

**Submission to  
Climate Change Authority**

**In Response to Discussion Paper**

**“Updating the Authority’s Previous Advice on Meeting the Paris Agreement”**

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- **What aspects of Authority's previous recommendations remain valid and why?**

In broad terms, the Authority's previous recommendations remain valid, as they were stated as providing the most efficient and achievable way forward. However, Australia's GHG emissions continue to rise and, in some cases at least, this is because the government has not followed the good advice that has been provided by the Authority and others. In other cases, such as light vehicle emission standards, progress has stalled, and in other cases policy has collapsed into a vacuum because elements within the government have been unable to agree on the way forward (e.g. The National Energy Guarantee). Overall, there is a genuine lack of Political Will to actually reduce emissions. Vested interests seem to rule the roost and statements that "we are on track" to genuinely meet either the 2020 or 2030 targets are patently false.

- **For the Industrial Sector** (Direct Combustion, Industrial Processes & Fugitive Emissions):
  - Safeguard Mechanism
    - The safeguard mechanism is seen as a failure, because GHG emissions continue to rise. The safeguard baselines need to be tightened further to ensure that emissions begin to fall or, in the case of fugitive emissions, are at least offset. There has been a substantial increase in fugitive emissions arising from LNG production and export. These need to be offset as a matter of course and the LNG companies need to bear the cost. The polluter should pay.
      - As I see it, it is disgraceful in the extreme that some coal mines (such as Anglo American's Moranbah North mine) have been allowed to increase their emissions by ~1Mt without penalty.<sup>1</sup> This does nothing to help Australia reduce its GHG emissions.
      - Australia now has a safeguards mechanism that is supposed to reduced emissions but, in fact, allows them to rise.
    - I agree that threshold baselines should not be allowed to increase – these need to be tightened in accordance with Australia's commitments under the Paris Agreement.
    - International Offsets should only be used if genuine emission offsets can be guaranteed and verified and the issue of 'additionality' is addressed: (i.e. no offsets to be allowed for projects that would have proceeded anyway). Otherwise, offsets should be sourced within Australia and should be monitored and verified.
- **For the Electricity Sector**
  - An Emission Trading Scheme has not been developed and this is unlikely to occur under the current government which is ideologically opposed to any form of price on carbon.

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<sup>1</sup> <https://www.theguardian.com/environment/2019/aug/17/scott-morrison-blasted-by-pacific-heat-while-trying-to-project-calm-on-climate>

- The government's broad target for a 26-28% reduction in emissions in the electricity sector (and in each economic sector) seems to be the approach adopted by government to achieve its overall emissions reduction objective. Targets alone are not sufficient. What is required is a policy framework that will encourage investment in the renewable electricity sector before the current Renewable Energy Target comes to an end.
  - In addition, smart metering with the ability to control devices such as air-conditioners should be considered. This may require some form of incentive but is likely to be more cost effective than increasing generating capacity to meet demand. Ability to control the electrical load in this way will assist in overall reliability when peak generation is being approached on hot days.
- The continued fall in the price of renewable energy generation, particularly solar powered generation, will ensure the transition continues. However, this will require planning and implementation of new transmission infrastructure, combined with appropriate levels of storage, to couple renewable generation into the grid reliably.
  - Regrettably, from my perspective, the government is ideologically opposed to wind power generation and sees this as 'dangerous' because of the variable output under low wind conditions. However, when properly planned, integrated with other generation and backed up with storage (small-scale pumped hydro or battery) it should not be seen in this way.
  - The cost of renewable electricity generation has now fallen to the degree where new fossil fuelled generation, particularly coal-fired generation, will not be cost-competitive in the future. In this regard, it is disturbing that the government will not rule out taxpayer funding for extending the life of existing coal-fired generators (e.g. Liddell) or building new coal-fired generators. While the government wants renewables such as wind to be backed up by storage, there is no such requirements for aging coal-fired generators which are unreliable and notoriously fail in the hot summer months.
- As the RET is scheduled to end, it is important that a tighter emissions reduction target is set for the electricity sector that will provide enhanced investor certainty, ensure reliability, and drive emissions to net zero by 2050.
  - It will be much easier to decarbonise the economy through the electricity sector rather than in other sectors where 26% emissions reduction by 2030 will be much more difficult to achieve. Accordingly, it is desirable that the emissions reduction target in the electricity sector be increased / accelerated. With good planning, this should be achievable and this will provide the required certainty for investment. Furthermore, a decarbonised electricity sector paves the way for increased demand for electrical vehicles (PHEV's, EV's), thus reducing emissions in the light transport sector.

