



# SOUTH WEST ENVIRONMENT CENTRE (INC)

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The Secretary  
Senate Select Committee on Climate Policy  
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The South West Environment Centre (SWEC) in Bunbury WA, would like to comment on the Exposure Draft Legislation regarding the Carbon Pollution Reduction Scheme (CPRS).

SWEC supports the views of the Climate Action Network of Australia (CANA), the peak non government body on Climate Change and also the Conservation Council of WA (CCWA), which is a member of CANA. SWEC is affiliated with CCWA.

We are very concerned that the proposed CPRS in its current form is flawed, ineffective and counterproductive. We are urging that the CPRS be urgently redesigned or completely replaced with a more effective mechanism for reducing carbon pollution.

In spite of our concerns over the proposed CPRS, we do however; strongly support the rapid introduction of an effective scheme which is based on the polluter pays principle and we are convinced that such a scheme will deliver the emissions cuts necessary to avoid catastrophic Climate Change. It will also provide long term economic security for Australia and send a signal to the rest of the world that Australia is ready to show the leadership needed to reach an effective global agreement on Climate Change in Copenhagen this year.

The following pages detail a series of points to explain our concerns over flaws that are inbuilt into the proposed CPRS and omissions that should be included.

## **1. The adoption by Australia of a pitifully weak 5-15% emissions reduction target range by 2020.**

One of the major flaws of the proposed CPRS is the adoption by the Federal Government of a 5-15% emissions reduction target range by 2020. This is grossly inadequate and will seriously weaken the prospect of a strong global agreement on Climate Change in Copenhagen in December of this year.

The Garnaut Climate Change 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% or more by 2020 on 2000 levels. We are concerned that the current targets are much lower than that recommended by Prof. Garnaut.

We are greatly concerned that the current Australian target is far less than the 25-40% reduction recommended by the Intergovernmental Panel on Climate Change (IPCC) whose role is to advise the UN on climate science.

The Government's proposed reduction target of 5-15% 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 targets recommended by Professor Garnaut and the IPCC are conservative and there is new scientific evidence that the IPCC's projections regarding Climate Change are now being found to be too conservative and that Climate Change is occurring much faster than was previously thought. Leading climate scientists have recently indicated that the rate of emissions has increased in the past decade and cuts need to be deeper and faster if we are to avert catastrophic Climate Change.

**These new findings must be taken into account and in these circumstances we would consider a target of at least 40% below 1990 levels by 2020 as being the minimum.**

**Australia must head for zero net carbon as soon as we can - and no later than 2050 - with reductions of at least 40% below 1990 levels by 2020 on the way through.**

**Solution:** The legislation should be structured in a way that allows the flexibility for Australia to accept a 2020 target consistent with the national interest in Copenhagen in December 2009.

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.

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:

- The Renewable Energy Target – the Federal Government's 'Tracking to Kyoto 2007' document estimates that a 20% renewable energy target will reduce 20 million tonnes of carbon pollution by 2020.
- The \$3.7 billion insulation package – Prime Minister Rudd noted in Parliament that "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).

- 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.
- Mandatory fuel efficiency standards for cars.
- Action on land management, agriculture, reforestation and rehabilitation.
- State-based programs (e.g. white certificate schemes and solar feed-in tariffs).

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.

## **2. The proposed scheme locks in ‘pollution overallocation’.**

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, gateways will be set in early 2010 that will be binding until 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. There is a very high risk this would be politically difficult to achieve in annual budgets, effectively locking in ‘pollution overallocation’.

**Solution:** Strengthen national targets and remove the burden for future strengthening from the tax payer.

## **3. Excessive handouts and outsourcing of emissions reductions from overseas will entrench a ‘high carbon economy’ and weaken the transition to a ‘low carbon economy’.**

It is also of great concern to us, as a recent analysis released by the Australian Conservation Foundation shows, that Australian taxpayers will be giving away \$3.5 billion in 2010 and \$5.3 billion by 2015 to some of the country’s worst polluting companies under the proposed CPRS.

The study, by Innovest Strategic Value Advisors, lists the top 30 recipients of corporate compensation under the emissions trading scheme and how much each of the companies will get from the public purse in 2010 and 2015.

Among the biggest white paper winners are Rio Tinto (\$620 million a year), Alcoa (\$228 million) and Woodside (\$109 million). Australia's dirtiest power stations are also in line to get big payouts, with \$990 million (over five years) for Hazelwood in Victoria, \$152 million for Gladstone in Queensland and \$131 million for Bayswater in NSW. The corporate compensation expected to go to just one company, Rio Tinto, over two years is more than the Federal Government's entire renewable energy fund.

