

# The Climate Change Authority's report **'Towards a climate policy toolkit: Special Review of Australia's climate goals and policies'**

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- Background on the CCA Special Review
- Summary of the Special Review Report Three
- The Minority Report



## Climate Change Authority

- Established in July 2012 as an independent statutory authority, under the Clean Energy Future legislation
- To provide expert advice to the government on Australian climate change policies
- In conducting a review, the Authority must consider:
  - economic efficiency
  - environmental effectiveness
  - equity
  - public interest
  - impact on households, business, workers and communities
  - development of effective global response to climate change
  - Australia's foreign policy and trade objectives

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## Climate Change Authority - Special Review

In 2014, Minister for the Environment requested a Special Review to:

1. Propose future emissions reduction targets – Report One
2. Assess whether Australia should have an emissions trading scheme –Report Two
3. Recommend action Australia should take to implement outcomes from the Paris Summit – Report Three, 31 August 2016

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### SPECIAL REVIEW BY THE CLIMATE CHANGE AUTHORITY

By this written instrument I, Greg Hunt, Minister for the Environment, request that the Climate Change Authority conduct a review under section 59 of the *Climate Change Authority Act 2011*, as below:

- Assess whether Australia should have an Emission Trading Scheme in the future and what conditions should trigger the introduction of such a scheme.
- This review must consider:
  - whether the USA, China, Japan, Republic of Korea and the EU have established ETSs or equivalent schemes that have similar effect;
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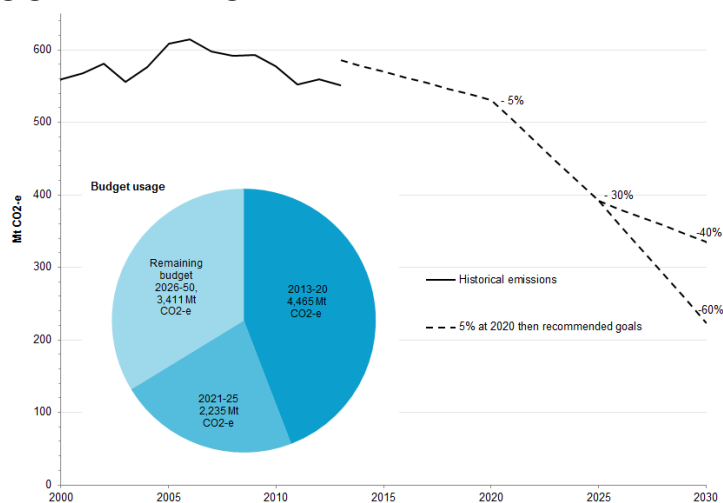
## CCA Special Review Report 1, April 2015 Australia's future emissions reduction targets

- Update from CCA (2014) Targets and Progress Review
- Minimum 2020 target of 5% below 2000 levels
- 2025: target of 30% below 2000 levels
- 2030: target range of 40% to 60% below 2000 levels
- These targets are consistent with climate science, with what comparable countries are doing, and with Australia's best interests



## CCA Special Review Report 1

National emissions budget of 10.1Gt CO<sub>2</sub>-e for 2013-50, consistent with fair share of global action with a likely chance of limiting global warming to less than 2°C



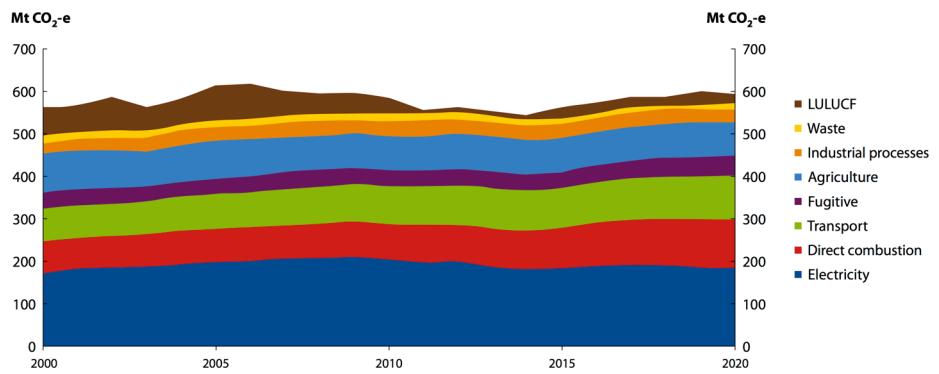
## Growth in Australian emissions by sector 2000-2020

