



Garnaut Climate Change Review

Interim Report to [the] Governments of Australia
February 2008

Emissions Trading Scheme Discussion Paper
March 2008

Comment and Response from Humane Society International
April 2008

A Habitable Planet for All Species

HSI is concerned to ensure that Australia's national response – and contribution to regional and global responses - to anthropogenic climate change is sufficiently prompt, transparently rational and substantive enough to maximise chances of avoiding dangerous impacts – not only for people but also for all the other species with whom we share this wonderful planet – both through urgent mitigation and prompt adaptation.

We are particularly concerned to ensure that Australia's response to climate change is carefully tailored to maximise co-benefits with respect to biodiversity conservation by seeking out synergistic opportunities and weeding out perverse ones. For instance, protecting remaining oldgrowth forests from deforestation and forest degradation is obviously a highly synergistic action in Australia, while encouraging the use of biofuels derived from clearing and draining swamp forests in Indonesia is unbelievably perverse.

Starting by Confronting Perversities

Such perversities are no accident. They are a wilful artefact of a complex network of natural resource development policies that have significantly contributed to the climate change problem we now find ourselves confronted with. Confronting such perversities is a necessary part of the solution. As countless instances of clearing of forests for palm oil for biofuels or for plantations for sequestration in dozens of countries – including Australia - has amply demonstrated, **pressing the pedal is no substitute for steering in the right direction.**

These perversities associated with counter-productive land use change decisions are not trivial. Coincidentally, both in Australia and globally, around 20% of total anthropogenic emissions are derived from clearing and degradation of native vegetation, mostly of native forests. Clearing in Indonesia, mainly of swamp forests for palm oil plantation development, is – alone – responsible for a staggering 8% of global greenhouse gas emissions.

Australia pioneered reducing landclearing as a fast, cost-effective emissions reduction strategy as part of its approach to meeting its Kyoto

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Protocol target of reducing emissions to 108% of 1990 levels by 2012. This phasing out of clearing and degradation needs to be continued with greater urgency and broader application to include all native vegetation – not only to capture additional cost-effective gains in emissions reduction in Australia (and regionally) but also to get the excellent biodiversity conservation benefits associated with habitat protection for countless species. Protecting remaining native vegetation from further clearance and degradation is by far the most cost-effective thing that can be done to benefit Australia's cornucopia of biodiversity. That it also represents one of the most cost-effective ways of immediately reducing anthropogenic greenhouse gas emissions is an opportunity not to be missed.

The initial reductions in landclearing were largely confined to woodlands and dry forests in Queensland and NSW with standing wood volumes of around 100-200 tonnes of green wood per hectare (gtph). NCAS, Australia's accounting system for such emissions remains calibrated to assume that native vegetation subject to clearing and degradation has a standing volume of up to 200 gtph. In southern Australia, especially in south-east Australia, the logging industry continues to clear and degrade native forests – with standing harvestable wood volumes of 500-800 gtph (if other carbon-rich components of native forest ecosystems prone to loss through clearing and degradation are included – soil carbon, woody debris, roots, branches, estimates of potential emissions reduction become much larger).

As for palm oil plantations, the emissions associated with initial clearing and degradation of native forests are not accounted for under 'Kyoto rules' when reporting subsequent sequestration associated with the subsequent growth of regrowth or plantations established on those cleared or degraded sites or when claiming offsets and carbon credits for biofuels harvested from such plantations. The very high levels of emissions from the forestry sector are thus hidden from those unfamiliar with the industry. More importantly, however, **the potential for native forest conservation to contribute to emissions reduction efforts is significantly underestimated (and thus not widely appreciated)** – not only through defective accounting but also through massive under-estimation of current emissions and thus potential savings.

ETS Must Include Land Use and Land Use Change, including Forestry

We would like to congratulate the Review Team for its Interim Report and ETS Discussion Paper both of which are clear and appropriately ambitious (although, as discussed further below, the failure to propose inclusion of emissions fluxes associated with reduced clearing and degradation of native vegetation, especially forests, is a glaring deficiency warranting immediate rectification). HSI is supportive of creating an emissions trading system as the core of the Australian response to climate change – as long as it broadly encompasses all measurable and reportable land-based stores, sinks and sources of emissions.

We are particularly supportive of the policy proposal that current emitters must buy permits rather than being issued with them for free. We have seen the way such 'grandfathering' in quota allocation in the fishing industry has allowed windfall profits to be made, structural inequalities to be entrenched and recalcitrance in the face of environmental improvement to be humoured. Such 'mistakes' in developing rights trading regimes based on common property resources should not be repeated.

