



30 January 2004

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

Dear Mr McLean

**Australian Aluminium Council Submission to the Senate ECITA Committee  
Inquiry into the Kyoto Protocol Ratification Bill 2003 [No. 2]**

The Australian Aluminium Council (AAC) welcomes the opportunity to make a submission to the Senate Environment, Communications, Information Technology and Arts Legislation Committee inquiry into the Kyoto Protocol Ratification Bill 2003 [No. 2].

Introduction

The Kyoto Protocol Ratification Bill 2003 [No. 2] is for an Act to direct the Government of Australia to ratify the Kyoto Protocol to the United Nations Framework Convention on Climate Change<sup>1</sup> (UNFCCC), and for related purposes.

The AAC supports the Government's decision to not ratify the Kyoto Protocol on the basis of its assessment that ratification would not be in the national interest and does not support the Bill to overturn that decision.

This position should not be construed as a lack of concern or rejection of actions to introduce and implement cost effective measures to address increased greenhouse gas concentrations in the atmosphere.

The AAC and its members share the global – and national – public concern, including the Parties supporting the Bill, over possible climate change and adverse global man-made impacts on the natural "greenhouse" effect.

Indeed, the AAC supports the Bill's Preamble with the singular exception of the final sentence ["The ratification of the Kyoto Protocol is a necessary first step in this direction."].

The AAC is not convinced that Australia's ratification is a necessary first step or in the national interest. The AAC's principal concerns are with the combination of the Kyoto

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<sup>1</sup> The UNFCCC was adopted in May 1992 and Australia ratified the Convention in December 1992. The Convention entered into force in 1994 and there are now 188 Parties to the UNFCCC, showing broad global support for the goals and objectives of this Convention.

The UNFCCC lays the basis for global action "to protect the climate system for present and future generations". Parties to the Convention have agreed to work towards achieving the Convention's ultimate aim of stabilising "greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system".

Protocol's limitations to achieve UNFCCC objectives, its negative impact on international competitiveness of Australian industry, the implications of its uncertain future development and the need for the Australian Government to be unfettered in its efforts to address these critical deficiencies.

These are not matters that can be ignored in arguing for the ratification of an international instrument under which the Australian Government would be bound – with the potential for other ratifying countries to determine, under the decision-making processes embedded within the Protocol, future commitments to be met by Australia. These commitments would then expose Australia's national interest across a broad range of key policy settings, including economic growth, employment and investment.

The AAC and its members have maintained their strong support for the Australian Government's efforts to put in place effective measures for greenhouse gas abatement. These actions must be tailored to the particular national circumstances – economic, social and environmental – of the country. We must select those measures best suited to economic circumstances and other national criteria, recognising the particular challenges faced by industries exposed to international competition including export competing energy intensive industries such as aluminium.

Most of the output from the Australian aluminium industry is exported - about 80% for both alumina and aluminium. Hence, while the energy use and associated greenhouse gas emissions occur in Australia, the savings in greenhouse gas emissions from the use and recycling of aluminium accrue in the importing countries.

More importantly, the world market price for aluminium will be dominated by the availability of metal from countries without obligations under the Kyoto Protocol (non-Annex 1) or countries that don't intend ratifying (at least the US) or countries who will be large sellers of 'hot air' (Russia and Eastern Europe). Consequently, any increase in energy prices to the aluminium industry in Australia as the result of policies to abate greenhouse emissions cannot be passed on to aluminium customers.

Repeated studies by ABARE have highlighted the serious impact on the competitiveness and future of the aluminium industry in Australia under an international regime that mandates greenhouse emission reductions for some countries but doesn't cover most of our international competitors. Nevertheless, the industry remains committed to working with the Commonwealth, State and Territory governments to take cost-effective measures to abate greenhouse gas emissions within a flexible framework that doesn't undermine international competitiveness.

Future greenhouse gas abatement policies must promote cost effective actions that minimise the burden for business and the community, so that Australian industry can remain competitive.

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

The outcomes sought in the Bill that are relevant to Australia's contribution to reducing GHG emissions are already in hand, with policies, legislation, programs, GHG emission targets and national reporting (NGGI and National reports to the UNFCCC).

While identifying that the International Panel on Climate Change has estimated that international greenhouse gas emissions would need to be cut by 60-80 per cent of 1990 levels to stabilise greenhouse gas concentrations in the atmosphere, the Bill provides no basis for achieving long term significant reductions in global emissions while ensuring economic and employment growth continues in all countries – including Australia.

The only outcome the Bill would add would be to limit the ability of the Australian Government to negotiate the future international arrangements despite clear and extensive evidence that significantly different approaches to the current form of the Kyoto Protocol will be essential to meet the ultimate objective of the UNFCCC.

The following questions must be asked ...

