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Terms of Reference

a) the choice of emissions trading as the central policy to reduce Australia's carbon pollution

To be effective in reducing carbon pollution, a cap-and-trade scheme must

- Start with a low cap that can be reduced at regular, stated intervals to achieve a long term goal
- Include as wide a segment of industrial and other business emitters as possible
- Provide a minimum of free permits, and particularly not to major polluters
- Limit the availability of offsets

So that

- a high initial price per tonne of CO₂e is created that ensures real pollution reductions in Australia (not 'shadow' reductions through avoided deforestation in other countries) and an active and broad based market.

The proposed CPRS has none of the above characteristics.

i) While it may represent the 'lowest economic cost' this is irrelevant, since it will not achieve meaningful carbon pollution reductions.

ii) Since so many pollution permits will be given away free, and foreign offsets will be allowed, it will provide little incentive for investment in clean energy and low-emission technology.

Since the CPRS applies to a limited number of large enterprises (about 1000) and does not allow for the reduction of the cap except over very long time scales (about 5 years) as a result of individual, community, local government or small business efforts to reduce energy use and carbon pollution, it provides no incentive at all to these efforts. The CPRS therefore fails to harness the real and growing concern of these groups to contribute to the reduction of Australia's carbon footprint. This is, in my view, the most short-sighted, anti-democratic and even insulting aspect of the CPRS.

iii) Since the proposed reduction of 5 % on 2000 levels by 2020, is far less than Europe and the USA for example, have proposed, there is no way the CPRS can contribute to a global solution to climate change. In fact by setting such a low target, totally inadequate in terms of what climate science now demonstrates is necessary to avoid runaway climate change, the CPRS will hamper an effective global solution and will instead impose a powerful brake on the forthcoming Copenhagen negotiations. Furthermore the conditions under which the government may consider increasing the

target to 15% are so obscure and contested it is clear that Australia has no intention of playing an incisive role in leading the negotiations towards even this inadequate target.

b) the relative contributions for overall emission reduction targets from complementary measures

Since the contribution of the proposed emissions trading scheme will be so inadequate, it is essential that complimentary measures be taken as well as, or even instead of, the CPRS.

The protection of AUSTRALIA's terrestrial carbon stores in forests and soils is the most important of these measures. It is sheer hypocrisy to encourage carbon offsets by avoided deforestation in other countries under the CPRS, while continuing to endorse the destruction of Australia's own old growth forests and other high value native ecosystems. Healthy ecosystems – especially soils, forests and rivers - are essential resources for Australia's resilience and ability to adapt to the inevitable consequences of climate change.

Energy efficiency is the 'low hanging fruit' of carbon pollution reduction, and in Australia it hangs lower than in most other developed nations. Policies that encourage energy efficiency are an essential first step, and must be augmented by support for renewable energy, and the development of an intelligent national electricity grid coupled with smart meters in every home and business. The economic benefits of these policies, in terms of reduced, more flexible energy use over the long term, and increased employment in green collar jobs in the immediate term, are a well documented internationally and nationally as are the environmental benefits.

None of this is rocket science!

It is being done already in many countries and communities around the world; but only if Australia's policy settings provide incentives for, and eliminate perverse subsidies against, renewable energy and energy efficiency and related technologies, can we expect the innovations and entrepreneurship that can make Australia a leader in the essential low carbon global economy of the 21st century.

c) whether the Government's CPRS is environmentally effective.

NO it is not.

This is what makes the whole proposal so pointless, and indeed worse than nothing, because it locks Australia in to a pollution reduction target – even if it is 15% on 2000 by 2020 – which cannot possibly achieve the goals that the latest analysis from the IPCC and other international climate institutes indicates are required.

We need to achieve a global level of less than 350ppm CO₂e by 2050 to avoid runaway climate change, which will require at least 40% reduction by 2020 and close to 95% reduction by 2050 by Australia.

d) a mechanism for determining a fair and equitable contribution to the global emission reduction effort

Clearly, the developed nations like Australia – which has the world's highest per capita carbon emissions – must make the major contribution, since they are almost entirely responsible for the historical development of the problem of anthropogenic climate change. Developing nations, even the major emerging economies of India and China, cannot, morally, be coerced into reducing their

emissions unless developed nations are prepared to lead the way with the first major steps. This was the promise of the Kyoto agreement, but it has not been kept.

In the longer term, I believe the only equitable global mechanism is contraction and convergence.

e) whether the design of the proposed scheme will send appropriate investment signals

As discussed above, the CPRS may well on balance send perverse signals. The escape clause of foreign offsets will be the major driver of this, since the most pollution intense industries will seek these most enthusiastically, which will reduce the carbon price overall and in turn reduce the financial incentives and investment signals for encouraging the transition to a low carbon economy. The compensation provisions will have the same effect. A market mechanism will only work if the market is tightly bounded and genuinely competitive. The design of the CPRS fails on both these essential criteria.

Furthermore because of its limited range, which omits individuals, community and small business enterprises, the CPRS will send no signals at all to these segments which are the most likely to respond to incentives.

Overall, where Australia requires a truly transformative vision for the economy and the environment, the CPRS makes only a token effort which will result in the continuing dominance of a fossil fuel culture and economy.

f) any related matter

In the current economic climate, the CPRS represents a tragic missed opportunity.

It is abundantly clear that the causes of the Global Financial Crisis and the Climate Crisis are essentially the same. Humanity has been living beyond its means, on credit, both financially and ecologically. The overshoot and collapse of the global financial system is but a pale shadow, but also a potent warning, of the much more serious ecological collapse we are facing as a result of anthropogenic climate change.

It is equally clear, if on nothing more profound than the principle of Occam's razor, that we should try to solve both these crises simultaneously. What the world needs is 'joined up thinking'. However, in tackling the financial crisis the G20 did nothing to alleviate the environmental crisis; and the CPRS in putting its faith in an already discredited market mechanism takes no account of the perversity of seeking to maintain 'business as usual' while at the same time doing little to mitigate climate change.

Instead, Australia needs a coherent, comprehensive vision of a low carbon economy that recognises the ecological limits of the 'real' world and simultaneously eliminates the destructive excesses of the 'false' economy of financial derivatives and other barren fantasies.