INQUIRY INTO AUSTRALIA'S RESPONSE TO GLOBAL WARMING

GOVERNMENT MEMBERS REPORT

Government members of the Senate Environment, Communications, Information Technology and the Arts References Committee believe that the Committee's inquiry into Australia's response to global warming has been wide ranging, and has made a valuable contribution to public knowledge in the ongoing debate on global warming. The inquiry has produced a useful insight into the issues associated with the science behind climate change, the international context in which Australia is taking action to reduce greenhouse gas emissions, and the policies and programs Australia is employing to address the issue of global climate change.

Most importantly the inquiry has enabled a broad range of views to be heard on these issues. Government members note the significant work that has gone into synthesising the views and issues brought to the Committee in the production of the report. Government members were encouraged by the many and varied suggestions put forward during the inquiry and are confident that these will contribute to taking Australia forward in addressing the issue of global warming. However, we also note that many of the recommendations and conclusions appearing in the Committee's report are unrelated to the weight of evidence presented to the Committee on the relevant topics. Such factual irrelevance is a serious shortcoming of the non-government members' majority report.

The scientific evidence brought before the Committee has confirmed for Government members the certainty of the rate of increase in anthropogenic emissions and the increase in surface temperature as a result. It is certain that if global action to reduce emissions is not taken, there will be substantial changes in climate over the next century and beyond. What remains uncertain is the manner in which the complex dynamic system that is the living Earth, especially the biosphere will respond to such increases in temperature. For example, while some familiar ecosystems will likely be adversely affected, will others benefit? And how will human society respond to such changes? The mix of certainties and uncertainties has resulted in a precautionary response to climate change that is reflected in the goals and objectives of the UNFCCC and the 1997 Kyoto Protocol to the UNFCCC.

Human induced increases in carbon dioxide (CO_2), through the burning of fossil fuels, industrialisation and deforestation is thought to be the main driver behind the rapid rate of global warming. Evidence put to the inquiry, and discussion of action that could be taken, focused significantly on these processes and the reduction of CO_2. However, recent research by scientists who have been pre-eminent in global warming research suggests that other non CO_2 greenhouse gases have a role in driving global warming in recent decades; and that action taken to halt and reverse the growth of these gases may be more practical and achievable than attempting to slow growth in

CO_2.[1] These gases include nitrous oxide (N_2O), methane (CH_4), tropospheric ozone (O_3) and industrial synthetic gases such as chlorofluorocarbons (CFC's), perfluorocarbons (PFC's), hydrofluorocarbons (HFC's) and sulphur hexaflouride (SF_6). Little evidence or discussion of the role and contribution of these gases to global warming, or action being taken to reduce these emissions, was presented to the inquiry. In the Government members' view, this has resulted in an over emphasis in the report's recommendations on one gas only, rather than looking at the broader picture.

The Government members agree with the Committee's comment that research into possible environmental, social and economic impacts of climate change within Australia should be encouraged. With our extensive landmass, Australia is likely to experience greater regional climate variations than most other nations, resulting in significant changes to the existing vegetation regimes, especially with regard to remnant vegetation pockets. However, while some regions will become more marginal for human habitation and utility, others could become more productive, so that not all changes will have negative social and economic consequences. Better knowledge is therefore essential to enable us to take advantage of any positive outcome and ameliorate inevitable losses.

The Kyoto Protocol calls for action to reduce emissions of all greenhouse gases in all sectors. The design of the Protocol also recognises the national circumstances of parties to the Protocol and allows those circumstances to be taken into account in the pursuit of action. Government members agree that there is an imperative to act now on global warming, but disagree with the report's assertion that existing government programs and policies do not put us on the path to achieving current and future goals. The approach that the Government is taking is a prudent and precautionary one. This approach places the consideration of Australia's national interest in terms of the international competitiveness of our industry, and of meeting Australian society's long and short term social and economic needs, on an equal and balanced footing with consideration of our international obligations. In the view of the Government members this approach is entirely appropriate and in accord with the intent and expectation of the Kyoto Protocol. Giving evidence before the Committee, Mr Ralph Hillman, Australia's Ambassador for the Environment, was emphatic that Australia's position is accepted and respected by other countries.

Global warming has been recognised as a major issue in informed political as well as scientific society for more than 20 years. This Government has not sat back like previous governments to wait for all uncertainties to be resolved but has taken a risk management approach, identified key risks and opportunities, and established a credible record of action to reduce greenhouse emissions while ensuring our national interests are protected. Global warming and our international obligations are matters the Government takes very seriously. The Commonwealth funding of almost $1

1 Hansen et al, 'Global Warming in the twenty-first century: An alternative scenario', *Proceedings of the National Academy of Science* No 97, 2000, pp 9875-80.

billion is the largest commitment of funding to address climate change in Australia's history and amongst the largest per capita globally.

Global warming is a long term issue, requiring a long term response and structural change. It is important that the appropriate level of consideration is put into developing that response and that structural change is managed fairly. It is the view of Government members that action to address the issue of global warming and to meet our international commitments must suit our particular national circumstances, have the least impact on our international competitiveness, and must focus on the most cost effective action that can be taken now while establishing the pathway for the future.

The Government members agree that it is important in setting this path that:

- the science is well understood;
- stakeholders are engaged;
- policy is integrated and a whole-of-government approach taken;
- the costs of both acting and not acting are taken into account; and
- support in principle the recommendations in the report to that effect.

However, we do not support those recommendations that depart from this path and place Australia's national interest second place to fear of alleged international opprobrium.

Government members agree that areas of significant growth in emissions such as electricity generation and transport need to be addressed with some urgency. In some instances consideration of beyond 'no-regrets' measures may be needed - we note that some mandatory measures have already been put in place, including the renewable electricity generation Bill currently before the Senate. However, before embarking on a wholesale pursuit of draconian CO_2 emission control laws, the existing mandatory beyond 'no-regrets' measures must first be given the opportunity to work. The recommendations for the electricity and transport sectors put forward in the report are, in many instances, high cost approaches to reducing emissions, and without the backing of a strategic framework have little chance of achieving systematic change and long term success. In the Government members' view, it is important that action in these areas be developed in a strategic manner and not in isolation of the broader policy picture. Action should take into account the full range of costs and benefits; combine the efforts of governments, industry and the community; and achieve long lasting results leading to sustained reduction in emissions.

Government members support the use of economy wide market-based measures, such as emissions trading, and agree that measures such as this are most likely to be the fairest way to share the burden and ensure all sectors are contributing to the abatement effort. We do not support the introduction of a carbon levy on industry and we disagree that such measures are required now. There are many factors still to be considered before the introduction of emissions trading, such as the impact on

competitiveness, design issues, how to ensure industries already taking action are not penalised, and the risk of pricing carbon ahead of the rest of the world. Government members do support the continued investigations and preparations for the introduction of emissions trading so that when the timing is right it may be easily introduced.

