



Submission To The Senate Select Committee On Climate Policy

14 April 2009

Contacts

Geoff Oulton
Director, Community Development & Planning
City of Port Phillip
goulton@portphillip.vic.gov.au

Lalitha Ramachandran
Senior Project Manager Sustainability
City of Port Phillip
lramacha@portphillip.vic.gov.au

The City of Port Phillip (CoPP) welcomes the opportunity to provide a submission to the Senate Select Committee on Climate Policy's inquiry into climate change policies to be introduced through the Carbon Pollution Reduction Scheme (CPRS).

CoPP's responses to the Senate Select Committee's terms of reference are as follows:

1. *The choice of emissions trading as the central policy to reduce Australia's carbon pollution, taking into account the need to:*
 - a. *reduce carbon pollution at the lowest economic cost*
 - b. *place long-term incentives for investment in clean energy and low-emissions technology*
 - c. *contribute to a global solution on climate change.*

CoPP supports the principles of the CPRS and the setting of targets, timelines and a carbon price as primary and necessary start-up mechanisms to introduce a national framework to reduce carbon emissions. CoPP supports the use of an emissions trading system (ETS) in principle. CoPP strongly supports a strengthened CPRS which uses the ETS as a critical component of a **more comprehensive set** of market and non-market measures (tax, regulatory and incentives-based) that Australia uses to maximise abatement potential, foster low-carbon industries, provide for more equitable formats for reducing carbon pollution, and for a more effective CPRS. These include:

- o Dramatically increasing investment and incentives to low-carbon industries, supporting infrastructure and services in already proven and viable renewable energy technologies (both large scale and micro-technology),
- o Growing the voluntary abatement market which provides a number of necessary indirect benefits that contribute to genuine on-ground carbon abatement, local innovation, the growth of local low-carbon services and industries, and the continued engagement and participation of local communities (households and businesses),
- o Mandating for minimum efficiency and performance standards in buildings, lighting, heating/cooling products, appliances, vehicles and carbon-intensive activities (such as road construction),
- o Incentives (such as free permits) for matched real annual target abatement in polluting industries and as investment in low-carbon alternative industries,
- o Setting a carbon tax instead if this proves more effective and equitable than the proposed emissions trading system.

The design of the proposed CPRS effects a 'blunt market instrument approach' that does not consider a more multi-faceted and wide-reaching framework as outlined above. It also effects a number of unintended and perverse consequences such as -

- o The absence of meaningful provision for voluntary action and its capacity to engender a local culture of innovation, green jobs and emissions reductions from the wider community. Moreover, the proposed CPRS does not recognise standardised offsets created from voluntary action as additional to the mandated action of large polluters. Finally, given that consumers will ultimately wear the cost of the ETS through higher prices, the CPRS does not adequately address the equitable distribution of costs and subsidies.
- o The ETS will only directly affect around 1000 large polluters who will select the forms of abatement that suit their industries best, rather than the most cost effective, socially just or environmentally responsible options. The capacity for valid participative abatement, local innovation and alternative industries beyond the national target and activities of large polluters is hampered by this design flaw in the CPRS,

- o The absence of any considered mandatory efficiency and performance standards fails to send the correct supporting market signals for growing low-carbon economic activities at the local and regional level (such as building and energy using product performance),
 - o The use of free permits to large polluters and the capacity to use other permits (international offsets, verified voluntary abatement) without accompanying conditions on genuine on-ground annual greenhouse abatement by the same polluters fails to send the correct supporting market signals for effectively gaining actual greenhouse abatement.
2. *The relative contributions to overall emissions 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.*

As outlined in the previous section, the CPRS does not contain any comprehensive mechanisms for validly including and recognising complementary measures; suggesting that the relative contributions from such measures have largely been ignored.

- o To date, voluntary action has primarily been in the form of energy efficiency, installing micro-generation (solar hot water, photovoltaic panels) and accredited GreenPower purchase. The latter two are currently estimated at accounting for around \$150million annually and increase real on-ground installation and use of renewables. Voluntary action of this nature ensures that emissions are actually abated rather than just offset. It has also led to the necessary development of local renewable energy industries and services. The current design of the CPRS cap renders much of this action meaningless to gaining real abatement. It also poses the danger of disenfranchising community action and innovation in 'doing its part'.
- o Another major voluntary action currently being undertaken by local communities is energy efficiency, in itself a format for increasing local green jobs. The current design of the CPRS does not include adequate measures to recognise and promote carbon pollution prevention activities such as energy efficiency and behaviour change. CoPP welcomes the COAG commitment to address energy efficiency, combined with other national (insulation rebate) incentives. However, there is now an urgent need to strengthen the CPRS with complementary measures that reduce greenhouse-intensity through efficiency, such as Victoria's recently introduced VEET scheme.
- o There is also a strong commitment by many urban Cities to collaborate in the protection and development of regional biodiversity corridors and biodiverse native forests in relevant regional and rural Shires as a format for supporting local communities as well as forming terrestrial carbon stores.

CoPP supports a strengthened CPRS that recognises verified voluntary action as –

- o valid in extinguishing Kyoto units and carbon pollution permits, and
- o additional to the mandated targets and its set annual permits.

