

14 April 2009

Senator the Hon Penny Wong
Minister for Climate Change and Water
Parliament House
CANBERRA ACT 2600

Dear Senator

Carbon Pollution Reduction Scheme – Exposure Draft Bill

The City of Charles Sturt is a large metropolitan Council located in the western suburbs of Adelaide.

We are currently in the process of finalising our environmental plan for the next 5 years. Our draft plan (One Planet Living: Greening the Western Suburbs) has a strong focus on climate change. It has been very well received by our local community, who have confirmed their wish for us to take a strong leadership role on environmental reforms.

One of the actions included in our draft plan, released in December 2008, is as follows:

Closely monitor the impacts of the introduction of the Carbon Pollution Reduction Scheme, particularly in relation to direct and indirect costs to Council and the effectiveness of other schemes such as GreenPower.

As you know, the proposed new Carbon Pollution Reduction Scheme will have far-reaching implications for Councils and our communities if passed by the Federal Parliament.

This letter raises 2 such implications that stand to have a significant and immediate impact upon the introduction of the proposed Scheme. In both cases, the needs of Councils have not been well catered for in the current draft Bill.

This letter requests that you consider amendments to the package of measures that has been developed to improve the outlook for Councils and our communities.

Funding generated by the Scheme – not available to Councils

The Australian Local Government Association has estimated that the immediate financial impact of the CPRS on Councils may be equivalent to approximately 1.8% of rates. This is largely due to the fact that Councils are significant users of electricity, primarily for the purposes of public lighting.

While the indirect cost implications of the proposed new Scheme have been considered by most Councils, the opportunities for the Scheme to provide a source of funding for energy efficiency and carbon offset projects has until recently been less well understood.

The Federal Government's White Paper, released in December 2008, indicated that \$11.5 billion per annum would be generated by the Scheme in its first year.

The White Paper flags the Government's intention to allocate that funding as follows:

- Assistance for Low and Middle Income Households – \$3.9 billion
- Fuel Tax Adjustment – \$2.4 billion
- Assistance to Emissions-Intensive Trade-Exposed Industries - \$2.9 billion
- Assistance to Strongly Affected Industries (coal-fired electricity) – \$0.7 billion
- Climate Change Action Fund - \$0.7 billion

Of those programs, only the Climate Change Action Fund could potentially fund projects within Local Government.

Increasing the level of funding for energy efficiency and similar projects by Councils would help reduce the financial impacts of the new Scheme on our communities through rates. It would also reinforce the role of Councils in leading local environmental reforms.

The White Paper states that the purpose of the Climate Change Action Fund is as follows:

... to smooth the transition for businesses, community sector organisations, workers, regions and communities to an operating environment that includes a price on carbon. An additional \$300 million will be provided as part of the coal adjustment scheme. (White Paper, page 30)

Proposal:

That the quantum of funds made available to Councils through the Climate Change Action Fund be significantly increased, to help smooth the transition for local communities to an operating environment that includes a price on carbon.

Purchase of accredited Green Energy by Councils

The City of Charles Sturt is amongst the majority of South Australian Councils that purchase accredited Green Energy through a joint contract with the State Government, administered through Local Government Corporate Services (LGCS). These Councils have recently been asked to provide an indication to LGCS about the percentage of Green Energy we seek to procure from 2010 onwards.

It has become clear in recent months that the draft Carbon Pollution Reduction Scheme Bill does not include a mechanism to recognise and cater for accredited Green Energy purchase, as a voluntary measure aimed at achieving additional greenhouse gas reductions.

In essence, the problem is this:

1. the proposed new CPRS will establish a cap in greenhouse gas emissions.
2. Renewable energy, such as that purchased through accredited GreenPower, would help the electricity sector to reduce their greenhouse gas emissions, freeing up permits they might have needed to be sold to other polluters.
3. Another polluter buys those permits, and uses them to emit greenhouse gases.

Future voluntary purchase of GreenPower would therefore not reduce overall emissions, but would simply move permits from our electricity provider to another Australian polluter.

This significantly compromises both the business case and the ethical basis for decisions to dedicate ratepayers' funds to the purchase of accredited green energy.

GreenPower is a premium electricity product for which Councils pay a higher tariff rate. Future decisions by Councils regarding the benefits of purchasing GreenPower would need to take this change in emphasis and impact into account.

It is understood that a National GreenPower Steering Group has been established to look into this issue and to assist the Federal Government to identify solutions that could be incorporated into the draft legislation.

Proposal:

That the Federal Government consider the potential impact of the proposed new CPRS on GreenPower purchase by Councils, and amend the legislation prior to its passage through Federal Parliament to ensure GreenPower purchase achieves additional reductions in Australia's greenhouse gas emissions, beyond the compliance levels imposed by the Scheme's cap.

Councils are significant consumers of electricity (primarily for public lighting) and have a strong influence within our local communities. It is the Council's view, therefore, that Local Government is in a position to assist the Federal Government in achieving positive outcomes from this legislation.

If the current draft law is passed without amendment, however, I am concerned that the most immediate impacts may be Council rate increases to cover electricity price rises, and the cessation of our current GreenPower purchase.

I am hopeful that solutions to these problems can be found, and would welcome the opportunity to discuss these matters with you further.

Yours sincerely



Mayor Harold F Anderson, AM

CC: Premier Mike Rann, Minister for Climate Change and Sustainability, South Australia
 Senator the Hon Nick Xenophon, Independent Senator for South Australia
 Senator the Hon Sarah Hanson-Young, Greens Senator for South Australia
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