- In the absence of any other policy, AEMO’s ‘fast-track’ approach, outlined under AEMO’s Integrated System Plan, is seen as a desirable way forward. Better still, AEMO is reported to be developing a “Step Change” option.<sup>2</sup> The government should at least consider these options.
  - Reducing coal-fired generation over time will also have an additional benefit of reducing toxic air pollution and improving health outcomes, particularly in the Latrobe Valley and Lake Macquarie / Hunter Valley areas.<sup>3</sup>
- National Energy Guarantee
  - The abandonment of the government’s originally proposed National Energy Guarantee (NEG) is seen as a major Energy Policy failure. While far from perfect, it would have been better than nothing. What is required is a policy that will link the guarantee of energy supply to meet demand, together with a requirement to reduce emissions in the electricity sector over time.
    - It would be worthwhile for the Authority to recommend that the government reconsider implementation of the NEG and that this should be linked to emissions reduction in the electricity sector.
  - There is a need to plan for the retirement of the aging, and in many cases unreliable, components of the coal-fired generation fleet. A timetable for the gradual phase-out of coal-fired generators should be considered. How this is achieved is seen as an issue for Government and Industry. A system similar to that proposed by Jotzo and Mazouz<sup>4</sup> could also be considered.
    - Such a mechanism would:
      - Integrate GHG emissions reductions into the electricity section;
      - Encourage replacement of old, inefficient (and often unreliable) generating systems with new ones;
      - Be technology neutral;
      - Provide certainty to the industry regarding the parameters that govern the electricity market into the future.

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<sup>2</sup> <https://reneweconomy.com.au/finally-australia-is-about-to-have-a-plan-to-de-carbonise-the-grid-63117/>

<sup>3</sup> <https://www.theguardian.com/environment/2019/aug/19/australian-power-stations-among-worlds-worst-for-toxic-air-pollution>

<sup>4</sup> <https://www.theguardian.com/environment/2015/nov/19/radical-plan-proposes-power-generators-pay-to-close-dirty-coal-competitors>

- End RET by 2030.
  - I have no issue with the renewable energy target ending in 2030. The transition is underway and the falling cost of renewables should ensure the transition continues. However, the RET cannot be left ‘to die’ in isolation. There is a distinct lack of policy direction and a firm policy platform, along the lines outlined by AEMO, is required to ensure investor certainty and to reduce emissions further in the electricity and other sectors.
  
- **For the Transport Sector**
  - Transport Emissions for light vehicles:
    - General: This has been an on-going issue under both Labor and Coalition governments since 2008<sup>5</sup> when the Hon. Anthony Albanese released a discussion paper on behalf of the Australian Transport Council and the Environmental Protection and Heritage Council in relation to vehicle fuel efficiency measures, including CO2 emission targets for new light vehicles. Despite on-going discussions, no worthwhile outcome has occurred. The Coalition government has largely caved in to demands of Federal Chamber of Automotive Industries (FCAI) and not progressed issues further. However, in its *Response to the Vehicle Emissions Discussion Paper (8 April 2016)*, the FCAI stated “The FCAI/industry supports introduction of a mandated CO2 standard”, but it has subsequently sought to frustrate the introduction of a Standard.
    - The time for further discussions with the FCAI or other vested industries is over. The draft proposal presented for comment seemed reasonable and while it would increase the capital cost of new vehicles, the cost would be recovered in fuel savings.
      - The government should introduce the necessary legislation as soon as practicable, seeking bi-partisan support from the Opposition.
      - Failure to act on light-vehicle emissions will most likely mean that emissions in the transport sector will continue to rise.
  - Cost-benefit analysis for emissions reduction in heavy vehicles.
    - This is reasonable. In the medium to longer term, hydrogen may be seen as a suitable fuel for heavy vehicles. Excess peak electricity generation from renewables could be used to produce Hydrogen at low cost for use in the heavy vehicles and trials along these lines may be worthwhile.

