

8 April 2009

The Secretary  
Senate Select Committee on Climate Policy  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

## **Submission to the Senate Select Committee on Climate Policy**

Dear Senators,

Thank you for the opportunity to provide this submission on climate change policy.

It is in Australia's national interest to act early and strongly to tackle climate change. Australia's best climate scientists warn that if effective global action to achieve deep cuts in greenhouse gas emissions does not begin in the near future, Australia will see a future of dramatically increased days of extreme bushfire and heatwave stress, more severe and regular droughts in southern Australia, more destructive cyclones and risks of mosquito-borne diseases in the North and devastating damage to the Great Barrier Reef and many other natural icons.

Recent bushfire and heatwave disasters in Australia are a foretaste of a much worse future if we don't act now. Every year of inaction knowingly locks in a more devastating future. Every year of inaction knowingly locks out the opportunity for Australian jobs growth and prosperity in the rapidly emerging 'low carbon' industries of the future.

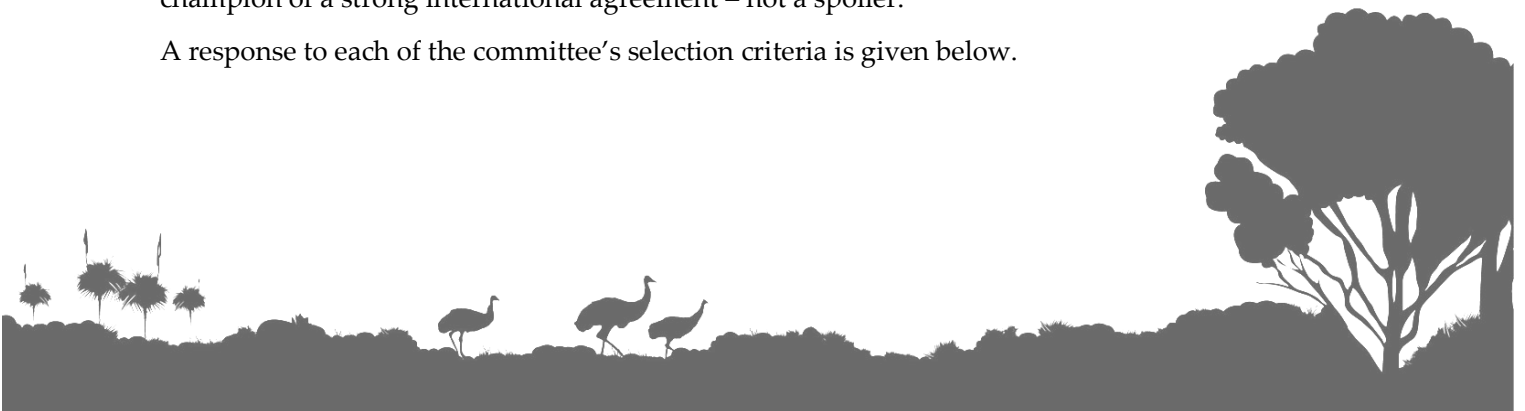
The Rudd Government's weak proposed emissions trading law threatens global progress on climate change and the legislation should not be passed by Parliament until it is fixed.

Without major changes the legislation will see Australia locked into a system that is designed to achieve emissions cuts in the weak 5–15 per cent range by 2020. The Garnaut Review and Treasury modelling show these targets are inconsistent with the Government's own stated aim to stabilise greenhouse gas levels in the atmosphere below 450 parts per million (ppm).

Australia cannot afford to lock-in a scheme for the next ten years that is designed to fail.

The legislation must be fixed this year, so Australia can go to Copenhagen in December as a champion of a strong international agreement – not a spoiler.

A response to each of the committee's selection criteria is given below.



**(1) (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;**

The Australian Conservation Foundation (ACF) supports the introduction of a Carbon Pollution Reduction Scheme (CPRS) or emissions trading scheme (ETS) that effectively, efficiently and equitably delivers significant reductions to greenhouse pollution. As noted above, the CPRS as it currently stands does not achieve this and should not be passed by Parliament until it is fixed.

