Submission to the Climate Change Authority for the Caps and Targets review 2013

Climate Action Network Australia (CANA), on behalf of its 70 members from across Australia[1], welcomes the opportunity to submit to the Inquiry by the Senate Standing Committee on Environment and Communications into trends and preparedness for extreme weather events.

The submission below has been uploaded via the website, but the formatting may be clearer below so CANA is also submitting its evidence in this paper.

Climate Change Authority queries	Comments by CANA
Specific questions	
What should Australia's 2020 emissions reduction target be? Why?	Australia should set an emissions reduction target of at least 25% by 2020. Australia's current 5% minimum target is well below one which meets global responsibility, equity or our national interest to moving to clean economy. It is in Australia's national interest to limit impacts of climate change, and to move to a clean economy. Climate change is affecting us now - we can act on it now and it is economically more beneficial to do so quickly and strongly. In work commissioned for the Australian Government, the Garnaut Review showed that it is cheaper to act too strongly now, than to act weakly and have to sharply increase action in the future[2] - even if climate change is not as damaging as projected. According to the Intergovernmental Panel on Climate Change (IPCC), industrialized countries (the Annex 1 Parties to the UNFCCC), including Australia, must collectively reduce their emissions by 25% to 40% below their 1990 levels by 2020 in order to have a 50% chance to limit global warming to 2°C[3]. Given that a 2°C rise will have substantial damaging impacts for Australia[4] and the world, a limit to 1.5°C of warming is considered more in keeping with our national interest. Hence a 25% reduction should be the minimum considered for the 2020 target and a more appropriate response would be a stronger reduction given considerations of national

[1] http://cana.net.au/hot-topics/cana-member-organisations

[2] Garnaut Climate Change Review (2008)

[3] AR4 Working Group III, Mitigation of Climate Change

[4] G. Pearman (2008), *Climate Change Risk in Australia Under Alternative Emissions Futures.* Report prepared by Graeme Pearman consulting for the Australian Government Treasury, accessed May 2013 http://archive.treasury.gov.au/lowpollutionfuture/consultants_report/downloads/Risk_in_Australia_under_alternative_emissions_futures.pdf

	interest, equity and the precautionary principle. The economic and social implications of climate change are strongly negative and far outweigh the costs of action. Modelling also shows it cheaper to have a strong target that is not achieved (and have to buy permits) than a weak target and then be forced into late action and the risk of stranded assets. Given current global targets have us on track for 4°C temperature rise without further action[5] all countries should raise their ambition. Other countries will not raise their ambition if a country like Australia doesn't bring emissions to a more acceptable level. The changes to the economy and carbon price scheme also means that it will be cheaper to achieve higher levels of abatement – although this may be through paying for action outside of Australia.
What should Australia's annual emissions limits (the trajectory) and total emissions (the budget) be between 2013 and 2020? Why?	The Authority should define the long term global budget first, define Australia's fair share and a national budget over the long term. An indicative trajectory should make cuts of at least 25% by 2020 and reach the longer term goals as well as the overall purpose of limiting global warming to 1.5°C. These longer term measures to define a national budget between 2013-20. This should be used to set targets for 2020, 2030 and 2050 and use to set the caps. The consideration of social and environmental benefits and Australia's national interest underpins the benefits of setting strong targets now and using clear long term policy goals to determine short term action.
What should Australia's annual emissions caps for the carbon pricing mechanism be for 2015/16 to 2019/20? Why?	In order to set caps the Authority will need to make an assumption of what uncovered sections will achieve in order to meet the overall target. The precautionary principle should be applied to cap setting to allow for uncertainty on uncovered sectors and allow for changes in state legislation and practice.
Post 2020: What guidance should the Authority provide the Government on emissions reductions post-2020? Over what timeframe, and in what form?	The Authority should set reduction goals out to at least 2050 in order to provide guidance on how the 2050 target will be met and provide greater confidence and clarity. CANA supports a budget setting approach – it is a method which clearly connects the amount of pollution which can be emitted to the impact on climate to budget to trajectory to caps. Australia's budget can then also be compared with the global budget in a transparent way providing an indicator of comparability of international action. In order to meet Australia's international undertakings, global carbon budget should be set which allows for

