

**Submission to the Garnaut Review  
from  
NSW Business Chamber**

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## **SUBMISSION**

NSW Business Chamber welcomes the opportunity to provide comment on the Garnaut Climate Change Review, Interim Report to the Commonwealth, State and Territory Governments of Australia.

NSW Business Chamber has over 30,000 member and is affiliated with over 110 Chambers of Commerce throughout NSW, representing a further 11,000 businesses. NSW Business Chamber members are located across NSW and are both product and service delivery focussed enterprises.

This broad-based membership is supported through a network of regional offices located in Albury, Ballina, Canberra, Coffs Harbour, Gosford, Griffith, Newcastle (Hunter Business Chamber), Sydney South, Western Sydney and Wollongong (Illawarra Business Chamber).

Increasingly NSW businesses are working with the NSW Business Chamber to develop options for a sustainable response to climate change. It is vital to the competitiveness of NSW that business is supported to build capability and position their businesses to succeed in the face of climate change, by managing risks and acting on new market opportunities.

### **Introduction**

NSW Business Chamber recognises that global warming is a significant issue and that effective and immediate steps need to be taken in both mitigation and adaptation by Government, businesses and individuals. Addressing climate change is paramount and NSW Business Chamber is committed to working with businesses, stakeholders and Government to achieving a sustainable outcome.

A robust carbon price signal will place a cost on emissions and assist Australia's economy to move towards a low emissions future. The best carbon price signal would be through a cap-and-trade emissions trading scheme (as opposed to a carbon tax). NSW Business Chamber supports the introduction of a national emissions trading scheme provided that the design is efficient, effective and equitable in reducing greenhouse gas emissions.

In responding to climate change, the principles to guide action should be:

1. Market based mechanism which use price signals to indicate the environmental cost of carbon emissions (cap and trade) allows the private

sector to determine the most effective and efficient way to reduce emissions and where emissions are unavoidable, to ensure they are associated with the highest value activity.

2. Market based mechanisms should be revenue neutral so that Government revenue generated by the emissions trading scheme is recycled to fund structural adjustment programs to assist businesses adjust to higher energy prices and further climate change measures such as energy efficiency, water and innovation.
3. Early preparation and long lead times are required to reduce the effects of the transition to a carbon constrained future.
4. Policy options must be efficient and regulatory requirements minimised.
5. An emissions trading scheme must be run from a national level without competing with similar but separate State and Territory trading schemes

With these principles as guides, the NSW Business Chamber puts forward comment on key areas:

- > Climate change regulatory requirements
- > Setting achievable targets
- > Additional measures to reduce emissions
- > Governance of scheme
- > Further work required

It is important that the review should consider findings and recommendations of the National Emissions Trading Taskforce and the former Prime Ministerial Task Group on Emissions Trading. NSW Business Chamber along with many other organizations made submissions that should be considered.

### **Regulatory requirements**

The creation and adoption of a national emissions trading scheme will require legislation to guide and enforce the process. This will result in additional regulatory requirements on businesses on top of existing environmental legislation.

Improving Federal-State relations will increase Australia's ability to contribute meaningfully to the climate change challenge, but more significantly for the economy and business, will reduce the impact of "green tape".

Recent research by NSW Business Chamber has shown that Australian businesses face up to five layers of environmental regulation – international law, national law, state law, local councils and the judiciary – and this has produced a dramatic increase in areas and types of environmental actions needed to be taken by businesses.

"Green tape" over the next twenty years is expected to be as significant to the profitability and competitiveness of business, as "red tape" has been over the past twenty years. Left unchecked, the desire to improve climate outcomes will make "green tape" a major issue for businesses in coming years with the size and scope of regulation from all layers of government increasing.

An uncoordinated, ad hoc approach to this issue by governments could diminish the goodwill of businesses wanting to improve emission processes and also result in Australia losing competitive advantage in key industries.

It could also result in differing levels of government releasing conflicting and overlapping legislation and thereby repeating some of the lessons of the “red tape” experience of recent decades.

