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SUBMISSION TO THE SENATE STANDING COMMITTEE  
ON ECONOMICS

# INQUIRY INTO THE CARBON POLLUTION REDUCTION SCHEME BILL 2009 AND RELATED BILLS

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## Introduction

The Uniting Church's commitment to the environment arises out of the Christian belief that God, as the Creator of the universe, calls us into a special relationship with the environment – a relationship of mutuality and interdependence which seeks the reconciliation of all creation with God. We believe that God's will for the earth is renewal and reconciliation, not destruction by human beings.

The Uniting Church has welcomed the public consultation processes of both the Garnaut Review and the Department of Climate Change Green Paper as significant opportunities for Australians to explore our shared hopes and aspirations for the future and the values and priorities which should drive public policy. We welcome this opportunity to contribute to this important inquiry into the changes to the proposed Carbon Pollution Reduction Scheme. This submission addresses elements of the Carbon Pollution Reduction Scheme Bill 2009.

## General comment

We believe that the primary objectives of the CPRS and Australia's emissions reduction commitments must be to contribute effectively and appropriately to avoiding dangerous climate change, begin Australia's transformation to a low-carbon economy and allow Australia to act with credibility in the international climate change negotiations. We continue to have several concerns about aspects of the legislation and the most recent changes announced, however we also recognise the need for Australia to have domestic legislation in place to reduce our emissions before the UNFCCC conference in Copenhagen in December this year.

## Emissions reduction targets

We welcome the Government's decision to include up to a 25 percent reduction target in greenhouse gas emissions (on 2000 levels by 2020). We believe this will help to unlock Australian negotiators from the inadequate previous 5-15 percent emissions reductions targets and enable Australia to actively and positively participate in the international climate change negotiations in Copenhagen. It has been widely acknowledged that any action Australia takes to reduce emissions will be environmentally ineffective

unless other countries implement corresponding climate change mitigation measures. We believe the Government's commitment to up to a 25 percent target will add to international momentum and efforts to achieve an international agreement. We also commend the Opposition for its support of this target.

We are concerned, however, about the requirement that an Australian emissions reduction target of 25 percent be conditional on an international agreement which contains 'major developing economy commitments to slow growth and to then reduce their absolute level of emissions over time, with a collective reduction of at least 20% below business-as-usual by 2020'. We would wish to see more detail as to which countries will be classified as a 'major developing economy', and have concerns about the current lack of funding and technology transfer to developing countries to assist with climate change mitigation and adaptation.

We note also that the Government has indicated that revenue from CPRS emissions permits could be used, from 2015, by the Government to purchase international credits to make up to five percentage points of the 25 percent target.<sup>1</sup> Whilst we welcome the possibility that this may lead to extra funding for environmental measures in developing countries, this does not sufficiently address the inadequate contributions developed countries, including Australia, have made so far to assist developing countries. This issue has been highlighted by the Uniting Church in our previous submissions on the Carbon Pollution Reduction Scheme<sup>2</sup> and we reiterate our recommendation that a proportion of revenue from the auction of Australian emissions units should be

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<sup>1</sup> Prime Minister, Treasurer and Minister for Climate Change, 'New measures for the Carbon Pollution Reduction Scheme, media release, 4 May 2009, available: <http://www.environment.gov.au/minister/wong/2009/mr20090504.html>

<sup>2</sup> See submissions to the Senate Select Committee on Climate Policy, available: [http://www.unitingjustice.org.au/images/pdfs/issues/living-sustainably/submissions/senateclimatepolicyccte\\_unitingjustice.pdf](http://www.unitingjustice.org.au/images/pdfs/issues/living-sustainably/submissions/senateclimatepolicyccte_unitingjustice.pdf); the Senate Standing Committee on Economics inquiry into the exposure drafts of the legislation to implement the Carbon Pollution Reduction Scheme, available: [http://www.unitingjustice.org.au/images/pdfs/issues/living-sustainably/submissions/cprs\\_senateeconomicsccte\\_unitingjustice.pdf](http://www.unitingjustice.org.au/images/pdfs/issues/living-sustainably/submissions/cprs_senateeconomicsccte_unitingjustice.pdf); and the Department of Climate Change on the Carbon Pollution Reduction Scheme Green Paper, available: [http://www.unitingjustice.org.au/images/pdfs/issues/living-sustainably/submissions/cprsgreenpaper\\_uca\\_090908.pdf](http://www.unitingjustice.org.au/images/pdfs/issues/living-sustainably/submissions/cprsgreenpaper_uca_090908.pdf)

allocated to climate change assistance for developing countries, in recognition of Australia's obligations under the UNFCCC and the Kyoto Protocol.

The lack of assistance for developing countries is a key issue which has the potential to hold back international climate change negotiations and adversely affect the chances of reaching a satisfactory agreement at Copenhagen, which require the support of developing nations.