The CPRS also fails to meet the five basic tests for a national emissions trading scheme committed by the Australian Labor Party in the lead up to the 2007 election: environmental effectiveness, economic efficiency, fairness, international consistency and urgency.<sup>1</sup>

ACF advocates an environmentally effective, cap and trade emissions trading scheme over a carbon tax with an equal environmental ambition. An emissions trading scheme is preferred as it allows us to set the reduction target and allow the market to determine the carbon price, whilst a carbon tax sets the price and allows uncertainty over the reductions achieved. Further, the cap and trade model is much further developed in Australia and overseas. Switching to a carbon tax or alternative model could waste valuable time when an urgent response to the climate crisis is required.

Discussion of a carbon tax or alternative model without referring to a proposed target or price is unhelpful. To be a credible player in the global effort to avoid catastrophic climate change Australia needs to reduce carbon pollution by at least a third by 2020 and should increase our commitment to 40 per cent if other developed countries do the same. Based on CSIRO analysis a carbon price of around \$45 a tonne is needed to put Australia on the path to avoiding dangerous climate change, and could be achieved without increasing the proportion of the weekly household budget going towards energy services.<sup>2</sup> A carbon price that starts around this level and rises over time is necessary to provide business with the certainty to make long-term investment in renewable energy and low-emission technology.

Without either an emissions trading scheme or carbon tax in place in Australia, direct regulation of industry would be needed. This may be more environmentally effective however it could increase the cost of the transition to a low carbon economy.

*Recommendation:*

- Introduce an effective emissions trading scheme that drives down pollution, avoids loopholes and giveaways, and generates revenue to invest in a smooth, fair transition to a low carbon economy.

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<sup>1</sup> Australian Labor Party, *Climate Change and the Environment Election 07 Fact Sheet*.

<sup>2</sup> Hatfield-Dodds, S. and R. Denniss, 2008, *Energy Affordability, Living Standards and Emissions Trading: Assessing the social impacts of achieving deep cuts in Australian greenhouse emissions*, June 2008. CSIRO Sustainable Ecosystems, Canberra. Available at: [http://www.climateinstitute.org.au/index.php?option=com\\_content&task=view&id=189&Itemid=40](http://www.climateinstitute.org.au/index.php?option=com_content&task=view&id=189&Itemid=40)

**(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;**

If the CPRS was passed as proposed no action by any level of government, business or households will reduce emissions further than the 5-15% national target range for 2020. It is crucial that a transparent, rules-based mechanism is introduced to allow additional measures and voluntary action to further reduce Australia's contribution to global greenhouse gas emissions.

Emissions trading should not be seen as the 'silver bullet' solution to reducing Australia's greenhouse pollution. The response to climate change in many jurisdictions, including Europe and California, has reflected this through the adoption of additional or complementary measures.

The slow uptake of energy efficiency opportunities in Australia is a case in point. A comprehensive government review in November 2003 found we could immediately reduce our energy use by up to 30 per cent using off-the-shelf, cost-effective technologies, with immediate economic benefits and an average 'payback' of four years.<sup>3</sup> These cost-effective opportunities are not yet being taken up, indicating that; the barriers to energy efficiency action are probably not price-based; and the addition of a stronger price-signal via the CPRS is unlikely to ensure uptake.

Action to introduce renewable energy feed-in laws and protect or develop terrestrial carbon stores in native forests and soils can address market failures and barriers to action that are not addressed by the CPRS.

A recent report from the Australian National University has revealed that the role Australian native forests play in storing carbon has been significantly under estimated.<sup>4</sup> The authors calculated that the total stock of carbon that can be stored in the eucalypt forests studied, if undisturbed, was 9.1 gigatonnes - three times the figure arrived at using IPCC default values. They also highlighted a significant opportunity for Australia to cut its greenhouse emissions by around 24 per cent by ending the logging of our native forests.

Every reduction in emissions by a further 10 per cent by 2020 would require an additional 55 million tonnes of abatement. This could be easily achieved through additional measures and household voluntary actions above and beyond the CPRS targets. A number of examples are given below with some indicative estimates of their abatement potential<sup>5</sup>:

- The Renewable Energy Target – the Federal Government's *Tracking to Kyoto 2007* document estimates the 20 per cent renewable energy target could reduce 20 million tonnes of carbon pollution by 2020.
- The \$3.7 billion insulation package – Prime Minister Rudd noted in Parliament that in aggregate "Once fully implemented, the initiative could result in reductions of greenhouse gas emissions by 49.9 million tonnes by 2020, or the equivalent of taking one million cars off the road" (3/2/09).