- what will be gained from this Bill at the cost of 'straight-jacketing' the Government's ability to negotiate in the national interest?
- in the context of mounting evidence of the need for different international approaches, how will ratification help accelerate the development of more effective international approaches?
- why should Australia delegate the responsibility to determine future national economic and social goals to the decision-making powers of the Kyoto Protocol?

The answers that come from these questions lead to the conclusion that the Bill would add nothing useful, but would restrain the scope of future Australian negotiation efforts and place the national interest at serious risk - hence the Bill cannot be supported.

In addition, this conclusion is supported by the failure of the risk assessment report by the Kyoto Protocol Ratification Advisory Group (2003), commissioned by the Premiers of New South Wales, Victoria and South Australia, to add substance to assertions that ratification of the Kyoto Protocol would be in Australia's national interest.

The Ratification Advisory Group Report states that the Kyoto Protocol "*is intended to provide a framework to reduce global growth in greenhouse gas emissions*" however, the Report concedes that "*it does not currently include emission reductions targets for all countries*". [page 1]

While the Report notes "*proponents of the treaty acknowledge that it will have to evolve significantly over time in order to achieve its environmental objective by increasing rates of participation among countries*" [page 1] its neglects to point out that developing countries are absolutely opposed to Kyoto Protocol-type emission reduction targets for their countries. The reality, reinforced at COP-9, is that the Kyoto Protocol will have to change fundamentally or be replaced with alternative arrangements in order to achieve the Convention's objective.

The Ratification Advisory Group Report understates the significance of the growth in developing country emissions by stating that their emissions will constitute 47% of global emissions in 2030. This statistic is misleading: it only applies to CO<sub>2</sub> emissions from fuel combustion (although not referenced, the statistic is from the IEA report World Energy Outlook 2002) and excludes emissions from the 'new' OECD countries Mexico and Korea, both non-Annex B countries in terms of the Kyoto Protocol ... that is, they do not have an emissions target under the Protocol.

When other greenhouse gases, particularly methane and nitrous oxide, and non-combustion sources of CO<sub>2</sub>, are included, together with emissions from Mexico and Korea – and USA – are included in a "non-Kyoto emissions target group", we find a very stark exposure of the lack of global impact from the Kyoto Protocol. See graphs in Appendix A.

The Ratification Advisory Group Report, in commenting on the Australian Government's position, also provides some very strong reasoning for opposing ratification:

*"The Commonwealth has stated that the key risk to Australia in ratifying the Protocol lies in the second commitment period as there will be pressure to accept a more stringent target. However, a robust risk assessment for the second commitment period is not possible given the high degree of uncertainty about the nature, scope and costs of second commitment period targets for Australia and other countries that may participate."* [page 3]

Given this conclusion, the Ratification Advisory Group Report has, in effect, endorsed one of the key reasons for the Government's decision not to ratify the Protocol. The Ratification Report provides the following solution to this circumstance by adding: "*If Australia does ratify, however, it should state explicitly that it will not enter into a new*

*agreement for the second commitment period unless it accords with its national interest."*  
[page 3]

Such an approach would not be consistent with Australia's prudent and responsible approach to the adoption and implementation of international agreements/treaties ... nor is it an approach which would present an effective negotiating position from which Australia could realise the goal of a more comprehensive global approach that does not sacrifice the competitiveness of Australian industry and the associated employment.

### Beyond Kyoto

The continuing impasse on participation by developing countries, enshrined by the Kyoto Protocol, highlights the need for alternative approaches consistent with sustainable economic growth and national circumstances, without causing damage to international competitiveness.

Climate change is a global problem requiring a global solution – and Australia's interests reside in an effective global response that includes all major emitters – current and potential.

The Kyoto Protocol is a partial and ineffectual approach to a global problem. Global GHG emissions are not covered by the Kyoto Protocol and the last six years of negotiations have made it abundantly clear that the Kyoto emission cap approach will not be accepted by developing countries – particularly countries like China and India.

The AAC welcomes the Federal Government committing Australia to the task of continuing to strive for an effective global response to climate change – and that Australia will not ratify the Kyoto Protocol unless and until it is demonstrated to be in Australia's national interest.

The UNFCCC Conference of Parties (COP-8) meeting (November 2002) saw the emergence in informal discussions of the need for an increased range of options to be developed/considered to support future negotiations towards an effective long term global response to climate change extending beyond the initial Kyoto framework. Many of these discussions focussed on options aimed at obtaining participation by developing countries, while recognising the reality that developing countries are very determined not to give up their right to development.

This debate has continued and again became the focus of informal discussions at the recent COP-9 meeting held in Milan in December 2003, with recognition continuing to grow among COP9 delegates of the inadequacy of existing approaches to climate change in addressing economic and social issues. Presentations highlighted not only the well known limitations of the Kyoto Protocol but also the need for truly comprehensive global strategies.