The Kyoto Protocol and Australia's Negotiating Position

It is disappointing to the Government members that the non-government members' majority report, albeit numerously and elaborately qualified, hedged and carefully segregated on all important issues, has chosen to focus on certain Utopian and partisan views of Australia's approach to the Kyoto Protocol negotiations, and the misunderstandings of the provisions and intent of the Protocol by those groups.

The approach that Australia took to the Kyoto Protocol negotiations was one that was endorsed by all state governments and the majority of stakeholders. The result of the negotiations represented a fair outcome for Australia and, as indicated, regarded a fair outcome by others in the context of these negotiations. The target that Australia accepted is in line with our national circumstances and is a commitment that is equivalent to that of other Annex 1 countries - an over 30 per cent reduction in business as usual growth in emissions.

Ratification of the Protocol

Government members support ratification of the Kyoto Protocol. However, we believe that it is not in Australia's national interests to do so until certainty is provided in the outcome of the international negotiations on outstanding issues. These include the flexibility mechanisms (international Emissions Trading, Joint Implementation, and the Clean Development Mechanism); definitional and operational issues associated with the use of carbon sinks; and what compliance system should apply and the consequences of non-compliance. An issue of great significance for further consideration prior to ratification is the extent to which developing countries will be engaged in contributing to the reduction of global greenhouse gas emissions.

As noted in the non-government members' majority report the next round of international negotiations, CoP 6, at The Hague in November, is expected to provide a greater degree of certainty on these issues. It should also be noted that no major developed country has ratified the Protocol, nor will they until the implementation arrangements are clearly specified and agreed.

The Government members are pleased to note that the non-government members' majority report agrees that Australia has a legitimate interest in ensuring that key features of the Protocol are well designed and that developing countries should be encouraged to take on specific commitments. It is as important for the developing countries as it is for the developed nations to see that the global aim of the Protocol is operationalised in the manner that best suits the circumstances of all Parties. Australia needs to pursue twin tracks. We need secure sound decisions on the specifics for implementation of the Kyoto Protocol paving the way for countries to ratify the Protocol. Simultaneously we need to be working with developed and developing

countries to secure agreement on moving forward with concrete steps on developing country commitments.

It should be recalled that the Government will not be in a position to ratify the Protocol until such time as a National Interest Analysis has been conducted, as is required for all international treaties. In this process the reasons for Australia becoming a party to the treaty will be noted for the consideration of the Parliament prior to action being taken to ratify. Such an analysis would include, inter alia, consideration of the forseeable economic, environmental, social and cultural effects of the treaty action, obligations imposed by the treaty, the direct financial costs to Australia, how the treaty will be implemented domestically, what consultation has occurred in relation to treaty action and whether the treaty provides for withdrawal or denunciation.

Sinks and the Kyoto Protocol

In the Government members' view the opposition to the use of greenhouse sinks under the Kyoto Protocol as a response to climate change is over hasty and based on idealogical preoccupations, rather than a full understanding of the likely extent of their use, and the contribution they can make to reducing greenhouse gas emissions. As noted by Professor Farquhar, from the CRC for Carbon Accounting:

> … as far as the atmosphere is concerned, reduction in the level of greenhouse gases by enhancing sinks or reducing emissions from the land sector has equal validity with reduction of fossil fuel emissions. We have the opportunity for better management of Australia's land surface, in partnership with land users, to reduce greenhouse gases and reverse land degradation.[2]

It is highly unlikely that any country is intending to meet their Kyoto target entirely through carbon sinks, and certainly not this Government. This is demonstrated by the almost $1 billion in investment in measures other than sinks that the Government has made. In addition, while the Kyoto Protocol does not permit unconstrained use of sinks, it allows the use of a limited range of sinks as defined in Articles 3.3 and 3.4. of the Protocol.

Professor Farquhar also noted that there are many common misconceptions about the use of sinks, for example, perceptions of loopholes in accounting, confusion regarding the difference between carbon stocks and fluxes, and issues of the permanence or otherwise of carbon sinks. As noted in the non-government members' majority report, these issues have been dealt with in the recent IPCC Special Report on Land Use, Land Use Change and Forestry and all are considered manageable through the establishment of a credible accounting system. The Government support for such a system is demonstrated by the significant effort and funding that has been put toward

2 *Proof Committee Hansard*, Canberra, 6 September 2000, pp 924-25.

establishing the National Carbon Accounting System and our participation in the international discussions on these issues.

Government members also note that under the UNFCCC Australia is committed to the promotion of sustainable development, and promotion and cooperation in the conservation and enhancement of greenhouse sinks. This overall commitment addresses both loss of vegetation cover through land clearing and establishment of plantations and other increases in extent of vegetation cover.

The Clean Development Mechanism

Government members do not support the recommendations that restrictions be placed on activities to be included in the Clean Development Mechanism (CDM). The CDM is a particularly important element of the Kyoto Protocol, as it provides a means of engaging developing countries in greenhouse gas mitigation activities, facilitates technology transfer and helps with achieving sustainable development. In the Government members' view there is little merit in singling out particular activities for exclusion. It should be the choice of developing countries to judge, in line with their national circumstances, whether prospective CDM projects will assist them with sustainable development. What is important is that all activities meet the requirements of the mechanism. That is, they assist in achieving sustainable development and contribute to the ultimate objective of the convention. As noted in the non-government members' majority report, guidelines could be adopted to ensure that projects do not have adverse socioeconomic or environmental effects. In the Government members' view this is preferable to the exclusion of specific activities.

Compliance

Mr Hillman informed the inquiry that 'the shape and nature of the Protocol's compliance system was an issue left undetermined at Kyoto. A compliance system is needed to help parties comply with their Protocol emission abatement targets and to sanction those parties that fail to meet their targets'.[3] Furthermore, 'current proposals range from facilitative means designed to help parties overcome their implementation problems to enforcement or hard measures such as requiring additional emission reductions in a subsequent commitment period'.[4]

Government members agree with the conclusion of the non-government members' majority report that the Protocol should have a pro-compliance approach, that is, the system should encourage and facilitate countries to meet their obligations before punishment for infringements is considered. However, Government members do not agree that draconian punitive sanctions are required to achieve compliance, as recommended.

---

3 *Official Committee Hansard*, Canberra, 9 March 2000, p 3.

4 *Official Committee Hansard*, Canberra, 9 March 2000, p 3.