2008-2012 relative to 2000: +3%

2020 relative to 2000: +3%, despite commitment of -5%

Australia's INDC: 2030 reductions 26% to 28% below 2005

Figure 5 Domestic emissions, 2000 to 2020

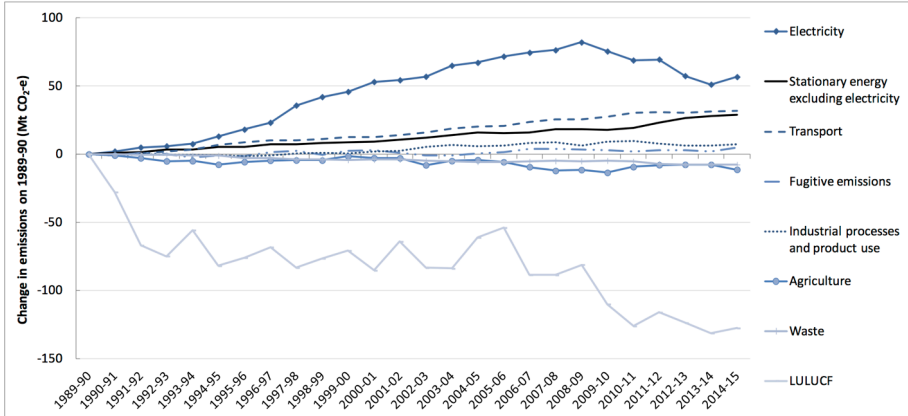


From "Tracking to 2020" Dept of Env.



## Change in emissions by sector: 1990-2015

Figure 6: Change in emissions by sector since 1990, Australia, 1989-90 to 2014-15<sup>4</sup>



Source: Department of the Environment.

Large falls in land clearing emissions, continued growth in transport and stationary energy emissions, growth in electricity emissions to 2020, then fall to 2013, then recent growth again.

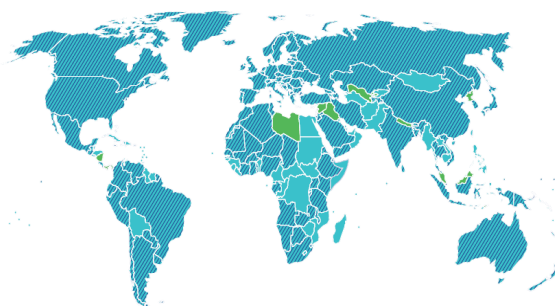
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## The Paris Agreement



Percentage of global emissions covered by targets



Not covered by targets



Percentage of global emissions covered by quantifiable and unconditional targets

### Outcomes

- ✓ 195 countries agreed to a shared approach
- ✓ Stronger global goal: achieve 'well below' 2 degrees, and pursue 1.5 degrees
- ✓ Five-yearly pledge and review mechanism

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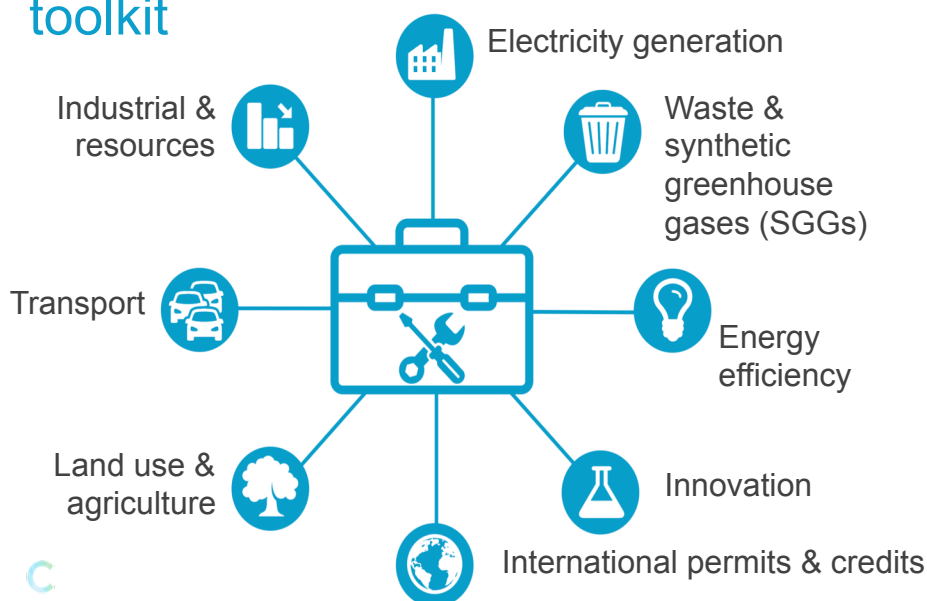
Source: Figure 2, CCA Special Review Report Three