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<sup>3</sup> Energy Efficiency and Greenhouse Working Group (2003) *Towards a National Framework for Energy Efficiency - Issues and challenges Discussion paper*. November.

<sup>4</sup> Mackey, B. et al (2008) Green carbon: the role of natural forests in carbon storage. Part 1, A green carbon account of Australia's south-eastern Eucalypt forest, and policy implications. ANU E Press, The Australian National University. Available at: [http://epress.anu.edu.au/green\\_carbon\\_citation.html](http://epress.anu.edu.au/green_carbon_citation.html)

<sup>5</sup> More accurate abatement potentials would need to be recalculated to take into account interactions with the CPRS and other measures.

- A national energy efficiency strategy for households, commercial buildings and industry.
- Household actions, including purchase of GreenPower – there are more than 850,000 GreenPower customers in Australia who have saved over 5.7 million tonnes of carbon pollution through their actions.
- Commitments by companies to go carbon neutral or reduce emissions.
- Transport efficiency improvements and public transport investment. Improvements to transport efficiency could achieve 37.8 million tonnes of abatement by 2020 according to the Bus Association of Victoria.<sup>6</sup>
- Mandatory fuel efficiency standards for cars.
- Action on land management, agriculture, protection of native forests, reforestation and rehabilitation in Australia.
- Additional ‘above target’ reductions from reducing emissions from deforestation and forest degradation (REDD) in developing countries. The Government would need to make a substantial *additional* financial contribution to REDD initiatives beyond commitments to assist developing countries.
- State-based programs (eg. white certificate schemes and solar feed-in tariffs).
- Commitments by local governments to go carbon neutral or reduce emissions.

*Recommendations:*

- Implement a full suite of additional measures to the CPRS in order to further reduce greenhouse gas emissions and address other market failures or barriers to action.
- Strengthen targets to account for additional federal, state and local government initiatives to reduce emissions.
- Strengthen targets to account for voluntary action by businesses and households to reduce emissions.

**(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;**

The CPRS as outlined in the white paper and exposure draft legislation does not constitute an environmental effective emissions trading scheme. The weak proposed emission reduction targets of 5–15 per cent, if adopted globally, would condemn Australia to a future of dangerous climate change.

Australia can play a leadership role in pressing for a strong global agreement on climate at the crucial Copenhagen negotiations in December 2009. But first we need a strong target to reduce

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<sup>6</sup> See BusVic Presentation 20 August 2008:  
[http://www.mav.asn.au/CA256C320013CB4B/Lookup/transport08stanley/\\$file/Stanley.pdf](http://www.mav.asn.au/CA256C320013CB4B/Lookup/transport08stanley/$file/Stanley.pdf)

emissions here. ACF advocates a national 2020 target of at least 30 per cent, moving to 40 per cent in the context of an international agreement (from 1990 levels).

To play our part in the global effort to keep global warming as far below 2°C as possible, the Australian Government must make the following commitments.

- 1) Australia must commit to a 2020 target to reduce carbon pollution by at least 30 per cent.
- 2) Australia must commit to increase the 2020 target to reduce carbon pollution by at least 40 per cent, if other developed countries do the same.
- 3) Over and above this, Australia must commit to funding carbon pollution reductions in developing countries. This would include funding to reduce emissions from deforestation.
- 4) Australia must work towards becoming carbon neutral before 2050.

ACF's detailed case for strong, science-based emission reduction targets, is set out in our policy brief *Cut carbon pollution – set effective targets* (attached).

The Government's proposed target of 15 per cent in the context of an international agreement is not consistent with the Prime Minister's statement that the Government "accepts the findings of the Garnaut Climate Change Review that it is in Australia's interests to pursue a fair and effective global agreement delivering deep cuts in emissions, so as to stabilise concentrations of greenhouse gases in the atmosphere at around 450 parts per million or lower by mid century" (PM Kevin Rudd, 15/12/08).