In the Government members' view draconian sanctions will not be a useful way to assist countries to achieve their target. As noted in the Department of Foreign Affairs and Trade discussion paper on this issue 'Parties have reasons other than the threat of hard sanctions for meeting their commitments and that the incentive value of less than completely enforcement-based consequences, such as publication of the Party's non-compliance should not be underestimated'.[5] And it is also 'more environmentally sound and less costly for Parties to avoid non-compliance than to correct it after the event'.[6]

Developing countries

The non-government members' majority report implies that Australia has taken a divisive and uncooperative stance with regard to developing countries, and has not demonstrated leadership to these countries. This is, once again, a biased and ideologically-based view not supported by evidence. The Australian Government has been taking an active role with developing countries both in terms of the ongoing negotiations surrounding the Protocol and in taking action to mitigate climate change. Some examples include:

- The hosting of training and development courses for developing countries to learn about setting baseline definitions, monitoring and verifying emissions and estimating greenhouse gas reductions; as well as working through the practical aspects of potential projects for collaboration in areas such as energy efficiency, electricity generation, renewable energy and fugitive emissions.
- Agreement under the International Greenhouse Partnerships Program with a number of countries for cooperative projects to reduce greenhouse gas emissions.
- Funding of projects through the Australian overseas aid program that help to abate greenhouse gas emissions, and facilitate adaptation to climate change, while simultaneously assisting developing countries to reduce poverty. This includes projects and programs to a current total value of approximately $268 million.
- Working with like-minded countries to bring on developing countries under the Protocol, by ensuring that design and operation of the flexibility mechanisms is such that they will deliver the maximum economic and environmental benefits and participation by a wide range of parties.[7]

It should be noted that developing countries emissions are expected to overtake those of Annex 1 countries by 2020. This is a major cause for concern. As noted in the

5 Department of Foreign Affairs and Trade, *Climate Change Options for the Kyoto Protocol Compliance System: A Discussion Paper*, 2000, p 6.

6 Department of Foreign Affairs and Trade, *Climate Change Options for the Kyoto Protocol Compliance System: A Discussion Paper*, 2000, p 8.

7 Australian Greenhouse Office, Submission No 169.

non-government members' report, climate change is a global issue, so there is very little point in Annex 1 countries taking action to curb emissions unless, down the track, developing countries take reasonable action. The Australian Government is not asking developing countries to ratify the Protocol but is asking that they agree to a pathway towards taking on commitments. This is a perfectly reasonable approach, consistent with both Australia's interests and the interests of the developing countries. We do share the same Earth and face the same challenge.

The potential for carbon leakage to occur, if developing countries are not brought on board the Kyoto Protocol in some way, also cannot be dismissed. Investment in carbon intensive industries, for which there is still much demand, will shift to countries which are not carbon constrained, simply because the cost burden of operating in Annex 1 countries will be too high. It is therefore in the interest of Australia's international competitiveness, and the global environmental outcome, to ensure that developing countries are included in the global greenhouse effort as soon as possible.

The Performance of Existing Programs and the Policy Framework

The Government has taken a consistent and comprehensive approach to tackling climate change and meeting our international obligations. This approach was outlined by the Prime Minister in his 1997 Statement *Safeguarding the Future: Australia's Response to Climate Change*. That is, seeking realistic, cost-effective reductions in key sectors where emissions are high or growing strongly while also fairly spreading the burden of action across our economy. It needs to be appreciated that the Government has a responsibility to do so in a manner that will not harm our international competitiveness, and will protect Australian interests, Australian jobs and Australian industry. To successfully achieve our goal requires the commitment and support of industry, the community and effort on the part of the states and territories.

In the view of Government members of the Committee, as it is a mere 2 years since the *National Greenhouse Strategy* (NGS) was put in place, it is premature to be making judgements on existing programs and calling for substantial new measures, when the scope, performance and effectiveness of these programs is yet to be fully tested. The first report on progress in the implementation of the NGS is being produced in accordance with the published timetable, and requirements, for tabling in the Parliament. In addition, programs such as the $400 million Greenhouse Gas Abatement Program (GGAP), which has been designed to deliver significant reductions in greenhouse gas emissions and a broad range of associated benefits to the community, were only announced a little over a year ago. Projects funded under GGAP will only commence in early 2001.

Government members do not agree that bringing forward a review of NGS is necessary at this stage. A decision to bring this forward should await the outcomes of first progress report to Parliament and the outcomes of the international negotiations, before determining such a review is necessary.

Government members also consider without substance the assertions that there is a lack of coordination across governments on programs. The NGS provides the framework for cross government coordination and arrangements designed to facilitate implementation, monitoring and reporting of outcomes, as well as the review and ongoing development of the strategy. Coordination and reduction of duplication is a key objective of the NGS. Government members agree that in some areas coordination across governments could be improved and note that the Commonwealth is committed to working with the states to ensure that where national coordination is required, progress is made to achieve that. For example, a number of state governments have signed memoranda of understanding with the Commonwealth to facilitate uptake of the Greenhouse Challenge in their state; and several Ministerial Councils are engaged in facilitating coordination of a number of greenhouse measures.[8]

Likewise the non-government members' majority report is clearly wrong to assert that Government has not placed sufficient emphasis on the development of a structural framework and long term industry plan to reduce the level of uncertainty for industry. The NGS is only one element of the policy framework. The NGS sets out a comprehensive range of measures for tackling this issue at all levels of government and provides a framework and guidelines for determining future directions, however, the strategy alone does not and cannot address all the policy uncertainties.

The Commonwealth, through the Australian Greenhouse Office, has been actively engaging key stakeholders in discussions to move the broader policy framework forward and reduce the level of uncertainty for industry.[9] As acknowledged in the non-government members' majority report, there remain a number of key uncertainties affecting the policy framework and future policy directions that will not be resolved until international negotiations surrounding the Protocol have been finalised. Government has clearly indicated that it agrees that reducing some of those uncertainties is a desirable objective. However, the complexity of the current situation, also acknowledged in the report, does not present any simple solutions. The question of when to start factoring greenhouse into investment decisions will differ for each industry and individual firms, and according to developments in the international negotiations. Action the Government has taken to provide as much certainty as possible for industry includes:

- Positioning Australia well internationally, by ensuring that Australia's national interest has been taken into account in all negotiations. Australia has been a world leader in policy development on sinks and has made strong contributions to the discussions on emissions trading and other flexibility mechanisms.

---

8 Australian Greenhouse Office, Submission No 169.

9 Ms Gwen Andrews, *Official Committee Hansard*, Canberra, 9 March 2000, p 5; and Mr David Buckingham, *Official Committee Hansard*, Melbourne, 21 March 2000, p174.