Developing countries, reflecting the concerns about their future economic growth, see the need for any climate regime to be consistent with development objectives.

The Pew Center, a supporter of Kyoto and its targets and timetables approach doesn't see its entry into force as essential. At the launch of Pew Center's Beyond Kyoto report, the Pew Center President Eileen Claussen said "Either way, with or without Kyoto, we face the same challenge: engaging all the world's major emitters—including the United States and the major developing countries—in a long-term effort that fairly and effectively mobilizes the resources and technology needed to protect the global climate. ... One of the strongest themes to emerge in the papers and in our discussions is the need for greater flexibility so countries can take on the types of commitments best suited to their domestic circumstances."

These observations, made after a year of intensive consultations and workshops, amount to a ringing endorsement of the Australia Government's position of pressing on with cost

effective efforts to reduce domestic emissions while calling for new approaches that will not damage economic growth and lead to a more effective global effort.

The Pew Center's new emphasis on a bottom-up approach reflects the views by developing countries in particular, which have rejected any notion that they should accept mandated caps on their greenhouse gas emissions. Australian Environment Minister Dr David Kemp recently identified Australia's technology and energy supply partnerships with rapidly growing economies such as China as extremely important in contributing to more effective international co-operation on addressing concerns about greenhouse gas emissions

The AAC endorses Australia's continued engagement in the international climate change effort and commitment to finding effective ways to tackle this global issue – as a global issue. We note that the Government has confirmed its objectives (at the time of the recent COP-9 meeting) include:

- building a more constructive global dialogue with developing countries;
- advancing practical actions to address climate change, including Australian proposals to provide better access to information and improve global climate monitoring; and
- progressing bilateral cooperation on climate change with key partners.

Minister Kemp (9 December 2003 Renewables Speech at Milan) noted that IPCC reports suggesting that global emissions will have to be reduced by 50-60% from "business as usual" projections by the end of the century would require the following conclusions:

- All major emitters will have to be involved in the task.
- Cost effective technology will have to play a vital role if expectations of living standards are not to be dashed by the cost of controlling emissions - technology development and deployment requires vibrant, creative and growing economies as well as the right incentives.
- The developing world will need to follow a development path far less carbon intensive than the developed world has taken.

Minister Kemp continued: "At the minimum these outcomes will not be achieved without the engagement of all of the top six emitters which cover some 70% of global emissions- the US, EU, Russia, China, Japan and India - and probably the top 12 in which Australia is included, which would bring the total emissions covered to over 80%. It seems implausible that a sustainable basis for effective action will be possible without all these parties being comfortable about the mutual consistency of their efforts, and trust that none is taking advantage of the others."

### Conclusion

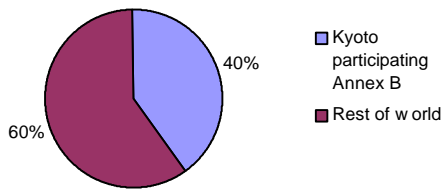
The AAC and its members remain committed to working with Australian governments, at both Federal and State/Territory levels, to take cost-effective measures to abate greenhouse gas emissions within a flexible framework that does not undermine international competitiveness.

Resolution of the issues identified in the preambular clauses of the Bill under inquiry will require the casting-off of the shackles imposed by the Kyoto Protocol and the early implementation of workable global arrangements which recognise national interests and attract the support of the major emitters of the 21<sup>st</sup> century.

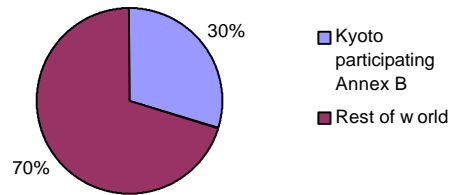
Yours sincerely

Ron Knapp  
Executive Director

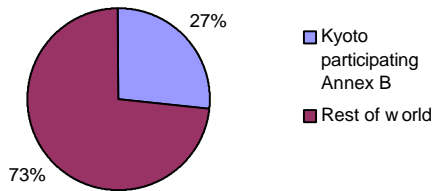
Global emissions, 1990



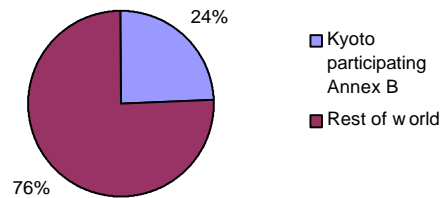
Global emissions, 2000



Global emissions, 2010



Global emissions, 2020



**Note:** All graphs include Australia and USA as part of “Rest of world”; all other Annex B countries are included in “Kyoto participating Annex B” irrespective of ratification status.

**Source:** ABARE data for all graphs.

Global emissions, 1990 - 2020