The Garnaut Review and Treasury modelling equate Australia's full and fair share of a global outcome of 450ppm or lower as an Australian target to reduce emissions by 25 per cent or more by 2020 on 2000 levels.

The objects of the draft legislation set out in section three clearly articulate that the CPRS is not designed to move beyond the weak 5-15 per cent target range for 2020. Further ACF is advised by the Department of Climate Change that the legislation is not intended to provide flexibility for the Minister to consider targets more aligned with the most recent climate science.

Further, the CPRS design does not allow the current or future governments to appropriately respond to new science, new technology or international developments.

The proposed CPRS locks in the overallocation of carbon pollution for a decade. Just as overallocation of water has crippled the Murray-Darling river system and cost taxpayers dearly, many tens of billions of taxpayers' dollars would need to be spent to move from weak targets to environmentally effective targets.

Under the White Paper proposals, gateways will be set in early 2010 that will be binding out to 2025. There will be no opportunity to increase targets beyond the gateway. The only way the Government could take on stronger action before 2020 would be by purchasing international permits with money from the budget.

To move from a 15 per cent to a 25 per cent target would cost around \$3 billion in the year 2020 alone.<sup>7</sup> There is a very high risk this would be politically difficult to achieve in annual budgets, effectively locking in 'pollution overallocation'.

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<sup>7</sup> Every reduction in emissions by a further 10 per cent by 2020 (from 2000 levels) would require an additional 55 million tonnes of abatement. The cost would be determined by the international carbon price. Treasury modelling ('Australia's

*Recommendations:*

- Australia should champion an international agreement to stabilise atmospheric concentrations of greenhouse gases at 450ppm or lower, maintain flexibility for stronger global targets later and lift the top end of the 2020 target range to 40 per cent in the context of a global agreement.
- Remove references to weak targets for 2020 and 2050 from the objects of the CPRS legislation to avoid constraining Australia's emissions reductions. Section 3 (4) of the exposure draft should be replaced with a reference to "the principle that the stabilisation of atmospheric concentrations of greenhouse gases at around 450 parts per million of carbon dioxide equivalence or lower is in Australia's national interest" as stated in section 15 (c)(i).
- Strengthen national targets and remove the burden for future strengthening from the tax payer. The gateway approach must not set a limit on the most action that will be taken by 2020. The government must have a mechanism that allows targets to be strengthened – without compensation – in response to new climate science, new technologies or international developments.

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

In meeting the necessary global target, different countries will have different responsibilities, because they have made different contributions to the problem. Developed countries have created more than 75 per cent of emissions to date and have much higher pollution per person than developing countries.<sup>8</sup> Countries with stronger economies are best placed to reduce emissions and are better able to adapt to climate change impacts.

Four major factors should be considered when calculating particular countries' individual targets:

- 1) **Contribution to the problem.** Developed countries have contributed more emissions over past decades, therefore using cumulative emissions is a more equitable measure than annual emissions.
- 2) **Emissions per person.** Using per capita emissions is fairer than national emissions, but it does not address all equity issues. For example, Papua New Guinea has per capita emissions of 29.3 tonnes per person, including land use change emissions, while Australia's is 26.6 tonnes per person. Only assessing per capita emissions would create a higher level of commitment for Papua New Guinea, despite their per capita GDP being 12 times smaller.
- 3) **Wealth.** Richer countries have the resources to make the biggest reductions. Some rapidly developing countries should adopt commitments consistent with their level of development, but the poorest developing countries cannot be expected to pay for adaptation to or mitigation of a problem they didn't create.

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low pollution future', p.93) predicts a carbon price of US\$43 in 2020 under the CPRS -15 scenario (2005 dollars. Around AU\$56 based on average exchange rates in 2005).

<sup>8</sup> World Resources Institute, 2008: Climate Analysis Indicators Tool (CAIT) Version 5.0. Washington, D.C., USA.

- 4) **Abatement costs.** Different countries have different opportunities to reduce emissions at different costs to their economies.

The political viability of an effective international agreement will need more than an equitable method for allocating national commitments. Issues such as adaptation funding and technology transfer will also need to be included in the UNFCCC negotiation of a post-2012 agreement.

