



Review of the Carbon Farming Initiative and the Emissions Reduction Fund

**Interim Submission
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1.0 About us

The Western Australian Local Government Association (WALGA) is the peak industry body for Local Government in Western Australia. WALGA is an independent, membership-based organisation representing and supporting the work and interests of 138 Local Governments in Western Australia.

WALGA provides an essential voice for approximately 1,220 Elected Members and approximately 14,500 Local Government employees as well as over 2.5 million constituents of Local Governments in Western Australia. WALGA also provides professional advice and offers services that provide financial benefits to the Local Governments and the communities they serve.

2.0 WALGA's submission

WALGA thanks the Climate Change Authority for the opportunity to comment on its *Review of the Carbon Farming Initiative Legislation and the Emissions Reduction Fund* (the Review). The design of the Emissions Reduction Fund (ERF) (which is supported by the amended Carbon Farming Initiative (CFI)) has not been conducive to Local Government participation. As a result, most questions in the Review are not specifically relevant to Local Government. Our answers to the questions that are relevant to Local Government (Questions 31 and 43) are set out below at 5.0.

The rest of this submission is broadly focussed on making general comments about the design and operation of the ERF, and seeks to highlight Western Australian Local Governments' key concerns, opportunities and challenges in relation to climate change mitigation action and the impact of current climate policies upon Western Australian Local Governments.

Due to the timeframe of the consultation period, the comments contained in this submission have not yet been considered or endorsed by WALGA's State Council. Please be advised that as such this is an interim submission. WALGA reserves the right to modify or withdraw the comments as directed by State Council.

3.0 Climate Change and Local Government

Local Government recognises that the global climate is changing as a consequence of increased concentrations of greenhouse gas emissions in the atmosphere. Local Government considers climate change to be a serious threat to our current way of life and the Earth's ecosystems and acknowledges that delayed action on climate change mitigation and adaptation strategies will increase costs and potential liabilities to Local Government in a range of areas, particularly planning and infrastructure management and risk management.¹

¹ WALGA Policy Statement on Climate Change 2009. Available here: https://walga.asn.au/WalgaWebsite/media/EradsMedia/website_climatechange_Policy_Statement_Climate_Change_Feb2016.pdf.

Local Governments have a keen interest in climate change issues, and have been actively engaging in a wide range of climate change mitigation and adaptation actions for a number of years.²

The Local Government Climate Change Declaration³ was developed by WALGA and is a voluntary opportunity for Local Governments to demonstrate their political commitment to locally appropriate climate change adaptation and mitigation action. There are currently 40 Western Australian Local Government signatories, representing 65% of the Western Australian population.

Unfortunately, there is currently little in the way of long-term State and Commonwealth plans or resources directed to climate change action. There is a particularly significant policy vacuum within the Western Australian Government, with negligible demonstrated and coordinated leadership and long-term planning across all areas. For example, the WA Government Climate Change Strategy⁴ which was released in October 2012 is inadequate and in need of an update and review.

4.0 Local Government participation in climate change mitigation programs

In the past, Western Australian Local Governments have been key delivery agents of Australian Government climate change mitigation programs, such as the Community Energy Efficiency Program (CEEP), the Local Government Energy Efficiency Program (LGEEP) and the Cities for Climate Protection (CCP):

Program	Program dates	WA Local Government participants
Cities for Climate Protection	1999-2006	30
Local Government Energy Efficiency Program (LGEEP)	2011-2014	50 (includes 1 WALGA grant)
Community Energy Efficiency Program (CEEP)	2011-2016	15 (includes 1 WALGA grant)
Emissions Reduction Fund (ERF)	2014-present	2 (both transitioned from the CFI)

² See for example WALGA's *Local Government Climate Change Project Map*: <http://www.walgaclimatechange.com.au/clickable-map.htm>.

³ For further information see here: <http://www.walga.asn.au/Policy-Advice-and-Advocacy/Environment/Climate-Change/Climate-Change-Policy-and-Advocacy.aspx>.

