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Michael McLean  
Secretary, Senate Environment, Communications, Information Technology and the Arts  
Legislation Committee  
Parliament House  
CANBERRA ACT 2600

[sent by email to [ecita.sen@aph.gov.au](mailto:ecita.sen@aph.gov.au)]

Dear Mr McLean

### **Kyoto Protocol Ratification Bill 2003 [No. 2]**

I should like to submit this letter in support of the above bill.

There are aspects of the bill, such as the requirement for a National Climate Change Action Plan and preparation of both an annual greenhouse gas inventory and national communication, that are sufficiently akin to activities performed by relevant Commonwealth agencies as to provide little more than regulatory formalisation of current practice. Meeting Australia's emission reduction target as set under the Kyoto Protocol is also of limited issue, as the Commonwealth Government has committed to meeting the target whether Australia ratifies or not. At the crux of the issue, then, is the Commonwealth Government's position on ratification.

Australia is one of 14 countries that signed the Kyoto Protocol when it was first created but either have decided not to ratify or have not yet done so (other countries include Indonesia, Egypt, Israel and the United States of America). By comparison, 120 countries have ratified the Kyoto Protocol, including enough Annex I countries to represent 44.2% of emissions from that group. With over 17% of remaining emissions from the Annex I group, ratification by the Russian Federation forms the lynch-pin for the Kyoto Protocol's entry into force. Despite predictions and comments over the past year there is no certainty as to whether the Russian Federation will (or will not) ratify.

In support of its decision to not ratify, the Commonwealth Government has presented the following arguments regarding the impact of the Kyoto Protocol:

- the Protocol will make only a 'modest' contribution to reducing the growth of global emissions, with approximately 1% net reductions by the end of the first commitment period;
- exclusion of significant contributors to the world's greenhouse gas emissions, due to a lack of targets for non-Annex I countries (and no clear path towards future commitments) and the US not participating; and
- the risk of competitive trade disadvantages through a commitment to reduction measures and associated costs that is not shared by neighbouring regional economies.

These three points present an unnecessarily simplistic view of the role and impacts of the Kyoto Protocol, and are discussed in turn below.

### *Contribution to Reducing Global Warming*

While the reductions envisaged are modest, meeting the targets set under the Kyoto Protocol will affect the persistent upward trend in emissions that has characterised the majority of industrialized countries since the industrial revolution. It is unlikely that bilateral agreements (e.g. the Climate Change Agreement between Australia and USA) will make any greater reduction in emissions than the Kyoto Protocol within the same time period. Furthermore, the need to adopt more 'challenging' goals has been generally recognised in international negotiations.

Perhaps more importantly, ratification and entry into force by the Kyoto Protocol would mark a significant milestone in international negotiations. The Kyoto Protocol presents an opportunity for a globally consistent approach that would not be matched by a proliferation of bilateral agreements between individual countries. Ratification is not expected to be the culmination of these negotiations, as ratifying parties would then work to negotiate new targets and establish a new treaty for subsequent commitment periods beyond 2012. The Kyoto Protocol provides a rallying point for international efforts, and Australia's position on ratification signals our interest in such action to the global community

### *Exclusion of Significant Contributors*

While non-Annex I countries do not have to meet targets during the first commitment period, targets may be set as part of negotiations for subsequent commitment periods. Non-Annex I countries have also maintained a key role in negotiations to date. Projects initiated through the Kyoto Protocol's 'Clean Development Mechanism' will result in benefits for both non-Annex I countries where projects are undertaken and the Annex I country that undertakes the work.

While it is important for non-Annex I countries to limit their greenhouse gas emissions, it is also important for these obligations to be set in a way that does not disadvantage them (as compared to Annex I countries, which did have these obligations at the same stage of their development). The likelihood of targets for non-Annex I countries after the first commitment period appears low at present, however formal negotiations for subsequent commitment periods have not yet begun so substantial time remains before arrangements would be finalised. Given that formal negotiations for subsequent commitment periods will only involve those countries that ratified the Kyoto Protocol, Australia will lose an opportunity to influence further negotiations – including targets for non-Annex I countries - if it does not ratify.

It is important to remember that the United States of America voluntarily excluded itself from involvement in the Kyoto Protocol, stating criticisms similar to those later put forward by the Commonwealth Government. Given that the US accounts for over 36% of baseline emissions for Annex I countries, this presents a significant barrier to action under the Kyoto Protocol. The target agreed to by USA in 1997 (of 93% of 1990 emissions by 2012) would be significantly more difficult to achieve than Australia's target and would have provided considerable impetus not to ratify.