Developing countries have made less contribution to the problem, have less wealth and typically have much lower emissions per person. In order to achieve the necessary global emissions reductions of at least 85 per cent by 2050 in an equitable way, developed countries must fund effective emissions reduction in developing countries. There are opportunities for Australia to take a leadership role in brokering an international agreement to achieve this.

The Garnaut Climate Change Review has identified Australia as potentially the biggest loser among developed countries from unmitigated climate change. As a country with so much to lose, we need to become a leader when it comes to deciding what national targets to set.

On a per person basis, Australia has made a major contribution to creating the climate change problem compared to both developing and other developed countries. We also have the national wealth and ability to achieve a strong reduction target. And we have many opportunities to reduce our pollution at a lower cost than other countries.<sup>9 10</sup>

The European Commission (EC) published a series of papers in late January containing a series of proposals for how the goal of keeping warming below 2 degrees could be achieved.<sup>11</sup>

The papers include proposals for how the global effort should be shared between countries. It proposes the following 2020 emissions targets for developed countries;

|             |     |             |     |
|-------------|-----|-------------|-----|
| EU27        | -30 | Norway      | -28 |
| Australia   | -24 | Russia      | -38 |
| Canada      | -23 | Switzerland | -27 |
| Iceland     | -21 | Ukraine     | -60 |
| Japan       | -24 | USA         | -24 |
| New Zealand | -15 |             |     |

All reductions are against 1990 levels and are set assuming that land use, land use change and forestry (LULCF) emissions are not included. If they are, Australia's target rises to -27%.

This gives a clear indication that the EU will be asking more of Australia than what has been proposed in the CPRS White Paper<sup>12</sup>. The EC has factored population growth into its approach for sharing the emissions reduction effort.

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<sup>9</sup> The Climate Institute 2008: Submission to the Garnaut Climate Change Review. April 2008. Accessed May 2008 at: [http://www.climateinstitute.org.au/index.php?option=com\\_content&task=view&id=173&Itemid=1](http://www.climateinstitute.org.au/index.php?option=com_content&task=view&id=173&Itemid=1)

<sup>10</sup> McKinsey & Company 2008: An Australian Cost Curve for Greenhouse Gas Reduction. Accessed May 2008 at: [http://www.mckinsey.com/clientervice/ccsi/pdf/Australian\\_Cost\\_Curve\\_for\\_GHG\\_Reduction.pdf](http://www.mckinsey.com/clientervice/ccsi/pdf/Australian_Cost_Curve_for_GHG_Reduction.pdf)

<sup>11</sup> [http://ec.europa.eu/environment/climat/future\\_action.htm](http://ec.europa.eu/environment/climat/future_action.htm)

<sup>12</sup> Developed country targets are discussed in "Staff working document – Part 2" Appendix 9 page 47. The document is downloadable at [http://ec.europa.eu/environment/climat/pdf/future\\_action/part2.pdf](http://ec.europa.eu/environment/climat/pdf/future_action/part2.pdf).

*Recommendations:*

- Four major factors should be considered when calculating particular countries' individual targets; contribution to the problem, emissions per person, wealth and abatement costs.
- To encourage a strong global agreement Australia should allocate at least \$1 billion per year from CPRS permit revenue to help developing countries reduce emissions and to prepare for climate change impacts that cannot be avoided.

**(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; and**

*Green-collar jobs*

The proposed weak targets to reduce emissions by just 5-15 per cent by 2020 do not send a strong enough signal for investment in a low carbon economy and green collar job creation.

“Green jobs” or “green-collar jobs”, which contribute to better environmental outcomes or increased sustainability, are set to boom in the 21st century as we move towards a global low carbon economy.

Green-collar jobs range from low-skill, entry-level positions to high-skill, higher-paid jobs, and include opportunities for advancement in both skills and wages.

Strong action on climate change will create millions of new green collar jobs. We can turn around our economy if Australia invests in new jobs and reskilling people. According to CSIRO economic modeling, 2.7 million new jobs will be created in Australia by 2025 if we set course to become carbon neutral by 2050<sup>13</sup>.