- The commitment by the Government of almost $1 billion to greenhouse response programs - amongst the highest per capita public investment in greenhouse action in the world. These resources have been put towards a broad mix of government programs including voluntary, regulatory and market-based approaches and the Government is continuing to work with stakeholders to identify cost-effective measures, and means of increasing opportunities for action by industry to hedge against future greenhouse liabilities.
- The Government was also first amongst nations to put a strong institutional focus on greenhouse response with the creation of the Australian Greenhouse Office. [10]

The establishment of the Australian Greenhouse Office has proven a highly effective and efficient mechanism for the delivery of greenhouse policy and programs. The Office has played a leading role internationally. It leads the coordination of domestic climate change policy and delivery of Commonwealth programs, and has provided a central point of contact for stakeholder groups. The Office has substantially improved coordination and integration of greenhouse policy across Commonwealth agencies, has been highly effective in bringing key stakeholders to the table for discussions on greenhouse policy, and is successfully delivering a number of key greenhouse response measures.[11]

Government members agree that governments should be leading others by example and note that there are already several measures in the NGS aimed at encouraging this behaviour. We note that as a result of action under the Commonwealth Energy Policy, Commonwealth agency greenhouse gas emissions declined by 11 per cent in 1998-99.[12]

Government members agree that states and territories should be encouraged to play their part in areas of their responsibility. The contribution of the states and territories will be important in meeting the Kyoto target. Government members note the good efforts of some state's that were brought before the Committee, we believe that had all states put forward submissions or given evidence to the inquiry Committee members would have gained a much better impression of performance overall.

---

10 Australian Greenhouse Office, Submission No 169. Ms Gwen Andrews, *Official Committee Hansard*, Canberra, 9 March 2000, pp 3-5.

11 The positive role of the AGO was demonstrated in the Commonwealth presentation to the Senate inquiry, and in number of other presentations and submissions to the inquiry including Mr Ric Brazzale, Australian Cogeneration Association presentation to the Senate inquiry (*Official Committee Hansard*, Melbourne, 21 March 2000); Mr Cameron Schuster, Wesfarmers CSBP Ltd presentation to the Senate inquiry (*Proof Committee Hansard*, Perth, 17 April 2000); Gorgon Australia LNG, Western Australian Petroleum Pty Ltd (Submission No 90); and Australian Industry Greenhouse Network (Submission No 113).

12 Department of Industry, Science and Resources, *Energy use in Commonwealth Operations 1998-99*, 2000, p 38.

The Greenhouse Challenge Program

The Greenhouse Challenge Program was launched in 1995 and has proven to be one of the Governments most successful programs in reducing greenhouse gas emissions. The Program is a joint voluntary initiative between the Commonwealth and industry, providing a framework for undertaking and reporting on action to reduce greenhouse gas emissions by industries signed up to the Program. The Program has been highly effective in engaging business leaders in both taking action to reduce greenhouse gas emissions and facilitating a dialogue between government and industry.[13]

The Program underwent a major review process in 1999 that concluded that participants in the Greenhouse Challenge had already exceeded the expected 22 Mt CO_2 abatement projected for 2000; and that the Program has significant potential to attract further participants and expand to fill current sectoral gaps. A particular area of success noted in the evaluation was that the collaborative relationship between industry and government, in the design and implementation of the Program, has resulted in a strong industry commitment to reduce emissions and the achievement of early results.[14]

The credibility and success of the Program has been reaffirmed with recent results of the independent verification of 35 major Australian companies participating in the Program. The process cleared 30 of the firms taking part and those who did not pass are committed to working with the Australian Greenhouse Office to rectify the problems identified.[15]

Government members acknowledge that there has in the past been an issue of transparency and accountability with regard to companies' performance under the Program. The introduction of the independent verification process has gone a long way towards improving this aspect of the Program and Government members note that some useful suggestions have been put forward in the non-government members' majority report that would contribute to improving this further. Government members are concerned, however, at the potential cost of some of the suggestions put forward, in particular, the suggestion that benchmarks be established for emissions abatement by sectors of activity, and that participants are assessed in relation to those benchmarks. The non-government members' majority report already notes that independent verification is costly.

The potential for the Program to act as a transitional mechanism in preparation for a national emissions trading scheme is worth further consideration and would sit well with the risk management approach that has been adopted by Government. As noted in the *Greenhouse Challenge Evaluation Report*, the Program has played an important

---

13 This was noted in a number of industry submissions and presentations to the inquiry. See also Australian Greenhouse Office, *Greenhouse Challenge Evaluation Report*, 1999.

14 Australian Greenhouse Office, *Greenhouse Challenge Evaluation Report*, 1999, p 73.

15 Media Release, Senator Nick Minchin, Minister for Industry Science and Resources, *Greenhouse Challenge Delivers Credibility*, 11 October 2000.

role as a dynamic mechanism for learning and capacity building, and facilitating management and cultural change.[16] In the Government members' view, increasing the capacity of industry to respond to climate change will be critical for a future emissions trading scheme.

Energy Markets and Supply

Government members acknowledge the high growth of emissions in this sector and the failure of energy market reform to deliver greenhouse benefits. The projected future increases in emissions from the energy sector are a major cause for concern and concerted effort is required to reduce this growth. In the Government members' view this can be managed in a number of ways, building on and extending current measures in the area of energy supply, and targeting in particular demand management and energy efficiency.

The Government has already in place a number of measures, discussed further below, that will deliver savings in this sector. Key amongst these measures is the Mandatory Renewable Energy Target. This measure will displace 9500 GWhs of largely coal-fired electricity by 2010, an emissions saving of up to 7 Mt of CO_2 per annum. It is one of the first legally binding greenhouse gas abatement measures to be introduced in the world; and a world first in utilising a certificate trading mechanism to maximise flexibility and minimise costs.[17]

Electricity pricing subsidies, fixed price contracts, effects of privatisation

A number of recommendations have been put forward in the non-government members majority report relating to the current pricing regime, the transparency of this regime, and past subsidies. Government members acknowledge that the way the electricity market runs does favour coal generation, and note the states have a strong role in this and could exert more influence than at present. The issue of fixed price contracts appears to primarily relate to commercial in-confidence issues. Government members believe that there is little influence that can be exerted with those in place; it is new contracts that are being negotiated which will be more of an issue and this is something largely driven by the market. Government members are not convinced that the recommendations put forward in the non-government members' majority report offer a practical or achievable solution to these issues.

Greenhouse emissions standards for coal and energy market reform

Government members agree that it is important to reduce the greenhouse intensity of energy supply and increase the efficiency of power generation. This includes ensuring that energy supply markets do not unintentionally discriminate against more

16 Australian Greenhouse Office, *Greenhouse Challenge Evaluation Report*, 1999, p 77.

17 Australian Greenhouse Office presentation to the Senate inquiry into the Renewable Energy (Electricity) Bill 2000, Renewable Energy (Electricity) (Charge) Bill 2000, *Proof Committee Hansard*, Canberra, 14 July 2000.

greenhouse friendly fossil fuels and generation, such as gas and cogeneration. In the Government members' view this must be undertaken in a competitively neutral manner, consistent with the objectives of national competition policy. The question of a more sensible use of coal gas, which is associated with black coal, was not canvassed during the inquiry. Coal gas has the same chemical composition as natural gas and in current practice is vented into the atmosphere, as a net contributor to greenhouse gas emissions. This must be considered a serious omission of the inquiry.