These figures mean that every Australian household will be paying an average of \$389 a year in 2010 and \$558 by 2015 to fund the activities of the companies that are fuelling Climate Change and means that Australian taxpayers will be paying to have the Great Barrier Reef destroyed.

Although the Government received thousands of submissions on its emissions trading scheme – most of them urging a strong 2020 target and no free permits to pollute – it seems only a handful of submissions had any impact on the design of the scheme. This analysis suggests the big polluters got what they wanted from the white paper.

This situation in the proposed CPRS whereby big polluters will be subsidised by taxpayers to continue to contribute to our high carbon emissions and to fuel Climate Change is highly unsatisfactory and would be a very perverse outcome. This is clearly not the purpose of an effective emissions trading scheme but it does indicate the intention of a Government that is designing an ETS to fail.

If there is any assistance to coal-fired generators, it must be contingent on a phase-out plan. We must set a timetable for withdrawal from coal power, and encourage companies in coal-power to diversify their energy portfolio and plan for the closure of their coal plants. This can be done in a strategic, fair and orderly fashion only if it is explicitly planned for.

There is no doubt that we will have to phase out coal power and the earlier we acknowledge and plan for this, the better. The Government's hesitation to admit and plan for this eventually is irresponsible, since it leaves both the country's energy supply, and potential energy investors with a great deal of uncertainty.

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 Prof. Garnaut, 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 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. This means that all emissions reductions can be outsourced to other countries, allowing business as usual in Australia. This is a disincentive for Australian industry to improve its carbon productivity and to prepare for a low carbon future.

**Australia's Carbon Pollution Reduction Scheme should not be a pay-the-polluter scheme.**

**Solutions:**

- Reduce the proposed portion of permit revenue allocated to EITE activities assistance to 10 per cent, and abandon compensation to electricity generators.

- If there is to be any assistance to coal-fired generators it must be contingent on a phase-out plan.
- 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% to 4% to return to levels consistent with the Green Paper.
- Implement 'world's best practice' complementary energy efficiency regulations.
- Reinstate quantitative limits on the use of international permits to ensure most abatement occurs in Australia.

#### **4. 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 the rapidly growing 'low carbon' economies.

Measures that successfully result in energy efficiency (such as individual households using solar panels, for example) will be undone by big emitters. Gains in energy efficiency elsewhere will free up permits, which the big polluters will simply exploit to emit more. There will be no possibility to reduce our emissions beyond 5% under this system, and we will be locked into a 5% target until 2020.

Strong action on Climate Change will create millions of new Green collar jobs, and drive investment into renewable energy and energy efficiency, not destroy jobs as the big polluters claim. According to CSIRO economic modelling, 2.7 million new jobs will be created in Australia by 2025 if we set course to become carbon neutral by 2050.

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.

The irreversibility of climate change demands that we be precautionary and that we make every effort available to reduce emissions and draw down atmospheric carbon. Any vegetated area that is set aside for a carbon sink – thus providing a source of income for the landholder via the CPRS – should not be allowed to be disturbed by logging or grazing.

#### **Solutions:**

- Introduce a national energy efficiency strategy.
- 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.

## **5. There is a distinct lack of recognition of the important role of 'Green Carbon' as a means to cut our carbon emissions.**

**Recent science from the Australian National University's (ANU) Green Carbon report,** has shown that undisturbed, unlogged, unburnt native forests are much more carbon rich than repetitively logged native forest or timber plantations and can store much more carbon than was previously estimated.

**Research published in *Nature*** "found that old-growth forests accumulate carbon for centuries and contain large quantities of it. We expect, however, that much of this carbon, even soil carbon, will move back to the atmosphere if these forests are disturbed."

Professor Ross Garnaut's Climate Change Review says that Australia's greenhouse emissions can be reduced significantly if logging of native forests and land-clearing are stopped immediately.

Table 22.2 on page 543 of Professor Garnaut's final report, says that 136 million tonnes of CO<sub>2</sub> of Australia's net greenhouse emissions could be avoided if logging ceased in 14.5 million hectares of eucalypt forests in south-east Australia (including Tasmania). This is equivalent to 24% of Australia's net greenhouse-gas emissions in 2005.

The report also acknowledges that international estimates on how much carbon occurs in a standing native forest may be conservative. It quotes figures by the Australian National University indicating that Australia's native forests contain about three times as much carbon as estimated by international climate authorities. (S. 22.3.7, page 556).

Scientific evidence is now clear and proves that undisturbed native forests are carbon sinks that continue to sequester carbon for up to 800 years and should not be disturbed by logging due to the huge amount of carbon they store and the ongoing role they play in sequestering carbon.