We are further supportive of the strong position the Review Team has taken in urging that the ETS should be equally imposed upon all – free of the distortions resulting from habitual special pleading by industry sectors that has so bedevilled sensible management of the Australian economy for so long – what Finance Minister, the Hon Lindsay Tanner has recently referred to as 'producerism'.

Wherever the line might be drawn as to what stores and fluxes are to be included in an ETS, the system must be originally designed and aggressively developed to ensure that the system can be progressively and promptly expanded to include the activities of and opportunities open to individuals, households, landholders, and companies throughout the economy.

As mentioned above, an ETS that does not transparently include land use and land use change, including forestry, will not only be ineffective but also be missing out on opportunities for low cost, immediately available emissions reduction opportunities. **HSI urges the Review Team to ensure that management of native forests and plantations is included in the foundation set of measurable stores, sinks and sources when an ETS is established.** As New Zealand has readily established, including carbon flows associated with changes in wood stored in native forests and plantations has no significant measurement and reporting problems – if initially based on the centuries-old systems that underpin commercial trading in industrial wood products. Indeed, the Interim Report can fairly be said to have erred in asserting that the forestry is usually considered to be difficult” to include in an ETS (see p.47). It is not reasonable to conclude that merely because self-serving recalcitrants in the sector in Australia are wont to say that it is difficult to do so that it is actually difficult to do so in practice. Refinements and extensions to the system can be added later as sufficiently reliable measurement and reporting systems are developed for other components of managed landscapes.

We are delighted to note the importance attached to the need for heavily impacted industry sectors to develop transitional arrangements. It is important to note, however, that the native forest logging industry needs to be included in that list of industries in need of transitional assistance associated with the opportunity costs of changing native forest management from industrial wood supply to maximising short term emissions reduction opportunities (associated with foregoing oldgrowth forest logging opportunities), medium term sequestration potential (associated with foregoing harvesting of regrowth) and long term

sequestration potential (associated with additional planting of trees). Such opportunity costs for the wood processing sector, however, can be comfortably minimised by facilitating access to readily available alternative wood resources in the form of conveniently co-located plantations established in recent decades and now reaching harvestable age in rapidly increasing volumes.

In a similar vein, we are delighted to note that the Review Team has identified that the introduction of an ETS driven by a 'deep cuts' strategy sufficient to meet realistic targets will have disproportionately severe impacts on low income households (as well as trade-exposed energy-intensive industries) and that progressive support programmes will be needed.

Transparency (in measurement and reporting) is a Key Issue

We are particularly delighted to note the Review Team's assertion that, "to achieve mitigation at the lowest possible cost, the ETS will need to be supported by measures to correct market failures or weaknesses related to ... information .." (Interim Report, Executive Summary, p.5). There are a number of areas where we feel that transparency has to be improved if an ETS is to work well as it might.

Firstly, and most importantly, there has to be **a national commitment to full and transparent reporting and accounting** – the key not only to a functional market but also to rooting out perversities (bearing in mind the need for substantial ongoing research, monitoring and auditing effort to ensure any such intent is achieved in practice).

Secondly, **ship bunkers and aviation fuel need to be included in national accounting and reporting systems – ongoing failure to do so is a disgrace**. To leave the search for an agreed way to do this in the hands of the international bodies representing the interests of these two sectors is tantamount to a policy of refusing to measure or account for the very substantial emissions from these two sectors. For an export-focused immigrant community such as Australia, emissions from these two sectors are predictably large – but this is no excuse for self-interestedly ignoring them. If everyone behaved in this way, an effective response to climate change would be impossible – at any level. If the Netherlands, which is even more trade-dependent than Australia, can report them, then so can we. Doing the right thing is important.

Thirdly, **measurement and reporting methodologies need to be independently audited to ensure that reported fluxes (both emissions and sequestration) accurately reflect reality**. As mentioned above, this is manifestly not the case for NCAS estimates of emissions from degradation of carbon-dense ecosystems and thence policy-based estimates of emissions reductions achievable from ceasing such degradation. Furthermore, bilateral deals with neighbouring developing countries, like that recently announced with PNG, that notionally protect unloggable slopes while facilitating business as usual in accessible

forested areas help no-one.

