climate change assistance must be accounted for in addition to rather than as a part of existing aid programs, as climate change funding must not detract from poverty reduction and development assistance levels.

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*Climate Change*, pp. 12-13

15 Garnaut Climate Change Review, op. cit., p.310

16 *ibid.*, pp.310-311

17 *ibid.*, pp.312-313

18 *ibid.*, p.313

19 Oxfam International, op. cit.

20 UNDP Human Development Report 2007, UNDP: New York

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21 Naicker, J.R. (2007), 'What to pay for – Climate Change or Development', *Just Change: Critical Thinking on Global Issues*, Issue 10, October, p.2

22 IPCC (2007), *Up in Smoke? Asia and the Pacific – the threat from climate change to human development and the Environment*, Fifth Report from the Working Group on Climate Change and Development, p.82



**e) whether the design of the proposed scheme will send appropriate investment signals for green collar jobs, research and development, and the manufacturing and service industries, taking into account permit allocation, leakage, compensation mechanisms and additionality issues**

## Support for coal-fired electricity generators

We do not support the Electricity Sector Adjustment Scheme, outlined in the draft CPRS legislation. Direct assistance should not be given to existing coal-fired electricity generators. This will only reduce the incentive for consumers to switch to renewable energy generators and hinder the expansion of the renewable energy sector in Australia.

The commentary document accompanying the draft Carbon Pollution Reduction Scheme Bill 2009 states “[c]ompetition from relatively less emissions-intensive generators, which face lower costs under the Scheme, may cause these emissions-intensive generators to lose profitability.”<sup>23</sup> It is not clear how this would be a negative consequence, given that the object of the scheme should be to encourage movement towards less emissions-intensive production and activities. Furthermore, we remain unconvinced that it is not possible for coal-fired electricity generators to pass on the costs of the CPRS to consumers. This would drive a movement to renewable energy sources, which we believe should be the goal of climate change policies.

Compensation will only allow the coal industry to continue to conduct its operations in its current manner, rather than assisting with the movement of the Australian economy away from carbon-intensive activities. It will give coal-fired electricity generators a subsidy that allows them to be more competitive against renewable energy generators than they would be if full market forces were allowed to operate, hindering the development and expansion of the renewable energy industry in Australia.

We do not believe that securing investor confidence is a valid reason for compensating the coal industry (the argument that is put forward in the commentary accompanying the draft Bill<sup>24</sup>). By 2010, when the CPRS is scheduled to come into force, the coal industry will have had nearly 20 years of advance warning that governments would in the future need to implement some form of regulation of carbon pollution, going back to the IPCC First Assessment Report in 1990. This is acknowledged in the

Department of Climate Change CPRS Green Paper.<sup>25</sup> Firms in all industries regularly make decisions which are subject to unknown and uncertain future market developments and we do not see any reason to specifically single out investors in the coal industry for special (and inappropriate) support. To provide further assistance to coal-fired electricity generators rewards those investors who made reckless investment decisions, gambling that Australia would continue to make a minimal contribution to the global effort to mitigate greenhouse gas emissions.

Rather than compensating coal-fired electricity generators, the Government should instead prioritise support for Australia’s renewable energy sector and the provision of additional support to assist affected workers and regions with structural adjustment. Renewable energy projects should be particularly supported in these strongly-affected regions.

## Support for emissions-intensive, trade exposed industries

The Uniting Church has been supportive of assistance to Australia’s most emissions-intensive, trade-exposed industries, on the grounds of avoiding ‘carbon leakage’. These industries and firms should not be exempted from requirements to reduce their emissions, and so we support the assertion in the draft Bill commentary that “[t]he program is based on the expectation that all industries should contribute to the national emissions reduction effort and provides strong incentives for all entities to pursue abatement opportunities.”<sup>26</sup>

The Government needs to ensure that the threshold levels for assistance do not provide incentive for an industry to hang-back on reducing their emissions. If an industry calculated that crossing the emission intensity threshold for assistance by reducing their emissions would cost more, by the loss of the assistance, than is saved by reducing the costs of paying for emissions then it will be in the interests of an industrial sector to collude to not reduce their emissions to below the emission intensity threshold

The same point has been made by McLennan Magasanik Associates in their report to The Climate Institute on Emission Intensive Trade Exposed Assistance Policy. In their words<sup>27</sup>:

However, the CPRS may not preserve the technology based abatement incentives fully because firms may have an interest in keeping industry emissions intensity above the relevant

<sup>23</sup> Carbon Pollution Reduction Scheme Bill 2009 Exposure Draft Commentary, [http://www.aph.gov.au/senate/committee/economics\\_ctte/cprs\\_09/commentary\\_cprs\\_bill.pdf](http://www.aph.gov.au/senate/committee/economics_ctte/cprs_09/commentary_cprs_bill.pdf), p.133

<sup>24</sup> *ibid.*, p.134

<sup>25</sup> Department of Climate Change (2008), *Carbon Pollution Reduction Scheme Green Paper*, p.30

<sup>26</sup> Carbon Pollution Reduction Scheme Bill 2009 Exposure Draft Commentary, *op. cit.*, p.120

<sup>27</sup> Mazouz, S. and S. Knapp (2008), ‘Emissions Intensive Trade Exposed Assistance Policy’, McLennan Magasanik Associates, August, p. 18

assistance thresholds to continue receiving assistance after the five yearly scheme reviews. This applies mainly in the context of industries that have few players and (absent collusion across the industry) where the emissions from one firm's activities are large enough to significantly change industry average emissions.