Under the NGS, governments are working with industry to pursue strategies to achieve best practice in the efficiency of electricity generation and to abate greenhouse gas emissions from operations of the energy supply industry. The Government has introduced efficiency standards for power generation which will lead to reductions in the greenhouse intensity of the Australian energy sector and an expected saving of up to 4 Mt per annum of greenhouse gas emissions.[18] These standards should be given an adequate opportunity to demonstrate their effectiveness, or lack thereof, before any more extreme measures are considered.

Basslink

Basslink will enable Tasmania to enter the National Electricity Market, a move supported by the Government. Government members note that a combined environmental impact assessment process to satisfy Commonwealth, Victorian and Tasmanian legislative requirements is to be undertaken and that the guidelines for this assessment have recently been released.

In, and of itself, the project is not a greenhouse issue - it is not generating power but allowing power to flow in either direction across Bass Strait. Due to historic circumstances, Tasmania possesses a substantial portion of Australia's existing renewable electricity generating facilities. Government members note that Victorian and South Australian generators are currently operating at maximum capacity and it would appear far more likely that renewable power would be flowing from Tasmania to the north, thereby reducing greenhouse gas emissions, than power from the Victorian generators flowing south.

Tasmania's renewable power is set to increase with the development of new wind farms - much of this development will be stimulated by the Government's mandatory renewable energy target currently under threat in the Senate. Basslink is the key to the sustainable development of Tasmania's renewable energy resources, generating significant local investment and jobs, while at the same time reducing overall greenhouse gas emissions in Australia.

Greenhouse trigger

Government members note that the Commonwealth is undertaking consultation with the states on the matter of the inclusion of a greenhouse trigger in the Commonwealth

18 Australian Greenhouse Office, Submission No 169.

Environmental Protection and Biodiversity Conservation Act 1999. The issues and recommendations raised in the non-government members' report should be referred for consideration in that process.

Demand management and energy efficiency

In the Government members' view, end use energy efficiency is where some of the greatest and most cost-effective greenhouse savings in the energy sector are to be made. It is rapidly rising demand for energy that is the main cause of rising emissions. Government members draw attention to a recent presentation given by Mr Allan Gillespie, Chairman of the Electricity Supply Association of Australia (ESAA), which suggested that 30,000 GWh of electricity a year could be saved through end use energy efficiency, bringing Australia in line with average OECD energy intensity. The ESAA estimate that this could save from 20 to 30 Mt of greenhouse gas emissions per year and contribute to significant improvement in economic performance.[19]

Governments are currently working towards world's best practice in minimum energy performance standards (MEPS) for a large range of appliances, and industrial and commercial equipment. The states already have legislation in place to ensure the introduction of these standards. The Commonwealth is committed to working with the states to ensure an efficient process for the introduction and improvement of MEPS. Attention is also being given by Government to improving energy efficiency in the commercial sector, in particular building energy efficiency with new standards to be included in the Building Code of Australia. Other recent initiatives include the introduction in 2001 of minimum standards for electric motors and commercial air conditioners; and the consideration of minimum standards for commercial refrigeration, commercial water heating, industrial equipment and lighting.[20]

The Greenhouse Challenge Program has also been working with companies to improve energy efficiency. Actions to abate emissions under the Greenhouse Challenge most commonly involve improvements in energy and process efficiency. For example, the aluminium industry has implemented a range of energy efficiency measures in accordance with their action plan such as reduction of power consumption by improvements to the production process in the reduction lines and the carbon baking process.[21]

The Commonwealth is working in cooperation with the states to improve the information available nationally and the coordination of energy efficiency programs. In addition, a number of states have recently established energy efficiency services to

19 Electricity Supply Association of Australia, Address to Renewable Energy Generation Conference, Hobart, 15 June 2000.

20 Australian Greenhouse Office, Submission No 169; and Australian Greenhouse Office, *Switched On*, Issue 1, July 2000.

21 http://www.greenhouse.gov.au/agreements.

assist the commercial and residential sectors.[22] Greater coordination and cooperation between state and Commonwealth agencies delivering energy efficiency programs, and with their stakeholders in business and the community - for example, in the context of a single, agreed and ambitious national energy efficiency plan - would deliver both improved greenhouse outcomes and enhanced economic wellbeing.[23]

Renewables

In June 2000, the Government launched a strategic policy framework for the renewable energy industry - 'New Era New Energy' the Renewable Energy Action Agenda. The action agenda has been developed in partnership with the renewable energy industry and has the support of government and industry.[24]

Action agendas are a key part of the Government's industry strategy. They are designed to build a dynamic partnership between industry and government, with the common goal of promoting sustainable economic growth for Australian business and changing cultural expectations.

In developing the Renewable Energy Action Agenda, a strategic analysis of the industry's competitive position was undertaken; a vision for the industry developed and agreed, impediments and opportunities for sustainable growth identified; a set of strategies and actions developed; and clear responsibility and pathways for their implementation defined.[25]

The vision for the Renewable Energy Action Agenda is 'to achieve a sustainable and internationally competitive renewable energy industry which has annual sales of $4 billion by 2010'. This target is considered to be a great challenge for the industry, but an achievable one. It will require growth in the renewable industry of between 24 and 26 per cent per year. The target proposed in the non-government members' report recommendations is not realistic.[26]

To achieve the action agenda vision, several strategic areas need to be addressed including: building the market, building community commitment, building industry capability, setting the policy framework and encouraging a culture of innovation.[27]

---

22 The Sustainable Energy Development Authority (SEDA) in NSW, the Victorian Sustainable Energy Authority, and ACT Energy Advisory Service are a few examples.