Fourthly, **measurement and reporting of carbon stores and fluxes must be done annually in real time.** Failure to do this in the way land use and land use change, including forestry, is reported results in systematic failure of offsetting schemes associated with planting trees – where current emissions are notionally offset against promises of future sequestration associated with planting trees. The very large lag time between emissions produced and achieving an equivalent increase in average carbon density of a new plantation renders such schemes little more than perverse persiflage as perverse discrepancies between emissions and actual sequestration accumulate over time.

Fifthly, **the ETS needs to include allocation of credits to landholders contributing to reducing emissions by foregoing the right and opportunity to clear (deforest) or degrade (log) oldgrowth native forests.** This is not only where climate change mitigation and biodiversity conservation co-benefits are maximised but also where immediate and substantial gains are most readily available. All other mitigation opportunities take more time. Gains from reduced emissions from landclearing and land degradation are axiomatically transitional – they only occur at the time management changes are made and cease to be available once clearing and degradation has ceased. In order for such land use change to become part of an ETS, a formula has to be found that allows reservation decisions to be converted into credits. We favour use of a formula linked to estimated rates of clearance and degradation for different vegetation types and regions and to the timescale over which climate change impact mitigation strategies need to be maintained.

Universal Participation

There are two important additional reasons why the ETS should be extended to include land use and land use change, including forestry, if potential mitigation opportunities are to be taken:

- firstly, traditional sources of government funding for schemes to drive such land use change can be expected to dry up as attention shifts not only to much needed adaptation measures but also to helping developing countries in the region; and
- secondly, many companies with emissions creating liabilities to purchase carbon credits would like to capture the co-benefits available by helping to conserve Australia's biodiversity at the same time as buying carbon credits.

Importantly, it is highly likely that trust funds will need to be established to convert capital payments for up-front land use decisions to forego development opportunities into income streams that match ongoing conservation and risk management obligations. These same institutions could then serve to facilitate the development of parallel markets for a wider range of ecosystem services – beyond minimising emissions from land degradation to conserving biodiversity, maintaining water flow

regimes, soil conservation, genetic resource conservation, etc. – for which markets have yet to be developed.

Providing the framework for the wider Australian community to support and encourage the landholding community to manage their properties for carbon store protection and sequestration enhancement purposes could open up a wide range of other commercial opportunities to complement or even replace more marginal traditional uses.

Mitigation is Key

We strongly support the focus on mitigation. While a growing range and severity of impacts will quite rightly divert public policy attention and community resources towards adaptation to immediately apparent changes, long term success in avoiding disastrous impacts relies on success in mitigating impacts over the coming decades. This is one of the reasons why introduction of a broad-based ETS is important – governments will be distracted by other priorities and using the marketplace to drive behavioural change and investment strategies that reduce emissions with appropriate severity is only prudent.

The Review Team is to be congratulated for its clear summary of the case that global warming induced climate change is a reality that demands urgent attention – to mitigation.

We strongly support the Review Team's emphasis on the need for global action and the use of dual targets – things Australia is prepared to commit to unilaterally and additional things Australia is prepared to commit to as part of a global deal. We particularly welcome the attention given to the exacerbation attributable to sustained strong economic growth by the larger developing countries and agree that any post-Kyoto deal that might be done at the FCCC COP in Copenhagen in 2009 for post 2012 commitments must include fair and realistic commitments by all.

Convergence is the Way

In this regard, we are delighted to note the extent to which the Interim Report discusses the use of contraction and convergence strategies (see Fig. 7, p.32, and Fig 9, p.43). We are firmly of the belief that commitments to unique national emissions budgets for all countries based on chosen 'differentiated' convergence paths that reflect the development stage and emissions profile of each country is the framework for a deal in Copenhagen in 2009.

Uranium Should Stay in the Ground

We are aware that it is fashionable, particularly among sceptics, to promote nuclear power as an alternative to brown coal as a source of base load electricity. We note that the Review Team would appear to be assuming that substantial benefits will flow to Australia from stronger demand for uranium (see p.56). In our view, this would be an

extraordinarily regrettable future, especially while transport and use safety, waste disposal and weapons proliferation problems remain unresolved.

It is far better that the world – and Australia – should look to natural gas as a convenient transition fuel – for both electricity generation and liquid fuel substitution. Importantly, natural gas has the additional advantage of being a biofuel with great potential to complement rather than compete with food production, unlike ethanol.

Thank you for the opportunity to comment on the Garnaut Climate Change Review.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A. Graham', with a small dot at the end.

For:
Alistair Graham
Special Advisor
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