⁴ Western Australian Government (Department of Environment and Conservation), *Adapting to Our Changing Climate*. Available here: <https://www.der.wa.gov.au/images/documents/your-environment/climate-change/adapting-to-our-changing-climate-october-2012.pdf> (Accessed 11 July 2017).

Under the CEEP there was one WALGA grant, and 14 individual Local Governments grants; under the LGEEP there was one WALGA and 49 individual Local Government grants.⁵ Under the CCP program, 30 Local Governments committed.⁶

These grants assisted Local Governments in undertaking a wide range of building energy efficiency, LED street lighting and geothermal projects.

The Australian Government's climate change policies now offer very little in the way of enabling Local Government mitigation action. The ERF offers the *potential* for funding of mitigation action by Local Governments. Unfortunately, key features of the ERF hamper participation by Western Australian Local Governments. In particular, the relatively high emissions reduction threshold of 2,000 tCO₂-e per year means that only the larger Local Governments (and large projects within those Local Governments) might be eligible to bid in the ERF. To date, no Western Australian Local Government Project has successfully bid in the ERF. There are just two WA Local Government Projects which are part of the ERF, both of which were transitioned from the Carbon Farming Initiative⁷.

We note that the ERF does make provision for project aggregation, and at the end of 2015 WALGA commissioned a scoping study to consider whether it might be viable for WALGA or a third party to act as a project aggregator, allowing Local Governments to 'pool' emissions reductions projects in order to participate in the ERF. The scoping study identified the following hurdles:

- if projects of different types were aggregated, the auditing and compliance costs would be higher (eg, five projects under five different project methods would require five compliance reports to be provided to the Clean Energy Regulator);
- when considering the bidding price for the ERF, the aggregator would need an Australian Financial Services Licence (AFSL), or would need to seek external advice from an entity holding an AFSL (an added complication / expense); and
- funding through the ERF would be unlikely to cover any substantial part of the costs of common Local Government projects, and would only really be 'icing on the cake'.

While WALGA has not ruled out the possibility of taking on a role to assist Local Governments to aggregate projects for an ERF bid, given these hurdles this option is not being actively pursued.

⁵Department of Industry, Innovation and Science, *Grant Recipients – Community Energy Efficiency Program*:

https://industry.gov.au/AboutUs/LegalandLegislativeReporting/Grants/EnergyEfficiency/Pages/Grants_CEEP.aspx; *Grants Reporting – Energy Efficiency*:

<https://industry.gov.au/AboutUs/LegalandLegislativeReporting/Grants/EnergyEfficiency/Pages/default.aspx> (Accessed 22 September 2017).

⁶ Department of the Environment and Energy, *CCP Australia Council Profiles*:

<http://www.environment.gov.au/archive/settlements/local/ccp/database.html#walga> (Accessed 22 September 2017).

⁷ Projects are the City of Armadale's landfill gas flaring project (details [here](#)), and the Southern Metropolitan Regional Council's Waste composting facility (details [here](#)) (Accessed 22 September 2017).

The reverse auction mechanism poses issues for Local Government and other non-commercial and small business sectors. This is because heavy industry, being much less efficient and having greater economic flexibility, is able to provide bids that other sectors cannot compete with. The Australian Local Government Association (ALGA) has previously advocated for the ERF to be broken into sectors to allow smaller and non-commercial entities to participate, and so that the ERF coverage would maximise reductions across the economy⁸.

There are some significant mitigation projects that could be implemented at the Local Government Level, such as:

- energy efficient LED public light retrofits (including lighting on council property such as council buildings, recreation areas etc. and streetlights across Western Australia);
- other building energy efficiency retrofits, and utilisation of geothermal, PV and battery storage; and
- waste facility upgrades such as capture and combustion of landfill gas.

However, the current Australian Government climate change policies do not lend themselves to being utilised by Local Governments. Rather, the ERF emissions reduction threshold, in addition to the costs involved for a Local Government seeking to participate, has resulted in these substantial potential emissions reductions not being realised.