23 Electricity Supply Association of Australia, Address to Renewable Energy Generation Conference, Hobart, 15 June 2000.

24 Department of Industry Science and Resources, *New Era New Energy: Renewable Energy Action Agenda*, 2000, pp 17-18.

25 Department of Industry Science and Resources, *New Era New Energy: Renewable Energy Action Agenda*, 2000, pp 17-18.

26 Department of Industry Science and Resources, *New Era New Energy: Renewable Energy Action Agenda*, 2000, pp 19-20.

27 Department of Industry Science and Resources, *New Era New Energy: Renewable Energy Action Agenda*, 2000, p 21.

The existing Commonwealth renewables measures such as the Renewable Energy Commercialisation Program, the Renewable Remote Power Generation Program, the Household and Community Photovoltaic Rebate Program, and the Renewable Energy Equity Fund, totalling over $380 million of Commonwealth investment will play a leading role in implementation and achievement of the strategy.[28]

The Governments mandated 9500 GWh Mandatory Renewable Energy Target will be one of the key drivers for growing the market for renewables, expected to generate at least $2 billion in renewable energy investment in Australia by 2010, and achieve emissions savings of up to 7 Mt per annum. The measure will create a large, secure and long term market for new renewable energy in Australia.[29] The introduction of this measure is currently being hampered by the Senate, despite the strong message given to Senators in submissions to the Senate inquiry on the relevant bills that its implementation should not be delayed. Without the stimulus that the measure offers, it is projected that the share of renewable energy will fall progressively to less than 8 per cent by 2010 as a result of rapidly increasing demand for electricity and the fact that most new electricity generation projects continue to select coal as a fuel source.[30]

Transport

The non-government members' majority report contains a large number of recommendations for the transport sector. Government members acknowledge that action needs to be taken to reduce greenhouse gas emissions in this sector. However, it is a matter of concern that there is an overwhelming emphasis in the report's transport recommendations relating to improvements to infrastructure, rail in particular, without considering the cost implications or how such initiatives would be funded, and without recognising the need for a more systematic approach to reducing emissions from this sector. These recommendations also give the incorrect impression that little is currently happening to reduce greenhouse gas emissions from transport.

It needs to be recognised that reducing emissions growth from this sector requires the facilitation of long term change in how we build our urban environments, the modes by which we travel and transport goods, and improving the efficiency of these modes. Many of the measures contained in the NGS are focused on identifying ways to achieve this change, which is not something that can happen overnight without great cost (economic and social). Substantial effort by governments is being put towards

---

28 Department of Industry Science and Resources, *New Era New Energy: Renewable Energy Action Agenda*, 2000, pp 23-32.

29 Australian Greenhouse Office presentation to the Senate inquiry into the Renewable Energy (Electricity) Bill 2000, Renewable Energy (Electricity) (Charge) Bill 2000, *Proof Committee Hansard*, Canberra, 14 July 2000; Australian Greenhouse Office submission to the Senate inquiry into the Renewable Energy (Electricity) Bill 2000, Renewable Energy (Electricity) (Charge) Bill 2000, submission no 5; and *Senate Official Hansard*, Tuesday 10 October 2000.

30 Australian Greenhouse Office presentation to the Senate inquiry into the Renewable Energy (Electricity) Bill 2000, Renewable Energy (Electricity) (Charge) Bill 2000, *Proof Committee Hansard*, Canberra, 14 July 2000.

identifying and implementing the most cost-effective options for the transport sector under this range of initiatives.

This does not deny the need for shorter term action in areas such as public transport systems, and many jurisdictions have been undertaking, and have responsibility for, such actions. The Sydney Olympic Games provided a good example of how systematic changes can significantly alter transport usage, thus demonstrating much can be achieved through determined intervention. It is worth noting that the cost of the intervention to achieve this short term change has not been fully accounted for as yet. While the introduction of new and improved infrastructure, coordination and range of options for getting to the Games venues successfully delivered a significant increase in the use of public transport during the period of the Games, there is no indication from the NSW Government that the same commitment to public transport will be maintained. It is noted that there were many complementary measures, including serious limits on parking in congested areas, which combined with enhanced public transport to make the exercise possible. This is a short term example of how a variety of elements, which on their own would have had limited or no impact, must be combined to achieve a systematic impact.

The Commonwealth is committed to, and will continue to encourage states to take action in this area. It is incorrect to state that there are no Commonwealth funds for urban rail or public transport. For example, $65 million has been provided to Queensland to construct a light rail network that meets Brisbane commuter needs; the 100 per cent excise credit for rail transport will substantially assist all parts of the rail sector, significantly reducing costs and improving the competitive position of rail; the Diesel and Alternative Fuels Grants Scheme has been extended to cover all public buses; and up to 50 per cent towards the cost of converting vehicles to CNG or LPG is provided under the Alternative Fuel Conversion Program.[31]

The report contains a number of worthwhile suggestions to reduce transport related greenhouse gas emissions. However, these suggestions need to be fully considered in terms of longer term cost effectiveness and how they would fit together in a strategic framework to reduce transport greenhouse gas emissions. This is something that the Commonwealth is asking states and territories to consider under the National Greenhouse Strategy. In the Government members' view, a better set of recommendations would balance the broader range of issues raised in evidence brought before the inquiry such as fuel efficiency, changing travel behaviour, encouraging technological development of cars to improve efficiency and use of alternative fuels, and encouraging modal shift, to provide a strategic way forward for reducing greenhouse gas emissions from the transport sector.

In May 2000, the establishment of new advisory body to the Australian Transport Council was announced to enable transport ministers to better address transport issues

---

31 Media Release, Prime Minister of Australia, *Changes to the Goods and Services Tax, Measures for a Better Environment*, 31 May 1999.

of cross-modal, cross jurisdictional and strategic significance. The National Transport Secretariat (NTS) will be examining in detail many of the issues brought before the Committee. These include fringe benefits tax issues; improved transport planning processes; improved freight corridors (looking at all modes of freight transport and their interaction); improving the environmental performance of the transport system; and development of an action plan for strategic land transport infrastructure based on analysis of recent national land transport reports (including those on rail reform cited in the non-government members majority report).[32]

A key component of the NTS work program is to provide a strategic review of the risks and opportunities facing the transport sector in responding to the challenge of climate change.[33] In the Government members' view this is the opportunity to look at the outcomes of existing work under the NGS and put forward a more strategic, coordinated approach to reducing greenhouse gas emissions from this sector. It is recognised that a comprehensive approach to transport requires actions outside transport portfolios, and therefore it is important that consideration be given to how the NTS work can be integrated into an effective, whole-of-government approach to transport related issues.

Commonwealth - state relations and funding of transport measures

Government members note the call for a common transport fund. Australia has recently undergone beneficial tax reform with the introduction of A New Tax System. A key element of this system was a landmark reform of Commonwealth - State financial relations. The intergovernmental agreement on these reforms provides all goods and services tax (GST) revenue to the states, to be spent according to their own budgetry priorities. It removes state reliance on financial assistance grants and revenue replacement payments from the Commonwealth.

As GST revenue increases, all states will receive large financial gains. In the Government members' view, some of these gains should be used to improve public transport services and reduce the cost of taking public transport in preference to removing the GST, which would only complicate the new system.

The Commonwealth has in the past provided, and will continue, specific purpose payments to states for a variety of transport related programs. These have included major road and rail infrastructure programs consistent with Commonwealth and national policy objectives agreed to between the Commonwealth and the states. A common transport fund similarly would need to meet these objectives, and ensure that all the costs and benefits of proposed activities are considered, including environmental, social and economic impacts.

