

Senate Select Committee on Climate Policy

Submission by A/Prof Brad Pettitt, School of Sustainability, Murdoch University. April 2009.

The choice of emissions trading as the central policy to reduce Australia's carbon pollution is an appropriate and sound policy response to climate change so long as it is not to the exclusion of other complementary mechanisms that can enhance Australia's response to climate change such as investment and regulation.

There are significant reasons for supporting an ETS as a central response especially if it ties into a strong international response to carbon reduction. Also in its favour is that it is a well progressed policy and going back to the drawing board on Australia's response to climate change could significantly delay cuts in emissions.

On this basis this submission argues that the proposed ETS is supportable but only with a number of substantial changes and additions including:

1. stronger targets;
2. modifications to support community action and voluntary cuts;
3. stronger regulatory and investment response to support to the ETS targets;
4. Increased international development assistance to help poor nations adapt.

1. Stronger Targets

It is the view of this submission that the proposed Government targets (of 5 to 15 per cent cut in emissions (below 2000 levels) by 2020 and 60 per cent by 2050) are not based in the science and the urgency to address global climate change.

Australia should increase the high targets (assuming there is a global commitment to carbon reduction) to at least 30 per cent by 2020 and 90 per cent by 2050. It should also increase the minimum response to a 10% reduction by 2020 if there is not an adequate global response.

The level of Australia cuts is important not only because of the CO₂ it will draw out of the atmosphere in comparison to a business as usual approach but also because of the global leadership it provides and the role it will enable Australia to play in facilitating a strong global response at Copenhagen and beyond.

Conversely, weak targets are problematic not just from a carbon emissions perspective but because they undermine a global response.

This submission strongly disagrees with those who question whether "Australia should be aiming to play a role in an effective global response to climate change when it is responsible for only 1.4 per cent of emissions" by arguing that this fails to understand the importance of leadership from a wealthy nation that has one of the highest per capita emissions in the world.

I would also add that around 40% of emissions come from nations whose individual emissions are 2% of the total or less and a workable global response will require each of these nations to do their part – especially the richest and most polluting.

2. Modifications to Support Community Action and Voluntary Cuts

I would like to state my agreement with the view that "The growing perception that the (scheme) negates actions taken by individual households to reduce emissions is eroding support for the scheme and must be addressed". While voluntary cuts would make up only a small part of the carbon pollution cuts required these will be important for overall success of the scheme and such a modification to the scheme is strongly supported.

3. Stronger regulatory and investment response to support to the ETS targets.

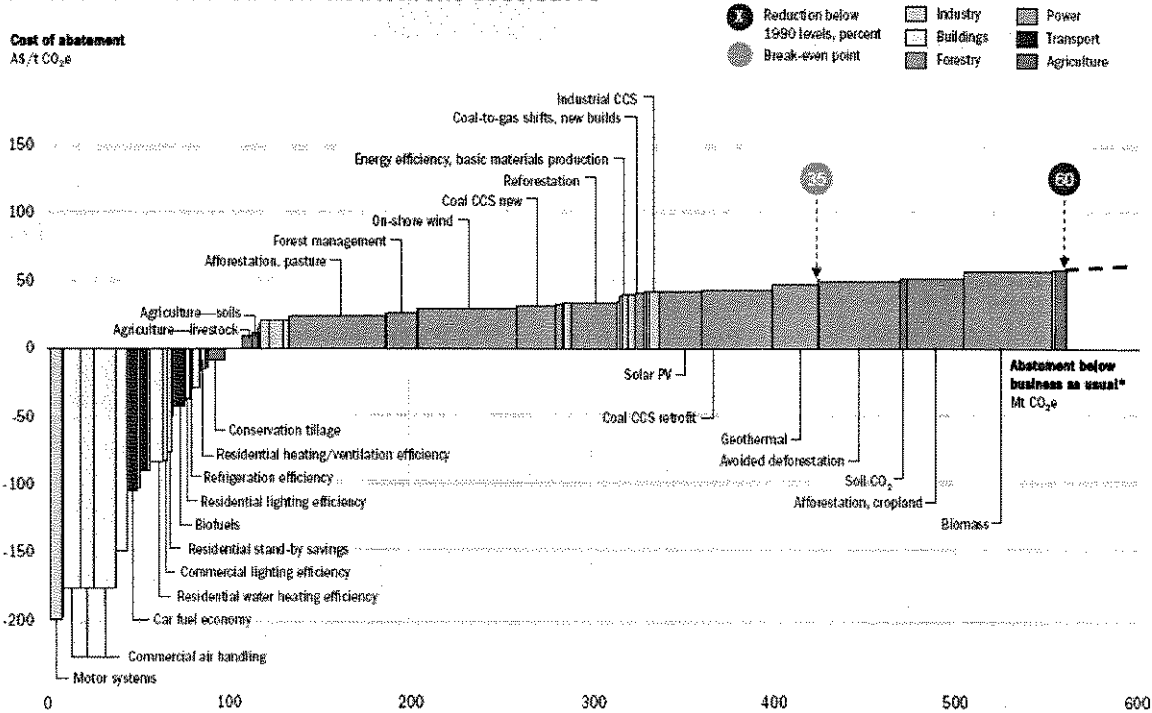
The ETS alone will not get Australia onto a sustainable carbon path. In addition to these markets signals we need a massive funding boost for clean technology that will enable appropriate investment and set the right signals for green collar jobs, research and development.

