

11 April 2008

Professor Ross Garnaut AO FASSA
Chairman, Climate Change Review
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Dear Professor Garnaut

Congratulations on your work to date – it clearly demonstrates an excellent understanding of the issues and the magnitude of the task that Australia and the world faces in combating climate change.

Environment Link has read a number of your consultation documents and would like to make the following comments.

General

Australia over the last decade has in reality done little to mitigate greenhouse gas emissions. Without the 'Australia clause' in the Kyoto Protocol our greenhouse gas emissions are approximately 36 % above 1990 levels¹: under a booming Australian economy it has been pretty much business as usual with rampant increases in energy use and greenhouse gas emissions. During the term of the previous Australian Government Australians were misled the Australian people with rhetoric and spin: we were told that Australia is a world leader in greenhouse policy, is only a small player anyway and is meeting its Kyoto target². The implied message to the Australian public was, we do have to worry and can continue as normal. This was disgraceful and internationally embarrassing. I hope the Rudd Government will be truthful and honest in its communications on Australia's climate change performance.

It has been a great relief that Rudd Government ratified the Kyoto Protocol and signaled to the world that it is willing to play its part in combating climate change.

Australia is a very prosperous country and so well endowed with the educated, creative and talented people and natural advantages in solar, wind and geothermal resources. With these advantages we should, with minimal economic impact, given the correct policy settings, be able to more than meet our international obligations. And we have a moral and ethical obligation to do so.

1 Source: www.climatechange.gov.au/projections/pubs/tracking2007.pdf

2 For example, *We won't sign Kyoto: government*, The Age, 1 October 2004

Science of Climate Change

The science is clear and your discussion paper provides a good synopsis of the key impacts that have evolved as the data and models have improved. However it needs to be borne in mind that, firstly scientists, by training, are conservative and secondly the IPCC reports have been developed by consensus. Therefore the predictions are likely to be conservative and the impacts could, in all likelihood, be far greater than envisaged.

Transport

The optimal strategy to reduce greenhouse gas emissions from the transport sector is through modal shift from private vehicles and road freight to public transport, cycling and walking. This requires significant investment in sustainable transport infrastructure. The Commonwealth is in a strong position to reduce transport's greenhouse gas emission burden. In 2007-2008 the Auslink funding allocation to roads sits at around \$3 billion while funding to rail is a mere \$20 million³. In addition to any funding generated through ETS permit sales it is recommended that the Commonwealth Government shift its Auslink funding, progressively, to support more sustainable forms of transport.

There are also a number of other strategies that could be pursued to reduce greenhouse gas emissions from transport including the removal (or scaling down) of the fringe benefit concessions on company cars, removing the tax concessions on heavy fuel using four wheel drive and removing other transport related concessions.

Emissions Trading Scheme

Your proposed Emissions Trading Scheme (ETS) appears well thought through and proposals to auction permits, not to provide free permits to electricity generators, to use permit auction revenue to support disadvantaged communities and for R&D and to establish trajectories are all supported.

The success of the ETS is likely to be highly dependent on the detailed operational aspects of the Scheme. The new greenhouse gas reporting requirement, with a first reporting year of 2008-09, is to underpin the ETS. It will be crucial to the implementation of the ETS in 2010 that the data supplied by companies to this greenhouse gas reporting database are accurate. Large firms operating in Australia have anticipated an ETS - and a requirement for bottom up greenhouse gas emission reporting - for some years. They also have relevant experience in this type of national reporting through the National Pollutant Inventory and, I understand, through trialling the new Greenhouse Gas Reporting system. Nevertheless it still doesn't leave much time to get the reporting system right. This however this shouldn't be an excuse for delay but it will require higher upfront vigilance and resourcing costs if it is to work.

³ Source: www.auslink.gov.au/funding/allocations/funding_allocations_consolidated.aspx.

Also it is proposed that trajectories that underpin the ETS be designed to achieve a 60 per cent reduction in greenhouse gas emissions by 2050 and they be framed around either a global budget of 450 ppm or 550 ppm. The most recent evidence suggests that these aims are too conservative. Australia has the wealth and natural renewal energy advantages reach beyond trajectories with minimal impact. The trajectories should be strengthened to achieve a higher greenhouse gas reduction target and framed to a lower global budget of 400 ppm.

One aspect that is unclear from reading the ETS consultation paper is about the strategy to release permits on the market. Is it proposed that the permits have a reserve float price when they are released to the market? This would seem sensible and is standard practice when, for example, shares are floated on the exchange or other property or goods are sold through auction.

Other Measures to Reduce Greenhouse Gas Emissions

While the ETS covers a large sector of the energy market there is merit in establishing additional complementary mechanisms to drive greenhouse gas emissions reductions. A set of agreed the Commonwealth, States and Territories agreed national objectives for Climate Change are needed. A policy instrument, similar to a National Environment Protection Measure, would provide a mechanism to set a uniform policy framework across Australia and would drive emission reductions by businesses and other sectors not captured under the ETS. This policy should, amongst other actions, include an agreement by States and Territories to increase public transport usage, not to approve the construction or expansion of any coal-fired power stations and to redress the energy subsidies given to energy intensive industries.

Another action to help drive emissions reductions could include strengthening and increasing the coverage of the minimum energy performance standards and the energy rating labeling scheme for household appliances.

Thank you for the opportunity to provide comment and input into your review.

Yours sincerely



Catherine Wilson
Director