[5] Climate Action Tracker September 2012 update, accessed May 2013 http://climateactiontracker.org/news/131/Changes-in-temperature-estimates.html

	an 80% chance of limiting climate change to 1.5°C rather than 2°C. 80% emissions reductions by 2050 should be considered a minimum by which Australia should reduce its pollution, given the scale of global cuts necessary to avoid dangerous climate change and the fair share of these reductions for Australia[6]. Australia is in the worst polluters club (15th largest emitter and 1st highest per capita emitter in the OECD). Equity demands that Australia should cut its emissions substantially and quickly.
Australia's Progress: What should the Authority consider in assessing Australia's progress against its medium (2020) and long term (2050) emissions reduction targets?	It is in Australia's national interests both to reduce emissions and shift the economy from emissions intensive activities for health, social and economic reasons. The level of the carbon price under current projections will not achieve the necessary shift across the economy without complementary measures – notably on the power sector. The impact on the electricity sector shows that it is the RET combined with the CP and other factors not related to policy that is driving the drop in emissions, so milestones should include measures other than emissions. Given the Authority is choosing to focus on the electricity sector, CANA recommends including measures on levels of renewable energy. CANA's view is that the renewable energy target for the LRET must be maintained at the current level for 2020 and targets set for 2030 and 2050 to create effective levels of investment confidence out beyond 2016. CANA understands that this review will not set targets for the LRET, but equivalent milestones would create expectations that policy will continue to drive the shift to renewables. The Authority should create indicators on the degree to which different layers of policy work together effectively - e.g. is state planning law or lack of emissions standards making abatement slower to kick in and therefore ultimately more expensive or is it helping drive change? It would benefit Australia to consider goals which consider the likelihood of sectoral approaches being agreed in plurilateral negotiations. The CCA should consider emissions from a range of activities – especially those most likely to be affected by international agreements (international shipping and aviation, but also potentially on steel and cement).

[6] In order to keep warming levels below 1.5 degrees Celsius, the Alliance of Small Island States has proposed that global emissions peak by 2015 and then decline to 85 per cent below 1990 levels by 2050. This would give the world a 75 per cent chance of keeping warming below 1.5°C
http://www.climateinstitute.org.au/verve/_resources/ClimateAnalytics_ChangingTrack_report_December2009.pdf

degrees by 2100. Hare, B & Schaeffer, M (2009) *How Feasible is changing track?* Accessed May 2013
http://www.climateinstitute.org.au/verve/_resources/ClimateAnalytics_ChangingTrack_report_December2009.pdf

	The CCA should at least set out a clear timeline and processes for possible inclusion of shipping and aviation under Australia's cap. This should also identify the potential scale of international financing contributions attributable to Australia under these sectors.
Issues raised in Chapter 6	
Whether Australia's emissions reduction goals should be aligned with its commitments under the Kyoto Protocol, or instead address a wider range of emissions and activities (for example, emissions from international shipping and aviation) (Section 3.1.2)	Emission reductions goals should meet or exceed the range of the commitments under KP (i.e. the conditional targets) – and consider that Australia's Cancun pledge and Kyoto targets are just part of our existing undertakings and that international obligations to take action on reducing climate change are highly likely to increased.. As mentioned above, there is a strong likelihood of sectoral approaches and it would therefore benefit Australia to have goals which have already considered this possibility. The CCA should consider emissions from a wider range of activities – especially those most likely to be affected by international agreements (international shipping and aviation, but also how there may be initiatives on steel and cement).
How targets, trajectories, budgets and caps might be framed to help reduce uncertainty, and assist in managing risks in Australia's transition to a low-emissions economy (Section 1.2.3.)	Australia has a high carbon exposure – both because it is vulnerable to impacts of climate change and because it has a carbon intensive economy. Garnaut has shown that it is cheaper to act too strongly and be wrong about CC than to act weakly and have to sharply increase action in the future[7]. It has also projected to be cheaper to have a strong target that is not achieved (and have to buy permits etc) than weak target and be forced into late action and the risk of stranded assets.
The global emissions budget of most relevance to Australia's emissions reduction goals (Section 3.2.1)	As above The CCA should use a global carbon budget with an 80% probability of being able to limit to 1.5C, and provide comparisons with a budget that provides an 80% chance of limiting to 2C. This is to ensure Aus can meet international obligations and because 1.5C is more realistic in terms on national interest given the vulnerability of Aus to CC.
The merits of different principles and approaches	How different countries define and justify their fair share is currently being considered in the UNFCCC talks.