Currently, international rules are blind to the colour of carbon so that the green carbon in natural forests is not recognised, resulting in perverse outcomes including ongoing deforestation and forest degradation and the conversion of extensive areas of land to industrial plantations. It's short sighted to introduce a price on industrial carbon, while ignoring the value of green carbon in our native forests.

Logging and burning of native forests produces massive GHG emissions and one of the most efficient and cost effective ways of reducing Australia's carbon emissions is to protect and restore native forests and natural ecosystems.

### **Solutions:**

- Recognition of the role of 'Green Carbon' as an important means to reduce Australia's carbon emissions must be incorporated into an effective CPRS.
- End logging of all native forest in Australia and allowing these forests to regrow naturally.
- 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.
- Stewardship payments must also be available to managers of forest where native forest logging has ended and the forest is being allowed to regrow naturally and sequester green carbon.

## **6. There are no third party rights included in the proposed CPRS.**

Third party prosecutions have made a significant contribution to environmental and social law in Australia. Given the immense importance of this Bill for the future of Australian society, there are no third party rights included in the proposed CPRS.

**Solution:** It is vital that third party rights be established under any CPRS Act.

## **7. Additional points.**

### **A 'Green New Deal' to stimulate the economy**

With the current severe economic downturn the Australian government should be looking at ways to stimulate the economy while at the same time dealing with Climate Change.

We can take our cue from governments around the world that are carefully fostering green industries and sound infrastructure investments. US President Barack Obama has identified green-collar jobs as a priority, aiming for five million new jobs in clean energy industries alone. He has committed to retrofit one million homes annually to make them highly energy efficient.

British climate economist Lord Stern recently identified the opportunity in this economic downturn to promote investment in efficiency and clean energy to boost Britain's economy.

China is doing much more than talking about green jobs. Its recently announced \$870 billion stimulus package is carefully targeted towards projects that enhance the environment and society, including renewable energy, rail transport and rebuilding areas affected by the Sichuan earthquake.

Germany created 25,000 jobs and sustained 116,000 existing jobs by retrofitting some 200,000 apartments from 2002 to 2004. Australia could do the same for our own building trades by focusing economic stimulus on energy-efficient renovations rather than the poorly-targeted First Home Owners' Grant scheme, which may only exacerbate housing affordability issues.

A recent ACF-ACTU report, Green Gold Rush, identified six key green industries – renewable energy, energy efficiency, sustainable water industries, biomaterials, green buildings and waste recycling – that could grow an additional 500,000 green jobs by 2030 and take on a significant proportion of global market share.

Strong action on Climate Change will create millions of new Green collar jobs, and drive investment into renewable energy and energy efficiency, not destroy jobs as the big polluters claim. According to CSIRO economic modelling, 2.7 million new jobs will be created in Australia by 2025 if we set course to become carbon neutral by 2050.

Australia has a lot to gain, but can also very quickly miss the boat. In recent years, we have lost jobs and promising businesses overseas: fuel cells to Germany, solar power to China, solar thermal to the US, wind turbines to the EU and waste industries to Britain.

A new green deal would help us through the current downturn while building a strong, low-carbon future. It would go a long way towards building a more robust and resilient economy for Australia, while positioning for leadership in the green industries and jobs of the future.

## **Current renewable energy targets are too low**

The Federal Government's renewable energy targets are too low. They need to be massively increased to ensure **at least 40% of Australia's energy comes from renewable energy sources by 2020.**

**100% renewable energy by 2020 is the latest call from the Climate Action Summit recently held in Canberra.**

## **End land clearing**

As a significant contributor to our carbon emissions and a contributor to our drying climate, any effort to reduce our emissions must include an end to all land clearing and a concerted effort at revegetation. This needs to be incorporated into an effective emissions trading scheme.

## **Conclusion**

The Government must understand that the European ETS has had major problems for similar reasons to those mentioned in this submission. We should be learning our lessons from the European ETS rather than repeating similar failures, in what appears to be a deliberate effort by the Government to undermine our own CPRS by incorporating the failures of the European ETS, whilst having an appearance of dealing with Climate Change.

We would like to remind the Federal Government that fiscal conservatism includes dealing effectively with Climate Change since not dealing with it will lead to severe adverse economic impacts as well as severe environmental impacts.

The proposed CPRS locks in failure for the next ten years. Half measures are not enough. The costs of inaction will be greater than the costs of action. We urge you to put the interests of current and future generations of Australians ahead of the interests of big polluters, and mandate strong emissions reductions now and urgently redesign the proposed CPRS or completely replace it with an effective carbon pollution reduction mechanism.

Yours Sincerely

Hrimnir Benediktsson  
Authorised and on behalf of  
South West Environment Centre