



# Greenfleet

18 April 2008

## Submission – Emissions Trading Scheme Discussion Paper

Greenfleet welcomes the opportunity to respond to the Emissions Trading Discussion Paper. Emissions trading is an important element of a broader policy response to climate change by the Australian Government. It is important that the Australian Emissions Trading Scheme (ETS) maximises the potential to reduce Australia's emissions footprint in a manner that encourages similar actions across the globe. We believe that the emissions trading scheme design can set important precedents for broader global arrangements. Australia has the opportunity to design a robust scheme that leads the world and overcomes technical challenges not previously addressed by other schemes. In particular, Australia and New Zealand have progressive and advanced forest sink standards to which other schemes refer. It is in Australia's interest to maximise this competitive advantage and to lead the world in generating meaningful action to reduce the impacts of climate change to a verifiable and robust standard that retains confidence in actions being taken by the market and broader community.

Greenfleet's mission since its inception more than 10 years ago, is to reduce the impact of greenhouse emissions on the environment. To this end we encourage our supporters to avoid, reduce and finally offset greenhouse emissions they generate. Our voluntary offset program, which was the first of its kind in Australia, will by the middle of this year have planted sufficient native forests to sequester more than 1,000,000 CO<sub>2</sub>-e tonnes. These forests have been voluntarily established on behalf of our supporters and not only take carbon from the atmosphere but will also deliver broader environmental benefits including creating habitat, improving water quality and addressing salinity. These additional environmental benefits are very important to mitigating and adapting our landscape to the projected impacts of climate change. Improving landscape resilience is fundamental to this effort.

Greenfleet establishes permanent biodiverse native forests to a verified national standard. Greenfleet is the first and only not for profit organisation to be approved as a Greenhouse Friendly Abatement provider, the Australian Government Standard for verified abatement. Greenfleet's supporters include more than 10,000 individuals as well as large and small organisations including Q Fleet (QLD Government Fleet), Fosters, Telstra, AAMI, Pacific Brands, Europcar, Symbion Health, City of Melbourne, other local governments, water authorities, federal government departments and numerous other large and small organisations.

We make the following comments with regards to the Australian ETS Discussion Paper:

### Permits & Offsets

#### *Permits to Emit do not equal abatement*

Issuing limited permits to allow a polluter to emit does not equal an abatement action. The scheme design is relying on a trade mechanism that does not provide incentive for additional action to be taken downstream by organisations and individuals. Whilst it is likely that many reduction actions will be taken at the point of generation as proposed by the scheme, the scheme design should not limit incentives for communities and the private sector to provide innovative solutions to generate energy efficiency at the point of consumption.

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*Changing behaviour*

Use and choice of technology is fundamental to reducing the rate at which Australia produces greenhouse emissions. Upstream permits will not easily and transparently translate to changing demand downstream. Downstream abatement opportunities should be encouraged under the scheme; however the scheme as proposed does not appear to address this issue. To meet this aim the framework must allow any person to buy, sell and surrender permits and offsets, preferably with low transaction costs.

*Understanding Carbon Footprint*

A growing number of organisations are directing efforts to understand and reduce their carbon footprint. Organisations use factors published by the Department of Climate Change as the basis of their calculations. The scheme design should ensure that individuals and organisations can continue to easily understand the greenhouse impacts of aspects of their behaviour. Issuing permits does not equal an abatement action however, offsets do. The interplay of offsets and permits to meet an emissions target does not overcome the need to measure carbon footprint downstream. The scheme design should ensure that greenhouse footprint calculations downstream are transparent and easily performed. There is a risk that permits will be inappropriately treated as abatement measures in downstream footprint calculations. The impacts on, and mechanisms for measuring, carbon footprint should be understood.

*Risk of Market Manipulation*

Emission permits will carry significant value in the market (depending on targets and scheme design). It is likely that large private organisations will opportunistically invest in emission permits with the potential to manipulate the market. The scheme design should limit the number of permits that can be held by any organisation that is not liable under the scheme, to prevent manipulation of the market

**Forest Sinks**

*Recognise Forest Sinks as Efficient Forms of Abatement*

Permanent forest sinks are one of only two mechanisms for taking historical greenhouse emissions from the atmosphere. Geosequestration is as yet unproven. Establishing and maintaining forests is a proven mechanism for taking carbon from the atmosphere. Permanence is a key issue to be addressed when considering the validity of forest sink projects. Australia has existing mechanisms for managing the permanence of forest sinks. These mechanisms are now subject to independent verification to accepted standards. The scheme should allow carbon offsets captured in permanent forest sinks to be recognised when this abatement is generated to standard.