## Approach to recommending policies

- To meet its commitments under the Paris Agreement, Australia will need a stable and effective policy toolkit that is capable of being scaled up to meet future emissions goals
- The Authority therefore recommends a toolkit that:
  - builds carefully on existing measures
  - incorporates new policies in a phased transition
  - has regular review points to assess Australia's progress towards the Paris goals and that of other countries, particularly our trade competitors.

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## The Authority's recommended toolkit



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## Electricity generation



Market mechanisms can reduce emissions at lower cost than would be possible otherwise

*Cost effectiveness*



Limited to Australian energy efficiency offsets to increase certainty for investors

*Environmental effectiveness*



Emissions intensity scheme brings lower price rises; less impact on low-income households

*Equity*



Flexible scheme – baselines can be adjusted to meet more ambitious climate targets

*Scalability*

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## Industry and resources



ERF offsets and international permits and credits can reduce costs

*Cost effectiveness*



Baselines tighten in line with Australia's obligations under the Paris Agreement

*Environmental effectiveness*



Flexible scheme – baselines can be adjusted to meet more ambitious climate targets


*Scalability*



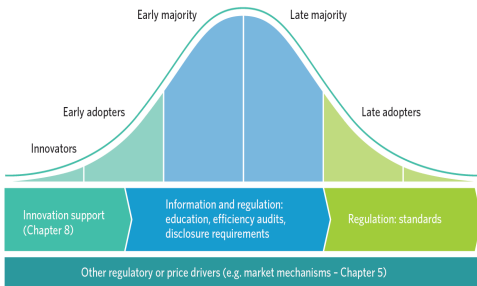
Emissions-intensive trade-exposed industry businesses may access unlimited international permits and credits, subject to strict qualitative limits

*International competitiveness*


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## Energy efficiency





- Continue and strengthen information and regulation programs such as building codes, efficiency disclosure requirements and appliance standards where cost-effective
- Harmonise state white certificate schemes; use eligible credits for electricity scheme

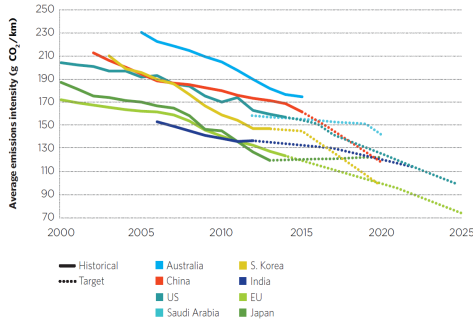
 **Cost-effective emissions reductions**

 **Substantial reductions are available**


 **Can reduce energy bills for low-income households**






## Transport




- An emissions reduction (CO<sub>2</sub>) standard for light vehicles and
- Cost-benefit analysis to investigate (CO<sub>2</sub>) standard for heavy vehicles
- 2022 review to consider coverage for safeguard or market mechanism

 **Large CO<sub>2</sub> reductions**

 **Motorists reduce fuel bills**

 **Standards are scalable**







## Land use and agriculture

- Continue to be covered by the ERF crediting mechanism
- Covered by ERF purchasing until the safeguard mechanism provides a source of demand
- Australian Government should support new method development and associated research to develop new opportunities
- A federal review of carbon and natural resource management policies



- Provides an incentive for low cost emissions reductions
- Reduces costs for firms under the safeguard



- Strong governance brings environmental integrity

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## In summary

- Stable policy tool kit
- Builds on existing measures
- Market mechanism for electricity generation
- Scalable to meet deeper emissions goals in the future
- Reviews to check policy settings



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## Minority report from 2 CCA members

- Prof Clive Hamilton and Prof David Karoly issued a Minority Report criticising some of the recommendations of the CCA Special Review Third Report
- They noted that the CCA Third Report:
  - is inconsistent with its CCA First Report of the Special Review,
  - does not meet Australia's commitments under the Paris Agreement, and
  - recommends policies that cannot be scaled up quickly enough to remain within Australia's carbon budget.