It's a myth that action on climate change will destroy Australian jobs. Creating green-collar jobs is not about shutting down 'dirty' industries, but re-skilling (and 're-tooling') them for cleaner production. According to CSIRO, 560,000 new jobs will be created in high environmental impact industries (like manufacturing and heavy industry) by 2025 - if Australia sets course to become carbon neutral by 2050.

With the right policy settings, Australia can grow the green economy and secure jobs and industry well into the future. Australia could generate up to 500,000 additional green collar jobs by 2030 and multi-billion dollar export opportunities, according to the report Green Gold Rush by the Australian Council of Trade Unions (ACTU) and Australian Conservation Foundation (ACF).<sup>14</sup>

Based on analysis of 30 green industries globally, Australian businesses are particularly well positioned to succeed in the following six key markets:

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<sup>13</sup> Full details of data sources can be found in the full CSIRO paper accompanying the report “Growing the Green Collar Economy” by ACF and the Dusseldorp Skills Forum; see [www.acfonline.org.au/greencollarjobs](http://www.acfonline.org.au/greencollarjobs)

<sup>14</sup> ACF and ACTU, 2008, ‘Green Gold Rush: How ambitious environmental policy can make Australia a leader in the race for green jobs’, Available at: [http://www.acfonline.org.au/articles/news.asp?news\\_id=2047](http://www.acfonline.org.au/articles/news.asp?news_id=2047)



- Renewable energy
- Energy efficiency
- Sustainable water industries
- Biomaterials
- Green buildings
- Waste and recycling

Government policy that creates strong market demand and pathways for industry development can make the difference between lacklustre performance and Australian global leadership in each of these markets. In these six key industries, the creation of strong domestic markets supported by strong climate change and other policies could result in an additional 500,000 jobs in Australia by 2030 above a business-as-usual baseline.

The CPRS as it is currently proposed fails to provide the necessary incentives to trigger this green-collar job creation.

ACF recommends 10 per cent of permit revenue is set aside to support green jobs and skills training. This is in line with the broader green jobs platform proposed by the Southern Cross Climate Coalition (Australian Conservation Foundation, Australian Council of Social Service, Australian Council of Trade Unions and The Climate Institute):

- Skills Australia should lead a national program to identify and stimulate the green skills, knowledge and work needed for a low-carbon economy
- By the end of 2010, at least 40,000 training opportunities in the Productivity Places Program should be allocated to the development of green skills in priority areas, including: building and construction; energy; agriculture; transport; and green finance, auditing and accounting
- Australia's universities, TAFE and training sectors should create 'green-collar partnerships' to advance the workplace and industry skills, knowledge and innovations required for the transition to a low-carbon economy e.g. a 'Sustainability Innovators' program of industry-university-TAFE incubators.
- Allocation of immediate funds for sustainability training, skills and workplace programs, to be boosted from 2010 with a proportion of revenues from the proposed Emissions Trading Scheme.

*Excessive handouts will entrench a 'high' carbon economy and weaken the transition to a 'low carbon economy'*

The CPRS White Paper fails to invest in energy efficiency across the economy, with a high risk of entrenching a 'high' carbon pollution economy in Australia to the detriment of future jobs growth.

The White Paper proposes more than \$9 billion in handouts to emissions-intensive industries to 2012. This assistance is the equivalent of every Australian household paying an average of \$558 by 2015 to fund the activities of the companies that are fuelling climate change.

Analysis by financial advisors Innovest (attached) found that in just the first year of the CPRS companies in the aluminium smelting sector are set to receive \$939 million per year while alumina refiners will receive \$251 million. Rio Tinto alone would receive \$462 million, Alcoa \$170 million, Norsk Hydro \$116 million and Alumina Ltd \$113 million. All these figures are expected to grow year on year and in 2015 the aluminium industry will be receiving \$1.6 billion in free permits. This represents a massive transfer of wealth to private interests with little public policy benefit. The value of free permits going to Rio Tinto alone in the first two years of the CPRS is greater than the Governments entire renewable energy fund.