---

32 Media Release, the Hon John Anderson MP, Deputy Prime Minister and Minister for Transport and Regional Services, *New Transport Body to Examine Planning, Greenhouse Emissions*, 19 May 2000.

33 Media Release, the Hon John Anderson MP, Deputy Prime Minister and Minister for Transport and Regional Services, *New Transport Body to Examine Planning, Greenhouse Emissions*, 19 May 2000.

Existing measures in the transport sector

The Commonwealth has been steering reform in a number of transport areas that ultimately will have a positive effect on reducing greenhouse gas emissions. This includes the Environmental Strategy for the Motor Vehicle Industry, and encouraging the uptake of alternative fuels. We note increasing attention, especially at state level, to optimisation of transport patterns to make them more environmentally and economically efficient.

The Commonwealth has recently invested $250 million in rail reform to create a reliable competitive, efficient and customer focused interstate rail transport system. A key component of this has been attracting private sector involvement in rail, and the establishment of the Australian Rail Track Corporation (ARTC). To achieve the goal of rail reform full cooperation of the states is required. As noted by the Deputy Prime Minister the Hon John Anderson MP, 'many of the barriers to private investment in rail relate directly to the practices of state government agencies. These barriers must be removed if the nation is to get full value from the $250 million Federal investment in the interstate rail network'.[34] Results have already been seen from these reforms including:

- the upgrading of the track between Melbourne to Adelaide saving 2 hours travel time and on the Perth to Adelaide section, a saving of 2.5 hours;[35]
- the allocation of $124 million towards generating additional freight paths through Sydney and to relieve the existing peak hour curfew on freight train movements; and[36]
- the signing of a historic 15 year lease agreement, on 20 October 2000, by the Federal and Victorian Governments, covering the interstate standard gauge lines throughout Victoria. $60 million has been committed by the ARTC to track improvements that will enable freight trains to travel at greater speeds thereby improving the competitiveness of rail transport in Victoria.[37]

Carbon and the Land

Greenhouse sinks

It was clear from evidence presented to the Committee that increasing greenhouse sinks provides an effective, practical and low cost means for Australia to reduce emissions and assist in meeting Australia's international commitments. Significant

---

34 Media Release, the Hon John Anderson MP, Deputy Prime Minister and Minister for Transport and Regional Services, *Federal Government Welcomes Private Sector View on Rail's Future*, 31 May 1999.

35 Media Release, the Hon John Anderson MP, Deputy Prime Minister and Minister for Transport and Regional Services, *More Efficient Rail Travel Between Adelaide and Perth*, 2 March 1999.

36 http://www.dotrs.gov.au/land/rail/reform.htm.

37 Media Release, the Hon John Anderson MP, Deputy Prime Minister and Minister for Transport and Regional Services, *Historic Lease to Improve Rail's viability*, 20 October 2000.

opportunities exist in Australia to invest in carbon sinks and there are many environmental and economic benefits to be gained from that investment beyond the carbon sequestered.

Much of the Government effort to date has focused on stimulating business investment in these opportunities and in providing the necessary support mechanisms to account for the carbon. The new $400 million Greenhouse Gas Abatement Program also provides support for regional greenhouse partnerships, to encourage significant and sustained reductions in greenhouse emissions across regional Australia in various sectors. This includes promoting sustainable land management involving the incorporation of greenhouse considerations into agricultural, forestry, and vegetation management practices.[38]

The Committee heard that many opportunities exist to enhance the protection of existing carbon sinks such as native forests, and to invest in new carbon sinks such as plantations, agroforestry and revegetation activities. However, to get the maximum benefit from carbon sinks there is a need for concerted action now, and the Committee heard that there were several perceived impediments to this. Some of these impediments will not be resolved until the outcomes of the international negotiations on sinks are known. However, a key step that can be taken to facilitate and encourage action with regard to greenhouse sinks is the development and implementation of an overarching strategic policy framework for sinks. The policy framework for sinks should integrate with natural resource management and ecologically sustainable development; provide the basis for broadscale activity to address other significant environmental issues such as dryland salinity; and facilitate opportunities for new industries under a greenhouse banner. Government members support the recommended development of a National Policy Framework for Greenhouse Sinks.

Limiting the use of sinks

Government members do not support restrictions being placed on the use of sinks as a domestic greenhouse response measure or a cap on the use of sinks in a domestic emissions trading system. As noted earlier, the opposition to the use of sinks is largely an ideological one. To restrict the use of sinks would rule out potentially highly cost effective action thereby increasing the overall cost to the economy of abatement.

Reducing agricultural greenhouse gas emissions

Government members agree that concerted action is also required in the agricultural sector. In the Government members view the key to this action is set out in the National Farmers Federation submission to the inquiry:

38 Australian Greenhouse Office, *Greenhouse Gas Abatement Program: Guidelines*, 2000.

> … greater identification, dissemination and extension of on-ground changes to land management practices which enhance sustainability but also reduce emissions from the agricultural sector… production oriented solutions... .
>
> … provision of information to land managers about greenhouse issues, how they relate to natural resource management and how they may impact on their management decisions and costs of production.[39]

The Government members support, in principle, the recommendations put forward by the Committee with regard to the agricultural sector. Government members note that this is a key area where states and territories can make a difference, it is also potentially a cost-effective area of opportunity for business that is yet to be seized upon. The use of a systematic approach and effective coordination of activities at a national level will facilitate such opportunities.

Managing our natural resources

Government members acknowledge the significance of land clearing in contributing to Australia's greenhouse gas emissions and other significant environmental problems such as dryland salinity. Government members agree there is an urgent need for long term action to address this issue and support the recommendation that the reduction of greenhouse gas emissions be a central focus of natural resource management.

Under the Constitution, land management is a state and territory responsibility. As such, land clearing controls most appropriately sit with state and territory governments. However, Government members agree that for land clearing to be effectively addressed requires sustained commitment, cooperation and effective partnerships between governments, landholders, and non-government organisations. To date not all states have demonstrated the necessary degree of commitment and willingness to cooperate with the Commonwealth and the other states and territories to achieve the desired outcome. Hopefully, this will improve as governments come to realise the implications of global warming both for the regions of the nation and for the nation as a whole. For its part, the Government has demonstrated its commitment to such partnerships in the past with the Natural Heritage Trust, and more recently with the Prime Minister's $1.4 billion National Action Plan for Salinity and Water Quality in Australia to be discussed at the upcoming, November 2000, Council of Australian Governments meeting.