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## Australia's emission budget

CCA recommends 10.1 Gt CO<sub>2</sub>-e over 2013-2050 (~1% of global budget) based on modified converge-and-contract approach.

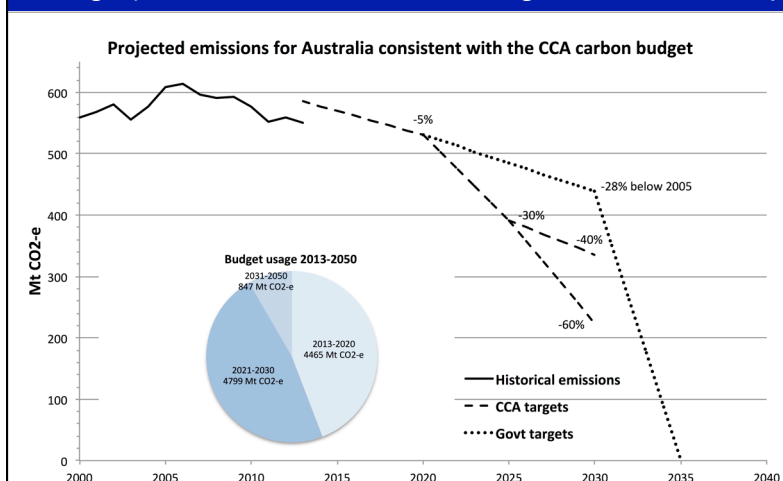


Fig 8 from CCA (2015),  
revised for Minority Report

## Drawbacks of emissions-intensity scheme for electricity

- Does not set a trajectory for absolute emissions
- Inadequate trajectory for emissions-intensity baseline
- Polluter only pays for incremental costs of emissions above baseline, not full cost
- No revenue flow to government, so no room to assist households and fund regional adjustment
- No other country has adopted an emissions-intensity baseline-and-credit scheme

## Problems with enhanced Safeguard Mechanism

- Inadequate trajectory for baseline reductions
- No incentives for covered entities to reduce emissions below baseline
- Different baselines needed for every product and industry



## Flaws in Emissions Reduction Fund

- Major expansion needed to meet targets would be immense drain on Federal budget
- Replacement of 'polluter pays' principle with 'pay the polluter' – bad economics and bad ethics
- Different baselines needed for every product and industry
- Serious concerns about additionality and permanence of contracted emission reductions, particularly in land sector



## Recommendations

- Adopt a carbon budget for setting climate change policy
- Cap-and-trade scheme for electricity and other sectors
- Increase Large-scale Renewable Energy Target
- Strengthen restrictions on land clearing
- Re-establish Carbon Farming Initiative for generating credits from land, agriculture and reforestation
- Emissions standards for all vehicles reducing to zero
- Support development of negative emissions technologies



## Summary

- The CCA released its Third Report of the Special Review on 31 August, with a toolkit of climate policies aimed at 26%-28% emission reductions below 2005 levels
- A Minority report was released by two CCA members
- The Third Report is inconsistent with the CCA First Report of the Special Review and its carbon budget
- The CCA Third Report recommends policies that are based on current government policies
- It does not provide an independent assessment of current Australian policies



## References

- Monitoring Australia's emissions  
<https://www.environment.gov.au/climate-change/greenhouse-gas-measurement/tracking-emissions>
- CCA First Report Special Review: Australia's future emissions reduction targets  
<http://www.climatechangeauthority.gov.au/Node/355>
- CCA Third Report, Special Review: Towards a climate policy toolkit  
<http://climatechangeauthority.gov.au/reviews/special-review/towards-climate-policy-toolkit-special-review-australias-climate-goals-and>
- Minority Report  
<https://www.climatecouncil.org.au/cca-minority-report>