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<sup>5</sup> <https://anthonyalbanese.com.au/vehicle-fuel-efficiency-report-released-for-public-comment-2>

- Conduct Further Work into the Best Roles of Public and Private Providers in Delivering Electric Vehicle Infrastructure:
  - Hopefully, some thought has already been given to this. What we don't need is another 'talk-fest' on the best way forward with no action. I am ambivalent about whether this should best be done by public or private providers. That can't be a difficult decision. What we need to do is get on with the job!
  - The move to electric vehicles is inevitable and the provision of infrastructure for electric vehicles would be most worthwhile, particularly at a time when economic growth is low. If jobs are an issue and the economy needs to be stimulated – which appears to be the case – then the government could do worse than set up a mechanism for the roll-out of charging infrastructure for electric vehicles.
    - The government can play a vital role by providing the necessary leadership in this area. This might include:
      - Setting targets for the uptake of electric vehicles and implementing policies to achieve this.
        - The government could take a lead by setting targets for the purchase of electric vehicles within the government fleet.
        - Increasing the uptake of vehicles will, over time, reduce our dependence on oil. Our strategic supplies of petroleum are extremely low;
      - Following the examples set by Canada<sup>6</sup> and New Zealand<sup>7 8</sup> – it is largely a matter of political will and keeping an open mind that can see beyond the continued use of fossil fuels where other alternatives are available;
        - New Zealand (pop ~4.8 million) now has ~15,000 electric vehicles and numbers have approximately doubled year on year since 2013. Canada (pop 37.4 million) has over 81,000 electric cars. Australia (pop 25.4 million) has ~ 5,000 EVs. On a comparative population basis, Australia could, by now, have had at least 55, 000 electric vehicles, but there is no policy to drive the uptake.
      - Either directly investing in recharging infrastructure or providing incentives for others to do this.
    - The uptake of electric vehicles and the consequent lowering of emissions, particularly in cities, will also have significant benefits from a health perspective.

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<sup>6</sup> <https://www.caa.ca/electric-vehicles/government-incentives/>

<sup>7</sup> <https://www.transport.govt.nz/mot-resources/vehicle-fleet-statistics/monthly-electric-and-hybrid-light-vehicle-registrations/>

<sup>8</sup> <https://myelectriccar.com.au/new-zealand-announces-ev-incentives/>

- **For the Emissions Reduction Fund (ERF)**

- I have very mixed views about whether or not the ERF should transition away from government to private sector purchasing of offsets.
  - In principle there is no reason why required offsets could not be purchased in the private sector. There are already private companies that provide offsets, albeit not under a reverse auction scheme.
  - However, such a move could perhaps be construed as the government trying to weasel out of its responsibilities regarding climate change action.
  - Key question are:
    - “Was the government ‘fair dinkum’ about allocating \$2 billion in the budget for a rebadged ERF (Emissions Solutions Fund) – or did it intend to offload its responsibility for this?”
    - Will a privatised ERF be more efficient and cost-effective, or would privatisation mean that there are additional costs? (Private companies work on a cost-plus basis).
    - Will government oversight still be required to ensure integrity of offsets and to ensure that “additionality” is a requirement. “Anyway” projects that were going to be done anyway, should not be eligible under any form of ERF.
- The renewed government funding for the ERF under its “Climate Solutions Fund” is \$2 billion over 15 years (average \$333 million pa), which is considerably less funding for ERF abatement on an annualised basis than in previous years. Some sources estimate that the ERF has effectively been slashed by \$70m per year.<sup>9</sup> It is hard to see that the government is *really* enthusiastic about the ERF.
- Despite the CCA’s previous comments that the ERF has been a success, many would call it an abject failure. As the government’s principle means of achieving its emissions reduction target, it has failed to actually reduce emissions – they are still rising. Furthermore, interest in purchase of abatement seems to have largely dried up with few bidders at the last auction. (The purchase of abatement at the last auction purportedly amounted to only 0.01% of Australia’s annual greenhouse emissions).<sup>10</sup> If this is true then the ERF is no longer fit for purpose.
- Privatisation of the ERF should not be seen as an ‘out’ for the government to spend less on climate change / emissions reduction / abatement.