The Action Plan recognises that land clearing in salinity risk areas is a primary cause of dryland salinity and that effective controls on land clearing are required in each jurisdiction. Under the plan any Commonwealth investment in catchment/region plans will be contingent upon land clearing being prohibited in areas where it would lead to unacceptable land or water degradation; and the Commonwealth will require agreement from relevant states and territories (particularly Queensland, New South

39 National Farmers Federation, Submission No 145, p 4.

Wales and Tasmania) that their vegetation management regulations are effectively used or where necessary, amended to combat salinity and water quality issues.[40]

The Action Plan also aims to replace the current disjointed Commonwealth-state/territory frameworks for natural resource management, with a particular focus on ensuring effective institutional arrangements are in place to oversight implementation of the Action Plan, and that appropriate funding contributions from states and territories and participating communities are made. The Commonwealth is prepared to make a major financial contribution to implement the Action Plan. States and territories will be expected to match this contribution. New institutional arrangements proposed include the establishment of a single Natural Resource Management Council to replace existing Commonwealth/state/territory councils on issues currently concerned with elements of salinity, water quality, biodiversity and other natural resource management and related environmental issues.[41]

Native forest wood products and wood wastes as a source of renewable energy

In common with the Government members report on the Renewable Energy (Electricity) Bill 2000 and Renewable Energy (Electricity) (Charge) Bill 2000, Government members do not agree that native forest waste should not be regarded as eligible biomass for the purposes of these Bills. In the view of Government members, the arguments against the use of native forest wood waste are irrational and unjustified. As noted by Dr Clive Hamilton, of the Australia Institute, in the Senate Committee inquiry into the Bills:

> … if you have wood waste lying on the forest floor after logging, it will release its carbon dioxide either by being burnt on the forest floor or rotting, or you can chip it and put it into a coal fire power plant or a bespoke energy facility. It is better to turn it into energy rather than see the carbon just emitted into the atmosphere for no beneficial purpose.[42]

We note that in the non-government members' majority report, the issue is described as more about ecologically sustainable forest management and the Regional Forest Agreements (RFA). This is nonsense. In the first place, ecologically sustainable forest management is important in greenhouse terms, however the report has not focused on how this might be improved to lead to better greenhouse outcomes. Instead inappropriate focus has been given to using the renewable energy bills to tackle perceived issues with the outcomes of RFA's.

The Government has on several occasions noted that the best estimate of the percentage of energy under this bill from forest waste would be about 3 per cent. As

---

40 Media Release, Prime Minister of Australia, *Our Vital Resources: A National Action Plan for Salinity and Water Quality in Australia*, 10 October 2000.

41 Media Release, Prime Minister of Australia, *Our Vital Resources: A National Action Plan for Salinity and Water Quality in Australia*, 10 October 2000.

42 *Official Committee Hansard*, Canberra, 13 July 2000, p 44.

stated by Senator Hill, 'It is a very small percentage of the total energy source, not a percentage that would be said to have any significant effect on decisions to harvest a native forest or not'.[43]

More importantly, while biodiversity is in itself of critical importance for the sustainable human inhabitation and development of the Earth, it is an issue quite separated from global warming. Indeed, the only connecting point between the two is the fact that significant warming of the atmosphere will undoubtedly lead to substantial changes to the biodiversity mix worldwide and, probably with drastic effects, to regional ecologies. In such a context, it is strange that so much emphasis should be devoted by the non-government members to a far-fetched hypothetical threat posed to oldgrowth native forests by the inclusion of forest wastes as renewables, when global warming poses a real - by some evidence inevitable - danger of extinction to these same forests.

Emissions Trading

As noted earlier, it is the view of Government members that economy-wide market-based measures, such as emissions trading, are most likely to be the fairest way to share the burden, at least cost to the economy, and ensure all sectors are contributing to the abatement effort. Most of the issues raised in the report regarding emissions trading are not new to the debate and already being considered by Government in its examination of this mechanism.

In order to provide greater certainty for industry, the Government has recently confirmed that implementation of a mandatory domestic emissions trading scheme will only proceed if the Kyoto Protocol has entered into force, and there is an established international emissions trading regime. This decision has not ruled out an earlier introduction of emissions trading if further analysis demonstrates that domestic emissions trading would be in the national interest.[44]

Government members are pleased to note the non-government members' majority report recognises that there remain many complex issues that need to be resolved prior to the introduction of such a system. We note that the Australian Greenhouse Office is continuing their analysis of emissions trading; and is undertaking a highly consultative process to examine these issues. We are confident that the Government will take into account all views in coming to a decision on the final design of emissions trading.

---

43 *Senate Official Hansard*, 10 October 2000, p 18054.

44 Media Release, Senator Nick Minchin, Minister for Industry, Science and Resources, *Government Provides Greater Greenhouse Certainty for Industry*, 23 August 2000.

Government has also stated that all care will be taken to avoid disadvantaging industries which have taken action in advance of a domestic emissions trading scheme and is examining the possibility of crediting early action.[45]

As also noted earlier, the Government supports a comprehensive approach to reducing greenhouse gas emissions and meeting our international commitments. There is a comprehensive package of measures already in place and in considering the introduction of a domestic emissions trading scheme, consideration will also be given to the range of measures required to supplement such a mechanism.

The Government has already rejected the concept of a carbon tax in favour of more flexible and cost effective mechanisms such as emissions trading. The proposed use of revenue from a carbon tax to fund a 'reverse carbon tax' incentive program would duplicate existing programs. For example, the $400 million Greenhouse Gas Abatement Program is already providing an incentive to encourage significant investment in cost effective greenhouse gas abatement.[46]

Convention on Climate Change Bill

Government members agree that such legislation is inappropriate at this time, given the level of uncertainty regarding the international framework, and support in principle the general conclusions of the report on this matter.

Senator John Tierney

Senator for NSW

Senator Tsebin Tchen

Senator for VIC

45 Media Release, Senator Nick Minchin, Minister for Industry, Science and Resources, *Government Provides Greater Greenhouse Certainty for Industry*, 23 August 2000.

46 Ms Gwen Andrews, *Official Committee Hansard*, Canberra, 9 March 2000, p 5.

Government Members Response to the Recommendations of the Inquiry into Australia's Response to Global Warming

Government members support the following recommendations:

No's 3, 4, 7, 8, 17–20, 24, 30-32, 51, 63, 65, 69, 71, 74-80, 86-89, 92-94, 98, 103, 105.

Government members believe that the following recommendations are already being dealt with through existing Government measures and processes and as such are superfluous:

No's 1, 2, 5, 6, 10, 11, 13, 14, 16, 21-23, 28, 38-40, 42, 43, 44, 45, 46, 52, 54-56, 58, 59, 66-68, 81, 83, 95, 96, 100-102, 104.

Government members disagree with the following recommendations and believe they are either not supported by evidence, ill conceived, impractical or are premature:

No's 9, 12, 15, 25-27, 29, 33-37, 41, 47-50, 53, 57, 60-62, 64, 70, 72, 73, 82, 84, 85, 90, 91, 97, 99, 106, and Australian Democrats recommendations no's 1-14.