Further, the rising proportion of free permits dedicated to supporting emissions-intensive, trade-exposed (EITE) industries may place significant pressure on future budgets. The proportion is expected to rise from 25 per cent in 2010 to 45 per cent in 2020. As noted by Professor Garnaut<sup>15</sup>, there is no room to allow targets to be increased beyond 5 per cent, or for industry to grow faster than expected, without requiring either cuts to household support or dipping into consolidate revenue. The White Paper proposes a high and increasing level of 'polluter protection' that will disadvantage Australia in the future.

The potential for so called 'carbon leakage' has been overstated. As reported in The Economist, the evidence on how much industries may suffer under emissions trading does not support the "shrill protectionist rhetoric" calling for compensation.<sup>16 17</sup> The Green Paper notes that those industries that would face significant (greater than 4% of revenue) cost increases under a \$20 a tonne carbon price represent only around 2% of national production and 2% of employment. Competitor nations are already acting with substantial climate change policies in the EU, China, the USA and many others.

Additionally, the White Paper removed the Green Paper proposal for quantitative restrictions on the use of international permits. Treasury modelling shows with the proposed 5 per cent domestic target, emissions do not reduce from the Australian economy until 2035, because of unlimited access to purchase of permits overseas.<sup>18</sup> There is little incentive for Australian industry to improve its carbon productivity and to prepare for a low carbon future.

#### *Lack of support for renewable energy, energy efficiency, healthy ecosystems and additional action*

The White Paper provides little financial support for the energy sources and efficiencies of the future. The major potential for energy efficiency, and thus productivity increases, will be unlocked very slowly, placing the whole Australian economy at a competitive disadvantage to rapidly growing 'low carbon' economies.

If the CPRS was passed as proposed no action by any level of government, business or households will reduce emissions further than the national target.

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<sup>15</sup> Garnaut, R., *Oiling the squeaks*, 20 Dec 08: <http://www.smh.com.au/news/environment/oiling-the-squeaks/2008/12/19/1229189886229.html?page=fullpage#contentSwap1>

<sup>16</sup> The Economist, 2008, 'Emissions suspicions', accessed at [http://www.economist.com/finance/displaystory.cfm?story\\_id=11581408](http://www.economist.com/finance/displaystory.cfm?story_id=11581408), August 2008.

<sup>17</sup> See also pages 65-72 of ACF's Green Paper submission, available at: [http://www.acfonline.org.au/uploads/res/ACF\\_Green\\_Paper\\_submission\\_final\\_100908.pdf](http://www.acfonline.org.au/uploads/res/ACF_Green_Paper_submission_final_100908.pdf)

<sup>18</sup> Australian Government, 2008, 'Australia's low pollution future: The economics of climate change mitigation', p. 155.

Healthy ecosystems are essential for a low carbon economy and to continue jobs growth in areas such as tourism and sustainable land management, however the CPRS provides no support or funding for these areas.

*Recommendations:*

- Set aside 10 per cent of permit revenue to support green jobs and skills training.
- Reduce the proposed portion of permit revenue allocated to EITE activities assistance to 10 per cent, and abandon compensation to electricity generators.
- Ensure EITE assistance is reviewed every two years by an independent authority with the goals of environmental effectiveness and economic efficiency.
- Increase the default carbon productivity improvements for EITE assistance from the proposed 1.3 per cent to 4 per cent to return to levels consistent with the Green Paper.
- Implement 'world's best practice' complementary energy efficiency regulations.
- Reinstate quantitative limits on use of international permits to ensure most abatement occurs in Australia.
- Introduce a national energy efficiency strategy.<sup>19</sup>
- Free-up 10 per cent of CPRS permit revenue to invest in low emissions technology research and development by reducing handouts to emissions intensive industries.
- Adjust targets for voluntary action by businesses and households to reduce emissions.
- Allocate at least \$1 billion per year from CPRS permit revenue to build resilience to climate change, for people and ecosystems, and provide stewardship payments to land managers in rural Australia to reward carbon pollution abatement.<sup>20</sup>

**(f) any related matter.**

*Invest permit auction revenue in climate change solutions*

The auctioning of permits under the Carbon Pollution Reduction Scheme (CPRS) has the potential to deliver a significant revenue stream. Under the sort of targets needed to avoid catastrophic climate change this revenue could equate to more than \$115 billion in current dollar terms over the period 2010 to 2020.<sup>21</sup>

The White Paper proposes that around 30% of potential permit revenue will go to emissions intensive trade exposed activities and coal-fired power stations. Another 16% would be spent on cutting fuel taxes. This could equate to \$53 billion in revenue foregone between 2010 and 2020.