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<sup>9</sup> <https://www.theguardian.com/environment/2019/apr/02/coalition-climate-solutions-fund-must-last-further-five-years>

<sup>10</sup> <https://www.theguardian.com/environment/2019/aug/17/scott-morrison-blasted-by-pacific-heat-while-trying-to-project-calm-on-climate>

## Achieving a Net Zero Emissions Economy in the Long-term

- Firstly, the Federal Government needs to make a commitment by announcing a target date for a Net Zero Emissions Economy and then develop a coherent set of policies to reach the target. Given the nature of the Paris Agreement, and the fact that Australia is a developed economy, it is my view that Australia should aim for a net zero target date of 2050.
  - 2050 is an ambitious date. However, states such as NSW have announced a 2050 zero net emissions date, albeit that NSW has insufficient policies in place to achieve this. The Federal government's policies are spasmodic and emissions continue to rise.

The government needs to set the target (it is just a target), and then develop comprehensive strategies and policies to meet the target.

    - Ideally, both major parties should be across such an approach as this requires medium to long-term planning and we can no longer afford to chop and change policy at every change of government.
    - Ideally, a truly independent statutory body, along the lines of the Climate Change Commission in the UK, should be set up to oversight this, with responsibility to report directly to the parliament.
  - Well-developed policies will mean changes and changing the way we do things. It will bring new opportunities and introduce new jobs. With the impending change, there is a requirement to train our own people at both professional and para-professional levels to meet the challenges ahead.
  - The risk is that if we are not up to the challenge, emissions will continue to rise, with a consequent rise in temperatures. Australia is highly susceptible to the effects of increased global warming and climate change.

## Sectorial and Economy-wide Policies

- The failure of the National Energy Guarantee is seen as a major barrier to realising the necessary emissions reductions, because the electricity sector is seen as being central to achieving the bulk of emissions reductions. Decarbonising the electricity sector is a pre-requisite to emissions reductions in the light transport sector. The CCA should do all that it can to encourage the Federal Government to work with the States and bodies such as AEMO, AEMC and the AER, to fast-track the transition to renewable energy with storage.

## International Context

- What role should carryover from earlier commitments play?
  - As I see it: **ABSOLUTELY NONE!!**
    - Para 107 of the Paris Agreement "Encourages Parties to promote the voluntary cancellation by Party and non-Party stakeholders, without double counting of units issued under the Kyoto Protocol, including certified emission reductions that are valid for the second commitment period;"



- I can see no valid reason for Australia to claim “Kyoto units” for carryover in the *non-Kyoto* period. It is against the spirit of the Paris Agreement and would effectively allow Australia to reduce its actual emissions from ~560Mt at present to ~510Mt in 2030, rather than ~450Mt if a full 26% reduction was applied. <sup>11</sup>
- Any further erosion of Australia’s emissions reduction obligation is considered unacceptable. Genuine and real emissions reductions are necessary.

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<sup>11</sup> <https://www.afr.com/policy/energy-and-climate/explained-why-kyoto-carryover-credits-are-so-important-20190402-p519ws>