



## REVIEW OF THE EMISSIONS REDUCTION FUND 2020: COVER SHEET FOR WRITTEN SUBMISSIONS

### Contact Details

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Date of submission: **20/05/2020**

### Submission Instructions

The Authority encourages submissions from organisations and individuals on all issues relevant to this review by **20 May 2020**. We have identified key areas of focus in the consultation paper.

Your contributions are valued greatly by the Authority and will inform the Authority's final review report on the legislation, which is due by 31 December 2020.

The Authority will also talk to stakeholders to complement the written submissions.

Submissions can be made:

**via email** [submission@climatechangeauthority.gov.au](mailto:submission@climatechangeauthority.gov.au)

**via post** Submissions  
Climate Change Authority  
GPO Box 787  
Canberra ACT 2600

### Contacts

Should you require further information about making a submission please contact the Authority on freecall 1800 475 869 or via email at [submission@climatechangeauthority.gov.au](mailto:submission@climatechangeauthority.gov.au).

### Confidentiality and publication

#### Your submission may be published.

Submissions not marked as confidential may be published on the Climate Change Authority's website. The Authority welcomes submissions made in a respectful manner and while the Authority values public consultation highly and seeks to be transparent, it is under no obligation to publish submissions it receives and reserves the right not to publish submissions on its website that raise legal or other concerns.

For submissions made by individuals, all personal details other than your name and the state or territory in which you reside will be removed from your submission before it is published.

Please do not include information about third parties of a private nature unless you have permission to do so.

If any part of a submission should be treated as confidential, please provide two versions of the submission, one with the confidential information removed for publication. If you choose not to use this cover sheet and wish your submission to remain confidential then the document should be clearly marked as confidential.

**Do you want this submission to be treated as confidential?      No**

**Do you understand the information provided about confidentiality and publication?**

**Yes**

**Signature of submitter:      R. Mitchell (as emailed)**

**Date:      20/05/2020**

Citizens' Climate Lobby Australia

[www.ccl.org.au](http://www.ccl.org.au)

20/05/2020

Dear:

Mr Grant King, and  
Expert Review Panel,

On behalf of Citizens' Climate Lobby Australia and our 3,000 plus members nation-wide, thank you for this opportunity to make a submission to the Emissions Reduction Fund Review 2020.

Citizens' Climate Lobby (CCL) is a non-profit, non-partisan, grassroots advocacy and education organisation, focused on advancing climate change solutions through democracy. Many of our members have joined us because they are concerned for humanity's future and the planet our children will inherit. CCL exists to create the political will for a liveable world; i.e. a world where everything possible is done to reduce greenhouse emissions, and preserve the world as we know it.

As advocates for a price on carbon, CCL acknowledges the Emissions Reduction Fund (ERF), in combination with the Safeguard Mechanism, is a form of carbon price. While our preference is a revenue-neutral dividend model<sup>[1]</sup>, we recognise the ERF is in place and helping to both reduce and sequester some of Australia's greenhouse emissions.

The Commonwealth of Australia's most recent State of the Environment report shows that most indicators of environmental health are in decline. The verdict has been the same every five years since the first report was published in 1996. The latest 2016 report<sup>[2]</sup> acknowledges:

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<sup>1</sup> <https://au.citizensclimatelobby.org/carbon-fee-and-dividend/>

<sup>2</sup> State of the Environment Report, 2016 <<https://soe.environment.gov.au/>>.

“Climate change is an increasingly important and pervasive pressure on all aspects of the Australian environment. It is altering the structure and function of natural ecosystems, and affecting heritage, economic activity and human wellbeing. Evidence shows that the impacts of climate change are increasing, and some of these impacts may be irreversible.”

We would like to see it significantly improved in two important ways:

1. The ERF's emissions reduction capacity be greatly increased.

The simplest way to achieve increased capacity is to fully implement the Safeguard Mechanism to protect all the emissions abated by the ERF. This is what the Safeguard Mechanism was designed to do. It is essential that baselines are steadily lowered to incentivise the innovations and technologies needed to enable our economy to transition to zero-carbon.

These baselines must be set and maintained by a body that is independent of the government and empowered to adjust baselines in order to achieve a preset emissions reduction target. Without these provisions the ERF will remain ineffective in bringing down Australia's overall emissions. It subjects governments to powerful pressures to adjust the baseline in favour of particular businesses and industries.