NSW Business Chamber has conducted research into the impact of green tape on businesses. *The challenge of green tape: growth of environmental law and its impact on small to medium enterprises across Australia* is provided with this submission to highlight the growing concern.

There are concerns for NSW State duplication with the NSW’s Greenhouse Gas Abatement Scheme (GGAS) reinventing itself to continue on as an add-on scheme. The indications are that it will terminate once an emissions trading scheme commences. The March edition of GGAS stated:

*The GGAS Secretariat is assisting the NSW Government to develop its position regarding the transition of the GGAS into a National Emissions Trading Scheme. To achieve this, a Working Group has been established drawing broad participation from industry, stakeholder groups, government and environmental groups. The Working Group is chaired by the Department of Water and Energy.*

What is of concern is that potentially there could be two competing trading schemes occurring. If this was to occur, it would result in onerous duplication of reporting, measurement and verification work for businesses.

Recommendations:

- > A single national emissions trading scheme should be operated by the Federal Government.
- > Legislation requiring multiple reporting of emissions to different levels of Government should be removed and State operated market based emissions trading mechanisms should be disbanded in favour of a single national scheme.

## **Targets**

NSW Business Chamber supports the Federal Government adoption of 60% reduction on 2000 levels by 2050. Furthermore, NSW Business Chamber agrees that interim targets should be made for 2020 and potentially the following decades in 2030 and 2040. These interim targets should be set at an achievable level and be directed to provide a signal to businesses of sustainable medium to long-term commitment to reducing emissions.

Setting a high target in 2020 (such as 40% reduction on 1990 levels) will be difficult to achieve unless businesses of all sizes are engaged. Preliminary modelling undertaken by the NSW Treasury indicates that the impact of a high interim target will result in an imbalance between the economy and the environment. Furthermore,

small to medium enterprises are less likely and less able to adjust as part of the supply to chain to larger industries taking radical steps to reduce their own emissions.

Legislation designed around the targets should be robust, with periodic reviews to address new evidence in climate change science. In the event of an effective global agreement, the periodic reviews should allow for adjustment of targets. However once effective and equitable targets are set, the periodic reviews should not allow adjustment based on political or financial reasons. Businesses need to have the confidence of targets set to allow them to adequately prepare and adjust practices in order to reduce emissions. Without this confidence, steps towards reducing emissions, particularly by smaller businesses will not be taken to their full potential.

Recommendations:

- > Interim targets should be set to provide businesses with the opportunity to forward plan
- > Targets should be linked to legislation to give businesses confidence in adopting practices to lower emissions
- > Periodic reviews should be conducted with room to adjust targets based on climate change science (and not political or financial gains).

### **Additional measures**

Climate change mitigation needs to extend further than an emissions trading scheme and include additional measures which address the short and medium term emission reduction requirements. Any recommendation to Government on responding to climate change must be met with a multiple pronged approach, to ensure acceptance of symbiotic measures.

An emissions trading scheme should not drive large scale, short-term reductions in emissions in the interest of minimising structural adjustment costs to business and the broader community. Rather, it should be considered a medium to long-term measure.

To achieve the required short term emission cuts, a suite of complementary measures is required across each industry sector. Exempting one industry sector will result in reduced confidence by business and force the other sectors to bear the costs. Hence each industry sector should have equal responsibility in contributing its fair share to reducing emissions.

These additional measures should include:

1. Strong energy efficiency measures to assist businesses of all sizes to reduce energy requirements.
2. A solid and committed renewable energy target with a clear implementation strategy.
3. Correcting market failures limiting the uptake of low emission technologies.
4. Ongoing education programs to assist business, government and individuals to understand and adopt more energy efficient actions.
5. Innovation grants to assist with the development of new low emission technology.

Recommendations:

- > A suite of additional measures should be introduced to complement an emissions trading scheme including energy efficiency, renewable energy, education and innovation incentives as well as market failure corrections.

