



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

Contact Details

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Date of submission: **3 June 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

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.

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 submitters:

Liz Reen, Mitzi Tuke and Joan Selby Smith

Date: 3 June 2020

ACF Community Chisholm

Emissions Reduction Fund Review Submission

Introduction

We are members of ACF Chisholm Community who come from a range of professional backgrounds. We live in areas around the Chisholm electorate in Eastern Melbourne. We are united by a passion for the environment and a concern for the urgent issue of human induced climate change. We are extremely concerned about the world that younger generations will inherit - although increasingly we are aware of effects within our own lifetimes.

Over a long period we have variously been involved with many campaigns including Saving the Franklin, Anti-Nuclear, Forestry and Logging, Council Planning issues, Anti-Fossil Fuels, Stop Adani, the Climate Change Election, Emission reduction / Renewables. We love to get out and enjoy nature in many ways - walking along creeks, hiking in the mountains, camping, cycling and working in the garden.

As this policy is put forward as a major part of the current Government policies to address Climate Change we felt it was important to contribute.

We have been disappointed to discover that the scope of this review is limited due to other processes and reports which have already been completed. We have not addressed all of the questions in the discussion paper as we lack detailed expertise in some of these areas.

Thank you for allowing us an extension of time to make a submission to this review on behalf of ACF Chisholm Community Group.

Liz Reen, Mitzi Tuke and Joan Selby Smith

3 June 2020

Questions

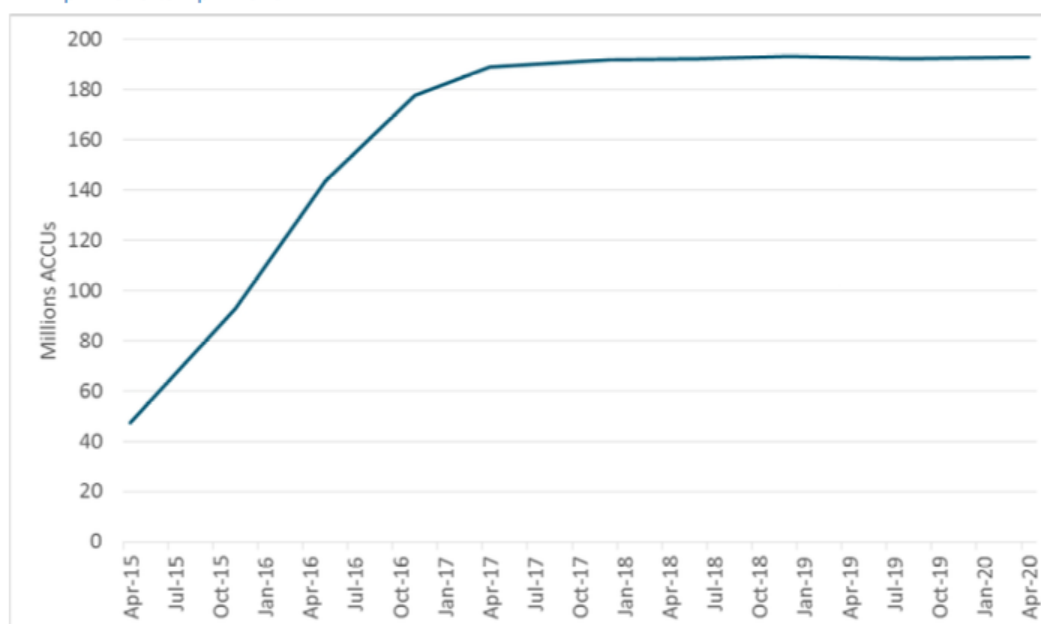
How is the ERF performing overall?