While I am supportive of the Mandatory Renewable Energy Target (MRET) as a mechanism for boosting short to medium term investment this needs to be weighed up against the merits of a gross feed-in tariff for renewable energy from domestic and commercial providers. At the very least a gross feed-in tariff for renewable energy needs to be modeled by the government.

Investment in research, development and commercialization of clean energy as well as infrastructure such as public transport needs to be greatly increased to at least \$3.7 billion per year as the Garnaut Review recommends.

Australia needs to focus in particular on those interventions that have a negative cost. Examples of these are provided by McKinsey below:

Australian 2030 carbon abatement cost curve



Note: Abatement opportunities are not additive to those of previous years
Source: McKinsey Australia Climate Change Initiative

McKinsey outlines some clear climate policy options that need to be pursued more aggressively. Below this submission outlines two examples of low hanging negative cost solutions:

1. Changes to Fringe Benefits Tax on car use
2. Stronger national regulation for energy efficient housing

Changes to Fringe Benefits Tax on car use.

One of the impediments to reducing car dependency on Australian roads is the ability of people to salary sacrifice for the novated lease of a car and the incentives to increase the kilometres travelled. At present

over \$750 million per annum is spent on subsidising car use while concessions are not available to other forms of transport such as public transport or bicycle riding. As the *House of Representative Standing Committee Report on Sustainable Cities* stated: "FBT concessions should be taken off cars and put on other forms of transport, and the money saved could be invested by the Commonwealth in public transport infrastructure. The committee recommended that the Australian Government review the current FBT concessions for car use with a view to removing incentives for greater car use and extending incentives to other modes of transport". This approach is supported by this submission.

Stronger national regulation for energy efficient housing

Housing in Australia is some of the least energy efficient in the developed world. This problem can be addressed at no additional cost (in fact likely savings) for consumers by stronger regulatory standards for housing. There are substantial savings that can be made with energy efficient homes and ecoefficiency. According to Origin Energy: "a home that uses 50% less energy than an average house will save its occupants around \$800p.a. Assuming a mortgage rate of 7% and inflation of 2.5%, this would mean that the buyer could afford to spend \$12,000 on the house and be no worse off."