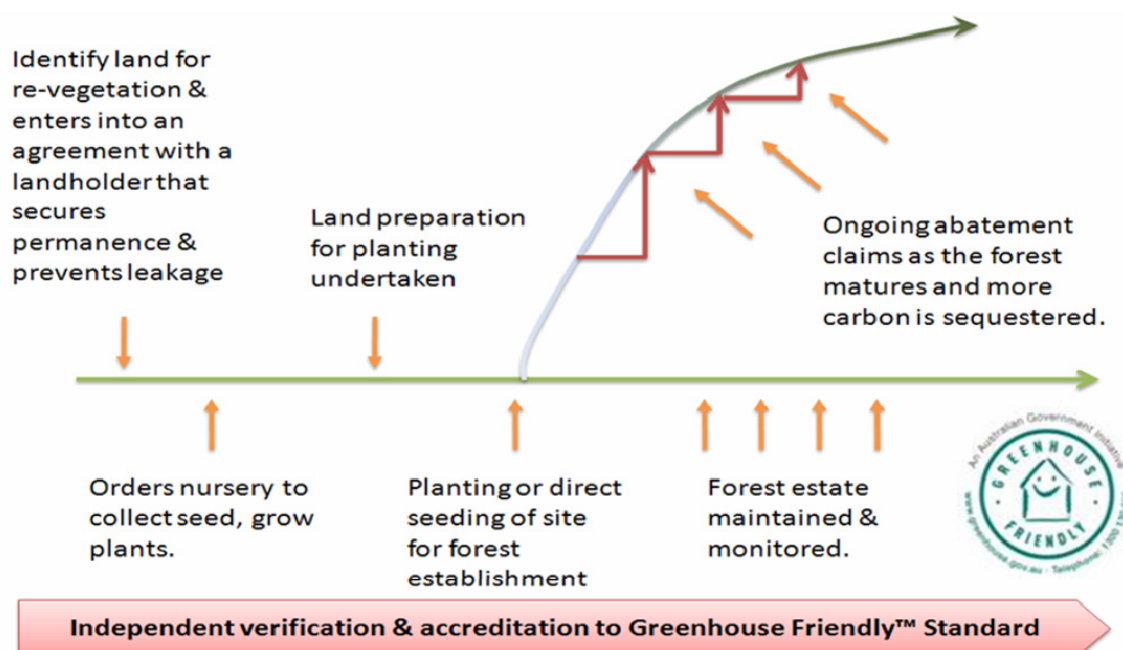
The McKinsey Report (2008) *Australian Cost Curve for Greenhouse Reduction* analysed the economic efficiency of mechanisms to cut emissions by 30% on 1990 levels by 2030. The report stated that reforestation is a very cost effective mechanism for taking action to reduce Australia's greenhouse footprint. Please refer to the diagram below taken from that report.

The Scheme design should encourage the most efficient actions to reduce Australia's greenhouse emissions, as well international emissions.



immediate action to reduce greenhouse emissions is of primary importance in enabling Australia to meet its targets and to reduce the impacts of climate change.

## Claiming Carbon Credits



### Governance

#### *Independent Carbon Bank*

We agree that a single statutory authority (Independent Carbon Bank - ICB) should be responsible for administration of the scheme but the ICB should not be able to trade in its own right or enter into joint ventures with other trading organisations.

#### *Capacity to Administer*

The Australian Government should ensure that it builds sufficient expertise and capacity within the Department of Climate Change and the proposed ICB to administer the scheme. During the last 2 years we have observed significant loss of technical expertise and knowledge from the former Australian Greenhouse Office and now from the Department of Climate Change. Opportunities with the private sector will abound as investors seek access to this emerging market. The Australian Government needs to be mindful that it must retain the extensive expertise and experience that its staff have already developed to properly develop and implement policy and to administer the scheme. There is significant risk that key personnel will be lost in the short to medium term to the private sector. These staff, particularly those with technical skills relating to measuring and monitoring abatement, will not be easily replaced and the Government will run the risk of manipulation by a more informed private sector. Remuneration of bureaucrats and administrators with significant technical expertise and understanding of carbon abatement should be market based.

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Furthermore, Greenfleet and others have experienced significant delays in obtaining approval as Abatement providers due to the sheer lack of sufficient resources with appropriate skills within verifiers, administrators and the Department of Climate Change. There is a growing demand for verification to an independent standard. Lack of capacity will create delays that will hinder the effective administration of the scheme as is being observed under the Clean Development Mechanisms under Kyoto. It would be unfortunate that actions taken to reduce the impacts of climate change were delayed due to lack of capacity to administer the scheme.

*Bankruptcy*

The scheme design should ensure that the liability for emissions and permits is addressed under the order of priority of payments on insolvency of an organisation.

**Coverage and Timing**

*Forestry and Agriculture*

Felling forests and land clearing is a significant source of carbon emissions in Australia and across the globe. Many in the forest industry argue that the carbon accounting rules relating to timber harvesting should be amended to recognise timber products that persist in our society such as timber used in construction and therefore allow some recognition of cleared timber as enduring captured carbon. Until the rules and risks relating to permanence, leakage and security of the carbon in timber products are adequately resolved in a manner that gives people confidence in the market, the rules for depreciating carbon should not be changed. However, we believe that over time, these measures will be addressed. Until they are, it is inappropriate to include forestry as a covered sector, however, permanent forest sinks (ie forests not to be cleared) can remain an effective form of abatement that provides offsets to the other sectors.

*Carbon Accounting*

We believe that some of the funds generated by the scheme should be reinvested in CRC for Carbon Accounting to ensure that future policy decisions are informed by research based evidence which is not subject to political manipulation by self interested stakeholders.

We would be happy to discuss any aspect of this submission with Garnaut Review or Department of Climate Change representatives at any time.

Yours sincerely



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