### *Risk of Competitive Trade Disadvantages through Commitment to Reduction Measures*

Concerns regarding commitments apply to the first commitment period but more significantly to subsequent periods where targets could be potentially more difficult to meet, and as such require more significant investment to achieve. The extent of 'disadvantage' resulting from commitments not shared by competing regional economies is highly dependent upon the sector, participation by competing economies in the Kyoto Protocol, and by Australia's approach to the second commitment period.

Australia's position in the red meat export business (by no means a small contributor to productivity) provides an example of how impacts may not necessarily be negative. The following

table indicates the current positions of key beef exporters, and key markets for Australian beef and lamb, to the Kyoto Protocol. The majority of countries listed have ratified the Kyoto Protocol and a number of key competitors have emission reduction targets to meet, however Brazil and the US do not. This suggests a risk of being undercut by these competitors, however this can be mitigated by product differentiation (e.g. quality, absence of BSE and foot and mouth), and by transfer of efforts to growth markets in the developing world. Given that other Annex I ratifying countries are engaged in the export trade, Australia may also be able to form alliances to counter undercutting from other countries.

Country	Kyoto Protocol Status	Emission target
Argentina	Has ratified	No target in first commitment period
Brazil	Has ratified	No target in first commitment period
Canada	Has ratified	6% reduction
China	Has ratified	No target in first commitment period
European Union	Has ratified	8% reduction
India	Has ratified	No target in first commitment period
Japan	Has ratified	6% reduction
Mexico	Has ratified	No target in first commitment period
New Zealand	Has ratified	No increase
Ukraine	Signatory only, may ratify	No increase
USA	Signatory only, will not ratify	-
Uruguay	Has ratified	No target in first commitment period

Impacts may arise through demand as well as supply. Currently, our principal market for beef and lamb is the USA, Japan is the second-largest market for beef, and roughly equal shares of lamb exports are destined for Mexico and the European Union. It is possible that the Kyoto Protocol may become a lever in trade relations. Ratifying Annex I countries may impose economic structures as part of their emission control and reduction programs that will present a disadvantage to Australia if the Commonwealth Government does not ratify.

Negative perceptions of Australia's stance may subtly affect trade relations. At its worst, our stance regarding the Kyoto Protocol may be used as a pretext to seek advantage in other diplomatic and trade relations. Given the divergence in stance between the US and principal supporters of the Kyoto Protocol (on a variety of international issues), one could argue that leverage will be sought by either camp depending on Australia's eventual decision. Indeed, one may suggest that the decision on ratification hinges more on broader political agenda and alignments than a desire to act in response to climate change. As such, the Commonwealth Government's decision will symbolise the role it seeks to play internationally and will influence our standing accordingly.

### *Australia's Position for the Future*

Cogent arguments have been raised by the Kyoto Protocol Ratification Advisory Group (*Report of the Kyoto Protocol Ratification Advisory Group – A Risk Assessment, 2003*), who assessed the relative risks of Australia's approach to the second commitment period. As discussed above, ratification will provide an opportunity for formal participation in negotiations for the second commitment period. Given Australia's success in achieving favourable outcomes during the negotiation process to date, it is highly likely that concerns regarding competitiveness and national interests could be met through this process. Finally, the Kyoto Protocol provides for countries to withdraw any time after three years from the date it enters into force. To rule out involvement in the Kyoto Protocol based on future commitments may therefore be seen as a premature decision.

The level of influence held by the US in terms of political alliances, economic strength and large contribution to global greenhouse gas emissions will present an ongoing opportunity for it to engage in international processes as it chooses, both now and in the future. By comparison, Australia is in a poor position to adopt a similar stance. Distancing ourselves from other members of international climate negotiations may therefore pose higher risks than participation.

In summary, the arguments put forward by the Commonwealth Government to date have not provided a clear and convincing basis for not ratifying the Kyoto Protocol. Indeed, ratification may provide the most direct means to resolve perceived shortcomings in the medium-term. Furthermore, there are risks from not participating, and potential for impacts on our international standing as a result of non-participation. I therefore submit that the Kyoto Protocol Ratification Bill 2003 [No. 2] presents a significant opportunity for Parliament to reconsider Australia's position, and express my support of the Bill as a means to foster international cooperation in response to climate change.

Yours sincerely,

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