[7] Garnaut Climate Change Review (2008),

to determining Australia's fair and defensible share of the relevant global emissions budget (Section 3.2.3)	This is likely to be advanced further during next set of Bonn talks (June 3-14). CANA recommends a set of indicators based on criteria in the Convention: adequacy of the collective effort to avoid climate change, responsibility – who's responsible for putting what in the atmosphere capacity – who has the ability to do how much, and development needs – access to sustainable development These indicators would be used to assess level of for targets set by countries as part of global agreements. The caps and targets set by the Authority should be able to be justified according to these indicators given that Australia's negotiators and political leaders will be held to account in a range of forum including the UNFCCC. And additional issues that should be considered by the CCA is how Australia's fossil fuel exports will affect the budget. Should Australia continue its current path of aggressive expansion of exports this will tend to delay other countries shifts to low-carbon economies – particularly in the developing world. These exports are therefore increasing competition for each share of the global carbon budget, in addition to preventing a shift to a clean economy and risking stranded assets in fossil fuels and infrastructure.
The extent to which the Government's existing 2020 target conditions have been met (Section 3.2.2)	Conditions for range of targets have been met for at least the 15% target – according to a range of analyses including by Treasury [*ref analysis received by FOI. TCI and others]*
The countries (for example, other developed countries with a similar standard of living, other major emitting economies or trade competitors) Australia should compare itself with in determining its appropriate emissions reduction goals, and the appropriate comparative metrics for this purpose (Section 3.2.2)	Australia should consider: Equity, fairness and creating a credible position for action Its own vulnerability to climate change How much Australia is in the worst polluters club Australia (15th largest emitter and 1st highest per capita emitter) The cost of having a highly fossil fuel dependent economy. Policy to reduce carbon pollution should be set on the basis of these factors and then additional measures should be taken on how to mitigate competitiveness concerns and issues about carbon leakage – through complementary policies rather than weakening climate action. NB carbon leakage has already been the result of structural adjustment of economy from Australia's high wages, strength of our dollar and more recently

	high land values. As mentioned, social and economic implications of climate change should be considered as drivers not limits. Decarbonising our economy should include a shift in electricity production from coal and gas to renewables, moving away from fossil fuel extraction and reducing the emissions intensity of our industries.
Whether – and to what extent – Australia's actions might influence other countries (Section 3.2.2)	Australia is an important middle power. This has arisen from a range of factors – who we trade with, good relationships with China and the USA, our role as chair of the Umbrella Group, being forthcoming chair of the G20 and our involvement in major plurilateral climate meetings (e.g. Major Economies Forum on Energy and Climate). As a member of Cartegena Dialogue, Australia has played a key role in helping Australia's credibility enhanced by carbon pricing, complementary measures in the CEF package, the Renewable Energy Target and by Australia being in both commitment periods of the KP. However our political capital is losing value because of the low mitigation ambition, favourable treatment under land sector rules and the current position on climate finance. The CCA should recommend an increase in the emissions reduction target to at least 25% by 2020 to restore our reputation and create momentum in the talks. It will be through a global treaty that large economies ensure potential competitors are meeting the commitments they have made and not disadvantaging their own industries. In this context, a policy that can meet stated international targets is central to building the credibility of the emerging architecture, building global ambition and avoiding negative responses from other major economies (e.g. border tariffs).
How Australia's carry-over of emission units from the first commitment period of the Kyoto Protocol might best be used (Section 3.1.2)	At Doha 2012, the Australian delegation made it clear that the carry over its surplus emission units would only be used to cover excess emissions over the period from 2013-2014 until the emission cap was implemented in 2015.[8] In Australia was treated very generously under the Kyoto Protocol (especially for the first commitment period). If Australia has surplus emissions units then this will be due to this generous treatment and impacts of the GFC rather than over-achievement of policy. At the UNFCCC negotiations, there were strong feelings