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<sup>19</sup> For more information see the ACF supported Policy Paper by The Climate Institute 'Australia's National Strategy for Energy Efficiency', November 2008. Available at:

<http://www.climateinstitute.org.au/images/energy%20efficiency%20policy%20paper%20final.pdf>

<sup>20</sup> Abatement activities in uncovered sectors are more appropriately supported through this use of permit revenue. Reforestation and land use changes should not gain credit under the CPRS on a voluntary basis. Inclusion in the scheme should be delayed at least until full accounting of emissions and sinks is applied to ensure accounting is accurate and abatement is additional.

<sup>21</sup> The Climate Institute, *The Emissions Trading Dividend*, Policy Brief, March 2008. Available at:

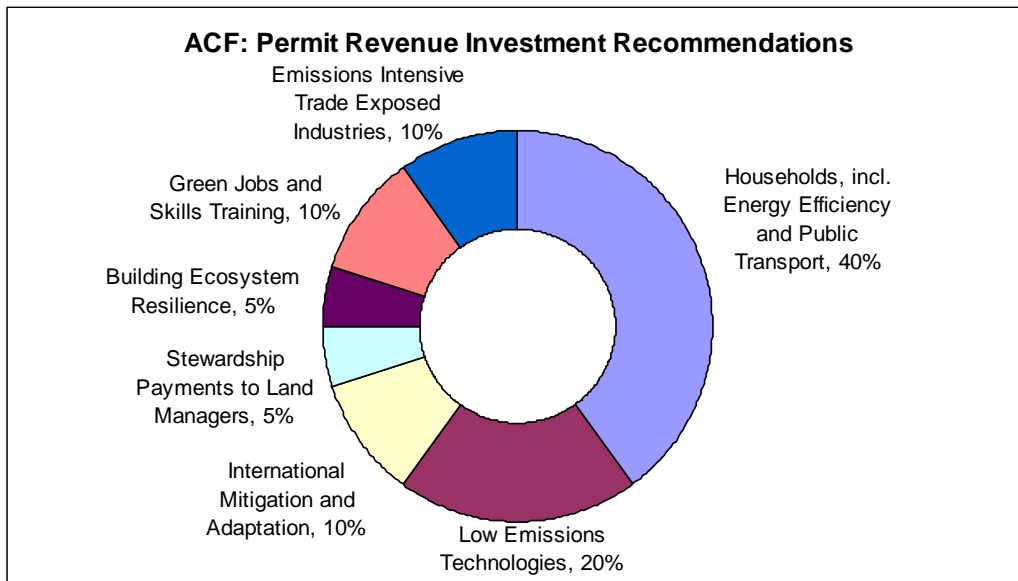
[http://www.climateinstitute.org.au/index.php?option=com\\_content&task=view&id=164&Itemid=1](http://www.climateinstitute.org.au/index.php?option=com_content&task=view&id=164&Itemid=1)

Permit revenue should be invested in climate change solutions and a smooth, fair transition to a low carbon economy. This should include investment in:

- Support for households including energy efficiency measures and funding for public transport
- Research, development and commercialisation of new, low- and zero emissions technologies
- Support for green jobs and skills training
- International programs to reduce emissions and adapt to impacts
- Stewardship payments to land managers in rural Australia to reward carbon pollution abatement
- Building resilience to climate change, for people and ecosystems

*Recommendations:*

ACF's recommended allocation of permit revenue is shown in the chart below.



For further information on ACF's response to the CPRS exposure draft legislation please contact Owen Pascoe, Climate Change Campaigner, on 02 8270 9907 or 0437 242 950.

Sincerely,

**Tony Mohr**

**Manager Climate Change Program**

Attached:

1. ACF Policy Brief 2.1: *Cut carbon pollution – set effective targets* – September 2008
2. Innovest Strategic Value Advisors Research Note: The impact of industry assistance measures under the Carbon Pollution Reduction Scheme - White Paper update.