3. *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*

The current greenhouse emissions reduction targets outlined in the CPRS fail to commit to the need for urgent action to reduce the risks of dangerous climate change. The science clearly demonstrates accelerating climate change and that a cut in current global emissions of at least 40% by 2020 and 85-95% by 2050 is the minimum effort required to aim at stabilising global climate at around 2-2.5°Celsius

and prevent the increased risks of dangerous climate change. This also concurs with the higher end of Professor Garnaut's preferred option and with the consensus of developed nations at Bali COPCC 2007 – a minimum of 25-40% by 2020.

Australia needs to play its part in aiming to stabilise global emissions at 450 parts per million by taking a least regrets and precautionary approach through effective accelerated action especially over the next 10 years. The current emissions reduction targets in the CPRS instead endorses a 'go slow at the start' approach at a time when effective and decisive action is critical to reducing the risk of increase in global temperature to over 2.5^o Celsius.

CoPP strongly supports –

- o a commitment to higher science-based targets of at least 25-40% by 2020 and 85-90% by 2050 to avoid dangerous climate change, and
- o the development of mechanisms that tighten Australia's target and the CPRS cap, together with recognised additionality of verified voluntary abatement.

4. *An appropriate mechanism for determining what a fair and reasonable contribution to the global emissions reduction target would be*

Whilst Australia's contribution to total global carbon pollution may be small, Australia's per capita carbon emissions are amongst the highest in the world. As a developed nation and a high per capita polluter, Australia has an international and national responsibility to demonstrate leadership and capacity in setting and achieving stringent global emission reduction targets as well as growing viable and cost-effective alternative low-carbon technologies.

The proposed CPRS primarily targets carbon pollution at some primary sources, but fails to provide for mechanisms that adequately address other fundamentals to achieving a low-carbon economy such as fostering local alternative low-carbon industries, engendering a culture of energy efficiency, behaviour that manages energy demand. Most critically, it reduces consumer choice in accessing renewable energy technology and low-carbon products and services that can be counted as valid abatement additional to the CPRS cap. This is particularly inequitable and unreasonable to the many local communities that have been leading Australian abatement action in their own small but critically significant way for over a decade and a half, doing their part to build sustainable houses, reduce carbon pollution in their daily activities and install onsite renewable energy or purchase accredited GreenPower. In effect, Australia's communities are being asked to 'trade' their genuine abatement activities as permits; wear narrower community choices in voluntary activity, and 'sit back and relax' whilst Australia's major polluters 'take care of it' under very generous offset and permit provisions.

As a developed nation that stands to lose more from dangerous climate change than some other continents in the short-medium term, primarily utilising a narrow market-based mechanism such as the ETS combined with subsidies in the form of free permits and the purchase of international and verified voluntary offsets as further permits suggests no real initial performance criteria or targets in the CPRS for genuine local greenhouse gas abatement in the short-term. The CPRS fails to deliver mechanisms that guarantee that Australia will achieve its minimum targets for at least the first five years through verified and genuine on-ground abatement in Australia; with targets more likely to be met through free and offset permits.

CoPP supports a strengthened CPRS that –

- o minimises the capacity of big polluters to use subsidies (free permits) and offsets as the primary abatement format for achieving annual reduction targets. Instead, the first five-year plan also needs to demonstrate real greenhouse reductions within the core business of industries liable under the emissions trading scheme.

- o recognises verified voluntary abatement as valid and additional to the CPRS cap.

5. ***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.***

A fundamental flaw in the current CPRS is the issue of one-off and free permits to the majority of major polluters, and fuel subsidies for the majority of road users. This simply delays real abatement action in favour of offsets and continued business as usual.

As discussed in the previous section, the CPRS will 'cushion' the effects of the CPRS on polluters without delivering any impetus or market change signals, and instead act as a disincentive to move towards low-carbon technologies and infrastructure in the critical investment period of the next 10 years (such as accredited wind power, rail freight and more sustainable transport infrastructure options).

It also seriously calls into question the credibility of the emissions trading scheme in allowing carbon permits generated from international and verified voluntary action to further offset polluting industries that will already receive substantial subsidies in the form of free permits. This is more likely to kill off any growth and investment in local renewable energy and energy efficiency industries and services.

The effect of protecting polluting Australian industries and energy/fuel use habits now with a soft target and free offsets will be to dramatically increase the risk of forever limiting future Australian innovation and industries based on local green services, domestic produce, natural environments and alternative technology.

Voluntary action (primarily by households and small businesses) currently accounts for around 6 million tonnes of greenhouse gas abatement annually. More and more Australian households and businesses concerned about climate change are taking decisive voluntary action to do their part to make a difference, and to achieve higher and quicker abatement levels than can be delivered by a mandated market through the CPRS alone. Community voluntary abatement of this nature may be small in comparison to national abatement capacity, but it is nevertheless valid and should be recognised as such in the CPRS.

Recognising verified voluntary action also has several positive incremental effects including market signals, that simply cannot be provided through a single mechanism such as the ETS. These positive incremental effects include fostering local demand and innovation in low carbon and abatement activities and services, continued community engagement and capacity in developing 'low-carbon' behaviour and culture, continued community participation through their commitments to 'doing my bit' to making a difference. Indeed, valid community abatement is absent in the current design of the CPRS.

CoPP strongly supports a strengthened CPRS that –

- o limits the use of subsidies, offsets and free permits to polluters,
- o uses a comprehensive framework of complementary measures to increase investment in renewably-sourced electricity and sustainable transport infrastructure
- o provide subsidies and incentives to foster alternative low carbon infrastructure and local industries INDEPENDENT of subsidies & incentives to large poluters .
- o recognises verified voluntary abatement as additional to the CPRS cap.