2. The ERF's burden on the taxpayer be lifted and levied at the sources of emissions instead.

By using taxpayer funds to buy emissions, the ERF shifts the burden of emissions reductions away from the source; thereby removing the price signal that incentivises the innovations and technologies, which is needed to enable the steady decarbonisation vital to our future prosperity. Instead it allows industry to delay emissions reduction, thus slowing innovation, extending the life of old technologies and reducing our international competitiveness. It acts as a form of subsidy to industries by encouraging them to continue externalising the social costs of their emissions to citizens.

Reducing carbon emissions is a huge task requiring many complementary solutions. Our two recommendations above would help reduce emissions for some industries but would only have a marginal effect on a major source of emissions, fossil fuels. These are big export industries that are nonetheless unsustainable in a decarbonising global economy and are in danger of becoming stranded assets. Their ongoing emissions more than offset the emissions purchased by the ERF. The lack of a carbon price on fuels effectively cancels out the value of the ERF. This is not rational policy-making. It only makes sense as a deliberate subsidy to a wealthy but declining industry.

CCL advocates the adoption of a carbon price on fossil fuels to underpin a steady and sustained transition to zero carbon emissions as soon as possible. CCL recommends a “Carbon Fee and Dividend” (CFD) pricing system<sup>[3]</sup>, which is simple, completely transparent, very efficient and the most elector-friendly way to price carbon. Dr. Richard Holden and Dr. Rosalind Dixon at the University of New South Wales have modelled a CFD policy in the Australian economy and presented it as the Australian Climate Dividend Plan<sup>[4]</sup>. A recent community survey found 73% community support for such a policy<sup>[5]</sup>.

Carbon Fee and Dividend is a very efficient market-based solution for lowering emissions and encouraging investment in natural and technological solutions, while also stimulating the economy and creating jobs.

Strengthening the ERF and its Safeguard Mechanism could help our recovery from the COVID-19 crisis, by boosting the innovations and technological advances that will generate economic activity and jobs. Governments have borrowed massively to help hard-hit households weather the coronavirus lockdown and now need to find other ways to stimulate recovery.

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<sup>3</sup> <https://au.citizensclimatelobby.org/a-carbon-fee-and-dividend-policy-for-australia/>

<sup>4</sup> <https://www.auscarbondividend.com/>

<sup>5</sup> <https://newsroom.unsw.edu.au/news/business-law/new-carbon-dividend-proposal-gets-community-support>

Levying a fee on fossil fuel producers and importers, then returning the funds as a monthly dividend is a good way to deliver cash to consumers and stimulate the economy - at the same time assisting our industries to reduce their emissions more smoothly than would otherwise happen and enabling the ERF do its important work in stimulating the removal of atmospheric carbon and building soil carbon for our agriculture sector. It also helps extend the carbon market that the ERF has begun to create in the Australian economy.

Science and technology offer many solutions to climate change; many of them are covered by Project Drawdown<sup>[6]</sup>. Several of these solutions include varying forms of land use that remove the damaging excess atmospheric carbon and deposit it in soils where they are extremely valuable. Removal, or drawdown, of carbon is essential for slowing and reversing climate change.

The ERF has helped create a carbon market that encourages farmers and other land users to remove and sequester excess atmospheric carbon. This is an important first step and needs to be greatly expanded. It is very clear that returning large amounts of carbon to our soils is a vital complement to emissions reduction and has major co-benefits in soil fertility, water-retention and nutrient value. It also reduces the need for expensive greenhouse emitting chemical inputs in farmers' budgets.

In summary we recommend that:

1. The Safeguard Mechanism of the ERF be fully activated with the oversight of an independent body empowered to reduce baselines at a rate necessary to keep global warming under 1.5C.
2. Government revenue no longer be used to fund the ERF and that it be replaced by a levy on the actual sources of emissions.
3. That a fee be placed on fossil fuel emissions, providing a glide-path for producers and enabling them to transition their companies to low carbon activity. This would preferably

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<sup>6</sup> <https://www.drawdown.org>

be with a dividend to households, to stimulate a climate-smart, clean and resilient post-COVID recovery.

Thank you for your consideration of our submission. If needed, I can be reached at [info@ccl.org.au](mailto:info@ccl.org.au).

Yours sincerely,

Rod Mitchell  
National Chair