[8] Australian Government representatives articulated this in the question and answer sections of the AWG-KP (Doha, Qatar) after their presentation of the proposed national QELRO. See also political declaration by Australia and others on restriction of purchase of AAUs. Annex II www3.unog.ch/dohaclimatechange/sites/default/files/FCCCKPCMP2012L9.pdf accessed May 2013

	that carry-over and use of surplus units should be restricted unless created by over-achievement by the majority of countries – although consensus decision making reached agreement of use restrictions only. The surplus units should therefore only be reserved for emissions growth in uncovered sectors and where this arises from unexpected events.
The likely impact of Australia's emissions reduction goals on the carbon price, and economic and social conditions in Australia (Section 3.2.4)	The current issues paper frames carbon pollution reduction in terms of economic and social impacts should greater targets be imposed, with the implication that higher targets cause greater social and economic costs. However in CANA's view this misses an important part of the rationale and justification for level of climate change action. It has been shown repeatedly that the cost of inaction will be far greater both socially and economically even than the strongest of the current range of emissions reductions proposed by Australia[9] In addition the evidence is building about the impacts on liveability of Australia – from the worsening of extreme weather events, sea level rise and health to name just a few factors. In the case of health there are two impacts to consider. Firstly, impacts of health problems which arise from climate change itself (e.g. additional deaths and mental illness due to hotter heat waves) and secondly, those arise from failure to move from an economy heavily dependent on fossil fuel mining, exports and power production.
Whether tighter caps might provide a hedge against the uncertainty inherent in future uncovered emissions levels, or whether caps should be based on the best (central) estimate of uncovered emissions (Section 4.2.1)	Setting tighter caps to hedge against uncertainty is consistent with the precautionary principle. Furthermore, economic analysis has shown that it is less costly to act too strongly now in a way which turns out to be unnecessary than to fail to act sufficiently and have to increase action. [10]
Whether emissions caps should follow the path of the national trajectory on a year-by-year basis, or whether there are benefits to following a different path (Section 4.1)	In line with the overall approach recommended by CANA, to take account for uncertainty, a tighter path in advance of 2015 agreement is advised - to allow for the likelihood of an increased in global action in 2014 and hedge against early uncertainty in ETS prices.

[9] Garnaut Climate Change Review (2008)

[10] Garnaut Climate Change Review (2008).

Develop an evaluation framework to assess Australia's future progress and identify strategic milestones for domestic emission reductions, including for the power sector (Section 5.2.2)	Clear milestones for the electricity sector should be identified and include emissions, emissions intensity and generation mix. These milestones should interconnect with the RET and assist with evaluating its effectiveness as a complementary measure. Milestones should also be developed which consider emissions intensity more generally. This measure is likely to be used as a key indicator for a number of industries if global sectoral approach initiatives are developed.
Explore the opportunities and risks associated with linkages between the domestic carbon pricing mechanism and international carbon markets over the long term (Section 5.2.2)	Linkages create benefits – such a lower cost abatements – but also means that investment in the low carbon economy would be going overseas rather than driving change in Australia's economy. This risks leaving Australia's economy further behind in the move to a clean economy. The carbon markets are still young. With this immaturity comes lower confidence in price projections, which in turn this means that risk premiums for new investment are higher thus increasing the cost of the low-carbon transition and causes delays. Therefore it is in Australia's national interest to have a balance between using the lowest cost carbon abatement and ensuring caps and complementary policies create sufficient shift in our domestic economy. Failure to drive change not only is bad for climate change, but it also increases the risk of a carbon bubble and stranded assets in emissions intensive sectors – especially coal and gas. The risks of continuing fossil fuel exploitation and the resulting implications for climate change has been recognised by the World Bank[11] and IEA[12] amongst many others.

[11] The World Bank (2012), *Turn Down the Heat: Why a 4°C World Must be Avoided.*
http://climatechange.worldbank.org/sites/default/files/Turn_Down_the_heat_Why_a_4_degree_centrigrade_warmer_world_must_be_avoided.pdf
[12] International Energy Agency (2012), *World Energy Outlook 2012*.