All indications appear to point to the fact that since 2017, the ERF has stalled in its take-up rate to purchase ACCU's for emissions abatement from developers/polluters. The ninth auction under the fund yielded very low results for emissions abatement, just 59,000 tonnes of CO₂, and only three projects were successful at auction. The most recent auction, the tenth auction, performed slightly better at 1.7 million tonnes of abatement, with a total of 11 abatement projects. External factors such as the Federal election and the Covid-19 pandemic have been cited as the cause of these low numbers but the low levels of additional abatement contracted since April 2017 indicate that this is a systemic failure.

We must evaluate this deteriorating performance against the requirements for Australia to achieve its 2030 target under its commitment to the Paris Agreement. The abatements that have currently been acquired under the fund constitute a modest amount of the total emission reductions required of Australia to fulfill its commitment under the Paris Agreement. As it is performing currently, the ERF is failing to deliver the emissions abatement required.¹

Cumulative abatement of emissions under the fund are a modest amount of what is required for Australia, and emissions have flatlined under the scheme from 2017, as depicted below:

FIGURE 2 Cumulative contracted abatement under the ERF (millions of tonnes CO₂-e) from April 2015 to April 2020.



Source: Clean Energy Regulator, Auction results.

Note: Graph shows portfolio abatement following each auction (first to tenth auction results included).

A small number of lapsed/terminated contracts are included in the portfolio total up to April 2017, after which the total is expressed net of lapsed/terminated contracts.

The ERF in its current form appears to have exhausted its capacity to attract projects for the price it has been willing to pay. At the commencement of the scheme, there was a high level of uptake of

¹ <https://www.abc.net.au/news/2019-06-17/australian-emissions-reduction-fund-data-analysis/11164476>

projects at an economical price. Since 2017, the number of projects taken up for abatement has decreased dramatically. It also appears that attractive low-cost projects have dwindled – the “low hanging fruit” has been picked. If this is true as appears likely then the reluctance from the government to increase the per tonne price it is willing to pay to acquire emissions reduction accounts for the lack of progress.

The ERF is not reducing emissions to any meaningful extent when taken across the whole of the economy. It is not at a level which will succeed in decarbonizing the land and agriculture sector, let alone provide the ability to offset emissions in other sectors as proposed in the “Prospering in a low carbon world.”²

“There are a range of climate policies in place at the federal, state and territory and local government levels in Australia. These policies are yet to put Australia’s emissions on a clear downward trajectory. ... Continued efforts will be needed to put Australia on a path to a low-emissions economy.”

The question is whether the Emissions Reduction Fund, which is the cornerstone of the federal government’s policy to reduce emissions, remains fit for purpose. Given the urgency of reducing our greenhouse gas emissions to zero by 2050 or preferably, as quickly as possible, we think that the performance of the fund to date gives sufficient reason for a substantial overhaul of Australia’s national climate policy.

The required emissions reduction is both more serious and more urgent since

Our view is that the calculations used to define the carbon budget to meet the Paris objective are too optimistic ... For confidence levels in the order of 90%, the carbon budget to keep temperature rises below 2 degrees Celsius is already exhausted. At 90% this is a 1 in 10 chance of failure, three orders of magnitude greater than normal engineering design (Engineers Australia submission to “Prospering in a Low Carbon World, p. 4).

We conclude that the ERF as a stand-alone policy has serious difficulties in being able to secure the emissions reductions required to achieve the 26-28 per cent emissions reduction target the Government has committed to under the Paris Agreement. Furthermore this target is completely inadequate and needs urgently to be revised for Australia to do its part in curbing global greenhouse gas emissions to limit global temperature rise to 1.5 degrees C.³

What parts of the ERF could be improved and how?

The constraint of the ERF to the land and agriculture sector excludes many possible avenues for emission reduction in the other sectors of the economy: electricity, buildings, transport, industry.

It is true that some projects in the land and agriculture sector involving forestry and revegetation have the capacity to continue to drawdown levels of carbon dioxide over time, not just reduce emissions at a point in time. The use of these projects as offsets for other activity will undoubtedly become more important in the future. This co-benefit should be given priority.