## Assistance for emissions-intensive, trade exposed industries

Although the assistance package for emissions-intensive, trade-exposed (EITE) industries will be set out in regulations rather than legislation, and is largely not presented in the Carbon Pollution Reduction Scheme Bill 2009, we offer our comments on the announced changes here. The Uniting Church has been supportive of assistance to Australia's most emissions-intensive, trade-exposed industries, on the grounds of avoiding 'carbon leakage'. We also acknowledge the importance of a transparent and appropriate level of EITE industry assistance for maintaining international competitiveness and employment in the interim period before comprehensive emissions trading mechanisms are adopted internationally.

We are, however, concerned about the increased assistance to EITE industries through the 'Global Recession Buffer' and the potential for increasing costs in other parts of the economy and potentially reducing the incentives and economic signals driving investment towards low-carbon industries and activities.

The Government must be vigilant in ensuring that the assistance for EITE industries is not provided at a level which provides an incentive for industries to hang back from investing in measures to reduce their emissions. As such we support the Government's expectations that 'all industries should contribute to the national emissions reduction effort' and that the EITE industry assistance program provide 'strong incentives for all entities to pursue abatement opportunities'.<sup>3</sup>

We also support the mechanisms for independent review put in place for EITE industry assistance. We note that there has been bipartisan agreement on the reduced need for continued assistance for EITE industries in the context of a strong international

<sup>3</sup> Carbon Pollution Reduction Scheme Bill 2009, Explanatory Memorandum, p.111-12, available: [http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4127\\_ems\\_9f8adb44-3606-4c86-8352-31a761dab7e7/upload\\_pdf/329357.pdf;fileType%3Dapplication%2Fpdf](http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4127_ems_9f8adb44-3606-4c86-8352-31a761dab7e7/upload_pdf/329357.pdf;fileType%3Dapplication%2Fpdf)

agreement, and welcome the immediate trigger for review of EITE assistance "if an ambitious international agreement is reached"<sup>4</sup>.

## Delayed start to the Scheme

We do not support further delaying the start of the CPRS until 2011 and issuing permits at the fixed price of \$10/tonne in the scheme's first year. This soft start to the scheme is not what is needed to speed up investment in low-carbon, renewable energy industries which should be a priority for the Government in order to create sustainable employment into the future.

However, we acknowledge that the passage of the scheme's legislation this year will start to ensure the CPRS is factored into medium and longer-term investment decisions, and start the movement of Australia's economy away from carbon-intensive production.

## Incorporating voluntary action

We welcome the Government's decision to respond to the strong public discontent about the inability of the CPRS to capture and reflect voluntary actions made by individuals and community groups to reduce their emissions and the perception that any efforts to do so would only lessen the need for heavily-polluting industries to take any action to reduce their emissions.

In our recent submission to the Senate Select Committee on Climate Policy, we stated that

We believe that the scheme should be modified to allow for voluntary actions by households and community groups to result in an additional reduction in Australia's greenhouse gas emissions beyond the global cap set on the emissions of companies captured by the CPRS.

We support, therefore, the creation of the Energy Efficiency Savings Pledge Fund and the commitment to make certain voluntary action tax-deductible, and the inclusion of voluntary action and the update of GreenPower as factors in the Minister's deliberation when setting scheme caps. We note, however, that voluntary action is only a factor to which the Minister "may have regards", and strongly recommend that this be a mandatory factor in the Minister's deliberations.

The Voluntary Carbon Markets Association has welcomed the Government's recognition of the role of voluntary action in reducing Australia's greenhouse gas emissions, however has called on the Government

<sup>4</sup> Prime Minister, Treasurer and Minister for Climate Change, op. cit.

to do more in this regard. We support their recommendations<sup>5</sup> that:

- all verified GreenPower sales should be counted and result in tightening the CPRS target and the surrender of Kyoto units, not only those sales beyond the 2009 level
- all verified and demonstrated voluntary action should be recognised, as voluntary action is broader than solely GreenPower sales
- the tax deductibility of voluntary greenhouse action by households and not-for-profit organisations should be available to all providers and not just through the Government's pledge fund, so that existing businesses providing goods and services for voluntary action are able to support their customers in claiming tax deductibility.

## Conclusion

We believe that the primary objectives of the CPRS and Australia's emissions reduction commitments must be to contribute effectively and appropriately to avoiding dangerous climate change, begin Australia's transformation to a low-carbon economy and allow Australia to act with credibility in the international climate change negotiations. Whilst we continue to have several concerns about aspects of the legislation and the most recent changes announced, we also recognise the need for Australia to have domestic legislation in place to reduce our emissions before the UNFCCC conference in Copenhagen in December this year. Delays in passing the Carbon Pollution Reduction Scheme legislation will weaken international climate change negotiations and hold back investment in renewable energy and low-carbon technologies.

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<sup>5</sup> Voluntary Carbon Markets Association, 'CPRS amended to include voluntary action but further changes needed', media release, 5 May 2009, available: <http://www.vcma.org.au/?p=205>