We support the five yearly-review of the assistance for EITE businesses. It is important to ensure that Australian EITE industries are not given unfair levels of support relative to the rest of the Australian economy, and relative to their competitors overseas once other countries move to price carbon domestically.

## Voluntary action

It would be desirable for the CPRS to encourage voluntary action by households and communities to take action to reduce their greenhouse gas emissions. We note that currently the CPRS provides an incentive to reduce emissions where the household or community organisation will save money doing so. However, even in this case such action does not contribute to a greater reduction in Australia's total emissions as the cap within the CPRS means that voluntary action by households and community groups creates the opportunity for someone else to generate emissions up to the global cap.

We believe that the scheme should be modified to allow for voluntary actions by households and community groups to result in an additional reduction in Australia's greenhouse gas emissions beyond the global cap set on the emissions of companies captured by the CPRS. This would provide an incentive for Australians that are willing to pay for additional emission reduction to do so easily. We recognise though that not all voluntary action should be included as the inclusion of voluntary action needs to be balanced against the risks of opening opportunities for rorting of the CPRS and allowing those businesses captured by the CPRS to avoid their obligations.

We note that the Voluntary Carbon Markets Association estimates that the purchase of voluntary offsets, Greenpower and other abatement activities by households, communities and businesses currently accounts for around 6 million tonnes per annum of abatement, or slightly more than 1% of Australia's current emissions. Greenpower makes up two-thirds of the voluntary market, with more than 850,000 families across Australia undertaking voluntary action. Under the CPRS there will be no incentive for households to continue to pay more to buy energy from renewable sources. It would be worthwhile to modify the CPRS to allow people who wish to take action that will have a net cost to them to reduce their emissions to be able to do so in the knowledge that it will result in a greater reduction in Australia's emissions than would otherwise occur under the CPRS cap.

A collapse in the Greenpower market could be a significant setback for the renewable energy sector in Australia.

We support the calls of the Voluntary Carbon Markets Association that:

- Any measureable and verified voluntary action in Australia results in an extinguishment of an emissions permit under the CPRS- which means that there will be less permits available for surrender. This is the approach that has been undertaken in the implementation of the Regional Greenhouse Gas Initiative in the US.
- The Australian Government extinguishes Kyoto Units equivalent to the measureable and verified action undertaken in Australia. This ensures that greenhouse emissions in Australia are actually reduced.

### *f) any related matter*

## Support for low-income households

The Uniting Church welcomes the commitments made by the Government in the White Paper that "pensioners, seniors, carers and people with disability will receive additional support, above indexation, to fully meet the expected overall increase in the cost of living flowing from the Scheme." Further that "Low-income households will receive additional support, above indexation, to fully meet the expected overall increase in the cost of living flowing from the Scheme." We further welcome that pensioners, seniors, carers, people with disability and recipients of allowance benefits will receive an increase of 2.5% (including upfront indexation). The Uniting Church seeks to assist the most marginalised and vulnerable people in our community. It is the needs of the most disadvantaged that we are called to voice in the climate change debate. We therefore support the Government's commitment to use the funds raised by the CPRS to help low-income households adjust to the increase in energy costs that will result from the scheme.

We therefore stress the importance of maintaining this commitment to assisting those in our community who, without adequate compensating policies, will be most disadvantaged by the introduction of the CPRS. Any changes to the CPRS legislation or climate change policy more generally must as a priority protect the most vulnerable and disadvantaged in Australia.

## Conclusion

The primary objectives of climate change policy (with the Carbon Pollution Reduction Scheme as a crucial component of this) must be to contribute effectively and appropriately to avoiding dangerous climate change, begin Australia's transformation to a low-carbon economy and to allow Australia to act with credibility in the international climate change negotiations.

The Uniting Church does not believe that the Carbon Pollution Reduction Scheme legislation meets these objectives in its current form. We believe the scheme should be changed to prioritise the development and expansion of the renewable energy sector over maintaining the profits and current carbon-intensive activities of coal-fired electricity generators. It should also support international efforts to avoid dangerous climate change, by encompassing emissions reduction targets which are comparable to Australia's global responsibility and by increasing Australia's funding to adaptation and mitigation assistance for developing countries.

While it is important to recognise that the CPRS is only one of what must be numerous tools developed and implemented, it is a significant one and thus everything possible must be done to ensure that it will provide an effective start upon which to build. We believe it is vitally important therefore, that the CPRS be improved and the resulting legislation passed. While our ideal is that the CPRS be passed into law with the amendments outlined above, on balance, we would support the CPRS being passed without amendment over a situation where it is blocked in the Senate and no emissions trading scheme is put in place during this term of Government.