² <https://prod-climatechangeauthority.energy.slicedtech.com.au/prospering-low-emissions-world-updated-climate-policy-toolkit-australia>

³ [Summary for Policymakers of IPCC Special Report on Global Warming of 1.5°C approved by governments](#)

It also appears that the possibility of broadening the scope of ERF has been explicitly excluded from this review via the recommendation from the Climate Change Authority contained in “Prospering in a low-emission world: an updated climate policy toolkit for Australia”, detailed in the discussion paper.

The Authority recommended the ERF continue as an offsets scheme for facilities covered by an enhanced Safeguard Mechanism and available for use in other (for example, voluntary) markets, and that the ERF should retain a focus on offsets from the land and agriculture sector. ⁴

Some of these other sectors are covered by the Safeguards mechanism, which we understand is not the subject of this review. The Safeguard Mechanism of the ERF is still flawed, despite early attempts to tighten it, and is allowing large emitters to increase the baseload of their emissions. ⁵ Other activities within the Land and Agriculture sector also result in large emissions. ⁶ This in effect works to cancel out any abatement of emissions made through projects under the ERF abatement scheme. Science tells us that the baseline of all emissions needs to be lowered approximately 8% per annum so as not to exhaust our remaining carbon budget, so this is a clearly unacceptable situation.

It needs to be repeated that the purpose of the Emission Reduction Fund is to **reduce emissions**. The reverse auction mechanism used by the ERF is not effective when there is also a cap on the price the Authority is willing to pay.

For the process to be effective in continuing to reduce emissions there need to be targets for the amount of emissions reductions rather than a price cap for each auction.

If the ERF is to be the major market mechanism by which Australia’s emissions are controlled then it must be allowed to pay market rates.

It is of great concern that the recent review conducted by the Expert Panel chaired by Grant King only sought input from a narrow range of organizations, which were heavily weighted in the interests of the fossil fuel industry. ⁷ The scope of that panel review would appear to overlap with this consultation process

The Panel was tasked with providing advice to the Minister for Energy and Emissions Reduction on how to incentivise low cost abatement opportunities from across the economy, with a focus on the industrial, manufacturing, transport and agriculture sectors, and energy efficiency. ⁸

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<http://www.climatechangeauthority.gov.au/sites/prod.climatechangeauthority.gov.au/files/ERF%20Consultation/ERF%20Review%20Consultation%20Paper.pdf>

⁵ https://www.acf.org.au/centennial_coal_emits_three_years_worth_of_pollution_in_two_years

https://www.acf.org.au/morrison_govt_safeguards_again_fail_to_curb_emissions_from_big_polluters

⁶ <https://www.theguardian.com/environment/2018/may/29/land-clearing-wipes-out-1bn-taxpayer-funded-emissions-gains>

⁷ <https://reneweconomy.com.au/angus-taylors-secret-consultation-on-emissions-cuts-stacked-towards-big-emitters-85443/>

⁸ <https://www.industry.gov.au/data-and-publications/examining-additional-sources-of-low-cost-abatement-expert-panel-report>

It remains unclear how those recommendations impact on this review and to what extent the panel and the government acceptance of most recommendations⁹ preempts this review process.

A method to broaden the scope of the ERF would be to permit organisations and sectors other than the government to purchase ACCU's to offset emissions. As the "Prospering in a Low Emissions World" toolkit recommends and this review discussion paper quotes:

The Authority recommended an enhanced safeguard mechanism with declining baselines. To ensure they meet their declining baselines, the Authority considered that liable entities under the enhanced safeguard mechanism could take action to reduce their emissions, acquire Australian Carbon Credit Units (ACCU's) or offset their emissions using over-achievement from another entity or period. This approach would foster a deeper and more certain market for ACCU's generated via the ERF.

We concur with this proposed direction for the ERF. However it must be coupled with changes to the Safeguard mechanism to reduce 'baselines' in a predictable way which are aligned with strong emissions reduction goals. Then market mechanisms can be well leveraged to gain the emissions reductions required.

