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Submissions via online tool: <http://consultation.climatechangeauthority.gov.au/>

SANTOS SUBMISSION ON CLIMATE CHANGE AUTHORITY CAPS AND TARGETS REVIEW ISSUES PAPER (APRIL 2013)

Santos thanks the Climate Change Authority for their consultative process and their willingness to engage with industry on this important area of policy, but notes that the short timeframe for review and other concurrent government consultation processes has created resourcing challenges, particularly in the lead up to the first payment under the *Clean Energy Act 2011*. As such, Santos has been unable to conduct modelling in support of this submission.

Since the start of 2013, Santos has reviewed and responded to the following Clean Energy related consultation papers on:

- Changes to Partial Exemption Certificate audit requirements
- Efficiency of reporting under the National Greenhouse and Energy Reporting Scheme
- Exposure draft of the Clean Energy Amendment Regulation 2013
- Registry arrangements to facilitate linking with the EU Emissions Trading System
- Exposure draft regulations for the Carbon Farming Initiative
- Clean Energy (Auction of Carbon Units) Determination 2013
- International reference price for the per-tonne carbon price equivalent
- Consultation on 2013 Emissions Projections Assumptions
- Coal Seam Gas: Enhanced Estimation and Reporting of Fugitive Greenhouse Gas Emissions under the NGER Measurement Determination, Technical Discussion Paper
- National Greenhouse and Energy Reporting Amendment Regulation 2013
- National Greenhouse and Energy Reporting (Measurement) Amendment Determination 2013
- Streamlining reporting under the National Greenhouse and Energy Reporting Scheme

AUSTRALIA'S EMISSIONS REDUCTION GOALS TO 2020

What should Australia's 2020 emissions reduction target be?

Santos believes that a global approach is required to address climate change and that no single nation has the ability to enact a solution to this issue. As Australia only represents approximately 1.5% of annual global emissions it will be crucial for collaboration and effort sharing through international agreements to drive global greenhouse gas reductions.

For this to be valid there needs to be continued efforts to ensure robust international standards for measurement, reporting and verification are maintained.

Australia's existing international obligations and undertakings under the Kyoto protocol are established to 2020. These commitments have been benchmarked against other nations so

that Australia is making an equitable economic contribution in line with the differentiated responsibilities and capacity to impact global greenhouse gas emissions.

Australia is an export-orientated growing economy, providing support to the Asian market. Treasury modelling illustrates that the 5% reduction target by 2020 represents an emissions reduction of 27% on projected emissions from business as usual (DCCEE, 2011).

Although there is scope within the Copenhagen Accord for moving beyond Australia's committed 5% target, an increase is not supported by current international commitments.

What should Australia's annual emissions limits (the 'trajectory') and total emissions (the 'budget') be between 2013 and 2020?

Santos believes the emissions limits and budget should remain consistent with the emissions reduction commitments made by Australia in line with existing international pledges for the period to 2020. The trajectory should also allow for significant structural change in Australia's economy (from 2013-2020) required to meet the demands of a carbon constrained future.

As Australia gradually transitions to a lower carbon economy it would be in the national interest to carry-over any banked emissions units to enable flexibility in meeting future annual emissions limits.

What should Australia's annual emissions caps for the carbon pricing mechanism be for 2015/16 to 2019/20?

Santos supports informed action on climate change that is environmentally and economically efficient. Annual emissions caps for the carbon pricing mechanism should allow for domestic prices to closely follow international prices to provide a competitive market for Australian producers in trade-exposed industries.

Santos believes it is important to create a stable investment environment to minimise volatility experienced by industry. Whilst a straight-line reduction in the annual emissions cap would provide business certainty Australia's emissions have not historically followed a linear trend. There needs to be an adequate mechanism to reflect the variability of the drivers of emissions, such as the impact of the economic cycle on emissions.

In the interests of reducing emissions efficiently, those sectors that are not currently covered by the emission cap should contribute equitably to Australia's existing and future emissions targets. This could be achieved by broadening the coverage of the carbon pricing mechanism or setting emissions reduction targets for uncovered sectors.

AUSTRALIA'S EMISSIONS REDUCTION GOALS POST-2020

What guidance should the Authority provide the government on emissions reductions post-2020?

International agreement will be important in achieving the emissions reduction targets that will be required to avoid the adverse impacts of climate change as Australia cannot single-handedly resolve the climate change challenge.

The Authority should encourage the government to focus upon contributions to establishing international agreements by 2015 for implementation post-2020. These agreements are only three years away and it would not be beneficial to try to pre-empt the outcomes of these negotiations. As outlined in Australia's Durban platform submission it is important for future targets to consider international efforts, an individual country's changing circumstances and capabilities, and the latest scientific knowledge.

Australia should also look to remove federal and state policies that distort the market as this can lead to inefficiencies in meeting greenhouse gas emissions targets and are ultimately counter-productive.

The Authority also should consider the government's progress in the streamlining of policies and reduction of red-tape. This could result in lower compliance costs to businesses and allow greater scope for focusing efforts upon emissions reduction activities.

What should the Authority consider in assessing Australia's progress against its medium (2020) and long term (2050) emissions reduction targets?

Australia's progress against the medium term target (2020) should be guided by Australia's performance against its committed international obligations of a 5% reduction in emissions by 2020.

Further factors to consider include the impact on large-scale projects that have commenced and the impact on businesses and households from Australia's economic cycle.

Given the fluctuating economic projections it is important for the Authority to validate and ground-truth any business as usual growth assumptions with industry. Business as usual projected emissions are influenced by economic conditions and must consider the latest available information, otherwise targets may result in an undue burden on Australian households.

As with covered sectors, uncovered sectors should also be set equally challenging targets.

GENERAL COMMENTS

Please provide general comments regarding the Caps and Targets Review here

Santos believes natural gas has a strong role to play in the global effort to reduce greenhouse gas emissions. Natural gas can support the transition to a low carbon economy in Australia and internationally, by replacing coal and as an ideal partner to renewable energy.

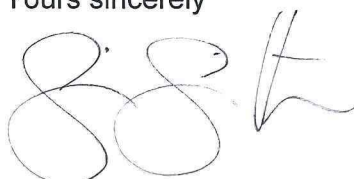
Emissions caps and targets should be well-designed and in line with international commitments so that there is a level playing field for industries such as the production of Liquefied Natural Gas (LNG) in a competitive international market. Currently Australian trade-exposed industries are disadvantaged against producers from countries with less ambitious goals on greenhouse gas emissions.

Measures that restrain the supply of natural gas both domestically and as LNG will result in people around the world paying more for emissions reductions than is necessary.

Santos would be happy to meet with the relevant members of your team to further discuss the issues raised in this submission.

In the meantime if you require any further clarification of Santos' comments, please do not hesitate to contact me on (08) 8116 5374 or via email at susie.smith@santos.com.

Yours sincerely



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