It is recommended the Australian Government climate change mitigation policy settings include measures which can take advantage of the substantial emissions reductions that can be achieved by Local Governments.

4.1 Further opportunities

Another hurdle to Western Australian participation generally in the CFI and now the ERF, has been the fact that rights granted under rangelands areas in WA appear to be insufficient to allow for ERF activities (carbon sequestration, savanna burning etc.).⁹ Given that rangelands make up 87% of Western Australia's land area (an area more than Tasmania, Victoria, South Australia and New South Wales combined), this limitation in Western Australia is significant¹⁰. Pastoralists and natural managements groups are very interested in the potential for carbon farming activities in the rangelands and Local Governments are keen to support sustainable and diversified opportunities in the rangelands. The WA State Government has been pursuing

⁸ ALGA, *Submission in response to Review of Climate Change Policies* (2017). Available here: http://alga.asn.au/site/misc/alga/downloads/submissions/2017/climate_review.pdf. (Accessed 22 September 2017).

⁹ WA Government (Department of Primary Industries and Regional Development), Carbon Farming and Rangelands Restoration: <https://www.agric.wa.gov.au/carbon-farming/carbon-farming-and-rangeland-restoration>. (Accessed 27 September 2017).

¹⁰ D Green 'Pastoral lease changes to unlock WA's vast outback potential', Domain, 19 February 2016. Available here: <https://www.domain.com.au/news/pastoral-lease-changes-to-unlock-wa8217s-vast-outback-potential-20160221-gmyir2/>. (Accessed 27 September 2017).

Rangelands reform to provide diversified opportunities for leaseholders, but legislative change is required to implement planned reforms.

5.0 Answers to Review questions

As noted previously, the design of the ERF has not been conducive to participation by Western Australian Local Governments. As a result, most questions in the Review are not specifically relevant to Local Government. Our answers to the questions that are relevant to Local Government are set out below.

Question 31: Is there too much emphasis placed on the least cost principle?

In WALGA's view, yes. As noted above, heavy industry, being much less efficient and having greater economic flexibility, is able to provide bids that other sectors cannot compete with. ALGA has previously advocated for the ERF to be broken into sectors to allow smaller and non-commercial entities to participate, and so that the ERF coverage would maximise reductions across the economy¹¹.

Question 43: What role should the ERF play in meeting Australia's future international targets?

The design and cost of the ERF would appear to preclude it from playing a major role in meeting Australia's future international targets.

As noted in WALGA's Policy Statement on Climate Change, *Local Government acknowledges that no single policy measure will provide a solution to climate change... a wide range of policy measures - from regulatory intervention and market-based mechanisms through to voluntary schemes, education and behaviour change programs - are required to successfully achieve appropriate and adequate emission reduction targets*¹².

As previously noted in this submission, there are significant mitigation actions that can be undertaken by Local Governments themselves, and which can be enabled by Local Governments. However, the ERF does not readily lend itself to supporting this type of mitigation action.

WALGA recommends that Australian Government climate change mitigation policy settings should include measures which can take advantage of the substantial emissions reductions that can be achieved by Local Governments.

¹¹ ALGA, *Submission in response to Review of Climate Change Policies* (2017). Available here: http://alga.asn.au/site/misc/alga/downloads/submissions/2017/climate_review.pdf. (Accessed 22 September 2017).

¹² WALGA *Policy Statement on Climate Change 2009*. Available here: https://walga.asn.au/WalgaWebsite/media/EradMedia/website_climatechange_Policy_Statement_Climate_Change_Feb2016.pdf.

6.0 Conclusion

Western Australian Local Governments and WALGA have, in the past, been significant participants in Australian Government mitigation programs. Effective mitigation policies need to involve all levels of government, key sector stakeholders and the community in working to reduce emissions and adapting to the impacts of climate change.

Strong leadership from the Australian Government is needed to provide effective, consistent and long-term policies along with ambitious emission reduction targets. This leadership, resourcing and support will assist Local Governments to effectively play their part in taking action on climate change.