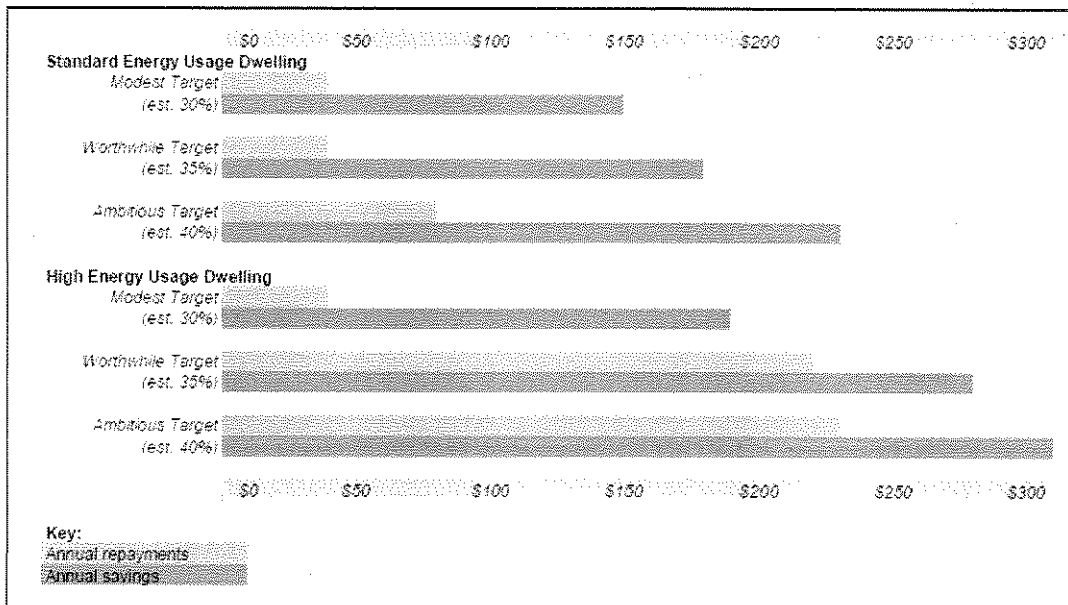
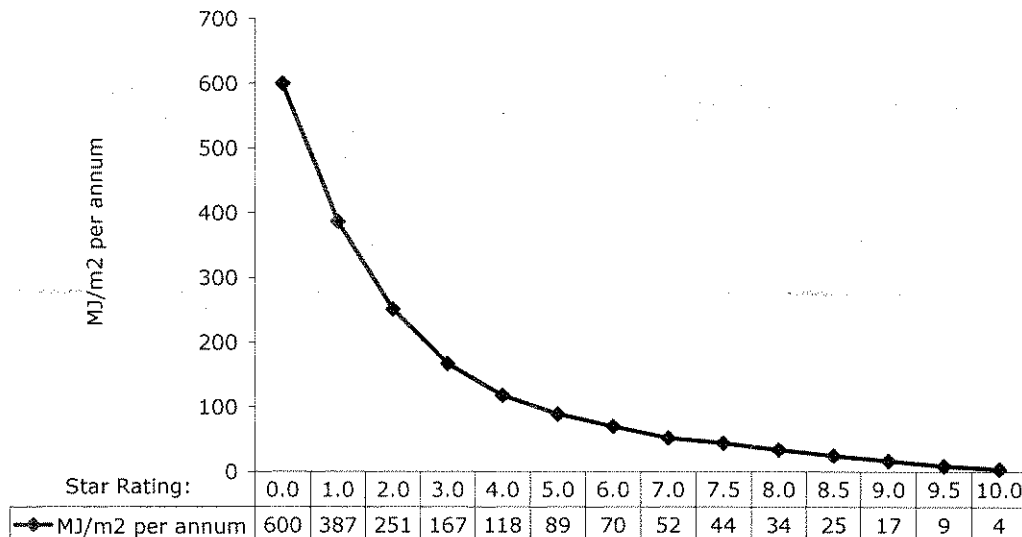


Figure 2: Annual Repayments vs. Annual Savings for Standard and High Energy Usage Dwellings

However as most home and building buyers are concerned about the up-front amount rather than the whole-of-life cost new regulations would be required to require more energy efficient housing. The potential benefits are huge given households contribute around 20% of Australia's total greenhouse gas emissions. The table below outlines the reduction of energy use as the star rating for energy efficiency increases.



Energy Use by Star Rating for Perth

Source: Hofmeester 2007

Furthermore this submission argues that mandatory disclosure of the energy efficiency and greenhouse performance of residences at point of sale and point of lease would also be a potential win-win policy outcome.

4. Increased international development assistance to help poor nations develop cleanly and adapt.

Climate change poses a serious threat to development in many of poorest nation in our region, particularly in those areas where environmental, social and economic systems are already compromised.

The submission concludes with the recommendation that while Australian development assistance to region will need to take the reality of climate change much more fully into consideration, it must do so while addressing the social, economic and political causes of environmental degradation and uneven development. This submission recommends the following:

- Australia should make stronger investment in programs which tackle poverty and disaster preparedness in our region in the short term and which will also be increasingly valuable in addressing climate change into the future. Strategies which address poverty and vulnerability with a view to long term sustainability under climate change scenarios potentially offer win/win solutions.
- Substantial new Australian ODA funding (in addition to existing ODA commitments) should be invested in climate change adaptation initiatives in the region.
- Adaptation options pursued in the Australian development program should be integrated with other development efforts and be broadly aligned with the targets outlined in the Millennium Development Goals.

Conclusion

A responsible and strong response to climate change is able to be achieved without a decline in Australian living standards. Climate change policy responses should not be seen in policy isolation but should be approached as part of an integrated response that addresses other sustainability issues such as biodiversity, peak oil, green jobs and global poverty. It is an opportunity as much as it is a threat.