## **Governance**

In line with other business environmental organisations, NSW Business Chamber supports a transparent and independent regulator for an emissions trading scheme and associated additional measures.

There should be separation of powers and governance arrangements between those who set direction, make the rules, enforce the rules and assess whether the scheme is working. In addition to this, an independent regulator needs to be established to ensure that audits are conducted and rules enforced. This aids in transparency and gives business confidence in the robustness of the system.

To assist businesses in emissions reporting and verification, a central monitoring agency should be set up, covering all reporting requirements of businesses. Reporting systems for State and Federal programs currently duplicate each other and should be amalgamated and administered by one central agency. To assist in transparency, general information by reporting entities should be publicly available. This ensures public confidence, which is vital to the effectiveness of an emissions trading scheme.

In NSW, large energy consuming entities have to report under OSCAR and the Energy Efficiency Opportunities Act as well as with Energy Savings Plans through the Department of Environment and Climate Change. This is a duplication that should be removed.

Recommendations:

- > Separation of powers and governance should be implemented to ensure that those who set the rules, measure compliance and settle disputes are independent of each other .
- > This would be achieved by establishing an independent regulator.
- > A single central reporting agency should be created to administer a single set of reporting requirements across the country.

## **Further investigation required**

The Interim Report was clear on the subject areas still to be covered in a draft report. In particular, adaptation to climate change, energy efficiency and the distribution of costs.

NSW Business Chamber would like to highlight the investigation required on the impact of an emissions trading scheme on small to medium enterprises (SME). Whilst it is unlikely any SME will need to trade in emissions credits, the impact of higher energy costs will have a dramatic effect on the supply side and especially in

competitive markets where the 'carbon' cost cannot be transferred on. With energy prices set to increase dramatically it will be important to address the distribution of costs across regional and rural areas.

SMEs comprise approximately 97% of all businesses and will need to be engaged closely if Australia is to meet its emissions targets. Whilst the complementary suite of measures would be targeted at this sector, it is likely that without sufficient investigation, this is a sector that could be hit hard.

California has recognised the real need to engage with SMEs to meet their emissions target. Consequently they have introduced specific programs and networks to effectively target this sector. NSW Business Chamber is in a strong position to work with SMEs and Government to assist with the transition.

Recommendations:

- > The impact of an emissions trading scheme on SMEs should be investigated by this Review and dealt with in the draft report
- > The Review, and Governments, should recognise the utility of business organisations in communicating with and educating small businesses.

## **Recommendations**

It is important to set strong policy with clear direction early. Government needs to identify, commit to and communicate the key design principles for an emissions trading scheme as soon as practical.

A completed summary of recommendations is provided below. These recommendations ensure a robust, equitable and efficient response to climate change.

### *Regulatory requirements*

- > A single national emissions trading scheme should be operated by the Federal Government.
- > Legislation requiring multiple reporting of emissions to different levels of Government should be removed and State operated market based emissions trading mechanisms should be disbanded in favour of a single national scheme.

### *Targets*

- > Interim targets should be set to provide businesses with the opportunity to forward plan
- > Targets should be linked to legislation to give businesses confidence in adopting practices to lower emissions
- > Periodic reviews should be conducted with room to adjust targets based on climate change science (and not political or financial gains).

### *Additional measures*

- > A suite of additional measures should be introduced to complement an emissions trading scheme including energy efficiency, renewable energy, education and innovation incentives as well as market failure corrections.

*Governance*

- > Separation of powers and governance should be implemented to ensure that those who set the rules, measure compliance and settle disputes are independent of each other.
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*Further investigation required*

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The climate change challenge is both the biggest opportunity and biggest threat for both Government and businesses alike. A collaborative, co-operative and mutually supportive framework that minimises “green tape” and maximises the economic opportunities that will come from effective management will deliver the best result.

If you have any questions related to this submission please contact Anny Joseph, Sustainability Policy Advisor on (02) 9458 7786 or [anny.joseph@nswbc.com.au](mailto:anny.joseph@nswbc.com.au)

Yours sincerely

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