This would result in:

- Facilities that pollute in excess of their Safeguard Mechanism baselines being required to buy Australian Carbon Credit Units every year that this occurs;
- the Safeguard Mechanism providing investment certainty, driving innovation, and additionally stimulating Australia's carbon offset market through the Government's Climate Solutions fund.

We are not addressing the following questions as we lack detailed expertise in these areas:

Do you have any views on the operation of the offsets integrity standards and the additionality provisions as key principles supporting the integrity of abatement under the ERF?

Do you think the governance structures of the ERF remain fit for purpose?

What are your views on method prioritisation, method development and method review processes in the ERF? Please include any thoughts on how these processes could be improved, including how the expertise of industry could be better incorporated.

What are your views on the suitability of the permanence period discount?

What are your views on the suitability of the risk of reversal buffer?

What are your views on the risks posed to land-based abatement and the adequacy of ERF and project-level risk mitigation measures?

⁹<https://www.industry.gov.au/data-and-publications/government-response-to-the-expert-panel-report-examining-additional-sources-of-low-cost-abatement>

What are your views on the risks to contracted abatement resulting from ERF projects being concentrated geographically and by method type?

Close to half the abatement contracted by the ERF is due to revegetation projects in western NSW and SW Queensland. Another 11% is coming from avoided deforestation. The concentration of these projects is a high risk, given the effect drought can have on the resultant abatement.

It is difficult to ensure the relevant longevity of all these abatement projects. As it requires commitments across generations in a world experiencing climate shocks such as extreme weather events with more already locked in from carbon dioxide already emitted, it would be difficult to apply appropriate measures to maintain the abatement integrity of these projects.

Hence the ERF needs to discount the total abatement of its emission reduction contracts by the appropriate actuarial risk.

What role could the ERF play in future economic recovery efforts?

A number of organizations have drawn up detailed plans to repair, rebuild our economy in response to both the bushfire and pandemic crises. This economic recovery is underpinned by transition to renewable sources of energy, a green hydrogen economy and strong outcomes for climate change. More details can be found in reports from Climate Works Australia¹⁰ and Beyond Zero Emissions (BZE)¹¹

Here are several examples within the scope of the ERF for immediate implementation in 2020 from the plan prepared by Australian Conservation Foundation.¹²

Create Jobs In Landscape management and restoration in urban, suburban and regional areas

We call on a coordinated state and federal investment in conservation and land management to create meaningful jobs and support long term environment outcomes. A \$2.4 billion investment will create an estimated 24,000 jobs in the sector in the first year of operation. Programs across urban, suburban and regional areas should include:

- Supporting conservation and land management organisations to directly employ staff to implement key restoration and land management activities
- Undertaking high priority habitat restoration and management activities in bushfire affected regions as well as in metropolitan, suburban, peri-urban and regionals areas
- This should exclude logging in bushfire affected areas to the greatest degree possible in order to give these areas the greatest chance to regenerate

We also recommend enhanced advertising of the scheme to increase uptake, and push projects that have co-benefits especially for economic recovery of the rural sector.

Should the ERF more explicitly address climate resilience and impacts? If so, how?

¹⁰<https://www.climateworksaustralia.org/resource/decarbonisation-futures-solutions-actions-and-benchmarks-for-a-net-zero-emissions-australia/>

¹¹<https://bze.org.au/the-million-jobs-plan/>

¹²https://www.acf.org.au/recover_rebuild_renew_lets_make_things_right_for_people_and_our_country

As stated previously the ERF needs to recognise and allocate appropriate actuarial risk to its emission reduction contracts when totaling the abatement achievable as it is very unlikely that all contracts will achieve the full permanence period.

Projects which have co-benefits that increase community resilience should be preferred over those which do not.

We are not addressing the following question as we lack detailed expertise in these areas:

Is there a need for enhanced guidance on how to manage ERF projects for multiple benefits? If so, should this be part of the ERF or complementary programs and policies?