

# SUBMISSION TO CARBON POLLUTION REDUCTION SCHEME - GREEN PAPER

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## **Northern Alliance for Greenhouse Action Submission: 10 September 2008**

### **Carbon Pollution Reduction Scheme Green Paper**

#### ***Introduction***

Northern Alliance for Greenhouse Action (NAGA) welcomes the release of the Australian Government's Carbon Pollution Reduction Scheme (CPRS) Green Paper, and the opportunity to provide a submission.

Climate change provides huge and complex social, economic and environmental challenges to our established ways of life; the CPRS Green Paper demonstrates the Australian Government's commitment to responding to these challenges. NAGA supports a CPRS as one element of an effective response to these challenges, with the core objective of the proposed CPRS *'to meet Australia's emissions reduction targets in the most flexible and cost-effective way; to support an effective global response to climate change; and to provide for transitional assistance for the most affected households and firms'*.

An emissions trading scheme is only one element in what needs to be a broad mitigation program that incorporates a wide range of actions to promote energy efficiency and uptake of renewable and low carbon energy production. An Emissions Trading Scheme alone will not drive the speed and scale of the transition required.

#### ***About NAGA***

The **Northern Alliance for Greenhouse Action (NAGA)**, which began operating in 2002, is an alliance of Moreland Energy Foundation and the nine councils spanning the northern region of Melbourne from the CBD to the rural/urban fringe (see footnote). The Alliance shares information, coordinates and implements community based emission reduction activities, undertakes research into reducing carbon emissions across the NAGA region, and cooperates on the research and development of innovative corporate emissions projects. NAGA also establishes partnerships and linkages with state and federal government agencies and departments, local government and industry associations, community groups and consultants to facilitate climate change action in the Northern Metro region.

Over the last 2 years, NAGA has attracted more than \$1,000,000 in cash and in-kind contributions to implement climate action projects in the NAGA region, demonstrating significant emission reduction innovation at the local government and regional level.

#### ***Structure of this submission***

This submission includes an overview of NAGA's strategic position on climate change mitigation and adaptation, the essential role of energy efficiency, local government roles and actions, and specific comments on aspects of the CPRS Green Paper, and proposed design and function of the scheme.

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#### **MEMBER ORGANISATIONS**

BANYULE CITY COUNCIL, DAREBIN CITY COUNCIL, HUME CITY COUNCIL, MANNINGHAM CITY COUNCIL, CITY OF MELBOURNE, MORELAND CITY COUNCIL, MORELAND ENERGY FOUNDATION LIMITED, NILLUMBIK SHIRE COUNCIL, CITY OF WHITTLESEA, CITY OF YARRA

## ***Coverage of the CPRS***

NAGA supports the recommendations of the draft report of the Garnaut Review, that an emissions trading scheme needs to be as broad as possible, including as many sectors as possible, to share responsibility for climate change action, to increase the opportunities for emissions reductions and reduce the overall cost.

NAGA supports the auctioning of all permits as the most economically efficient, transparent and fairest approach; with revenue generated used to provide assistance to vulnerable households and communities. Revenue from auctioning permits should be used to assist communities, particularly vulnerable and disadvantaged sectors (see 'Vulnerable Communities' below), and support structural readjustment for communities that are associated with and dependant on carbon intensive industries, including coal-fired electricity generation (see 'Business Opportunities' below).

THE CPRS will not, on its own achieve the necessary emission reductions required in the short term that the scientific evidence is increasingly indicating is required to avoid dangerous climate change. Therefore there is a strong and continuing need for an integrated suite of complementary measures to further drive emission reductions, particularly in the short term (see 'Complementary Measures' below).

The structure of some transition mechanisms, including fuel tax cuts, will create perverse incentives that work against the objectives of the CPRS. For example, fuel tax cuts for the first years of operation of the CPRS will give an advantage to emissions intensive personal and freight transport modes, creating an unintended effect on transport prices; for example private motorists will be shielded from the carbon cost of petrol, while electrified public transport will be impacted by increased electricity prices.

In undertaking tax reforms as part of the implementation of the Carbon Pollution Reduction Scheme, there is an urgent need to remove perverse incentives (e.g. where polluting industries and larger vehicles receive higher levels of subsidisation than renewable energy technologies and energy efficiency measures). As a priority, the Fringe Benefits Tax incentives for increased car use should be removed and redirected to decreased car use, having a substantial impact on governments' and companies' fleets.

## ***Targets***

Scientific evidence is supporting the need to **keep warming below 2°C** to avoid dangerous climate change. The urgency of the action required means that **short term targets based on the science** are of increased importance, to achieve deep cuts relatively quickly and move toward a low carbon economy. There is a growing body of reports and research demonstrating that short term action is cost effective, and will better prepare Australia and its economy for a carbon constrained future.

The IPCC has identified that to keep warming between 2°C and 2.4°C developed countries emissions must peak by 2010 and then fall 25 to 40% below 1990 levels by 2020. This was recognised by the Australian Government at the United Nations' Climate Change Conference in Bali in December 2007.

Given the relatively disappointing level of targets recommended in the recent release of the Garnaut Review, it is critical that our overall approach to emissions reduction (particularly the CPRS) acknowledges, encourages and supports the broader efforts of energy efficiency and voluntary action emission reduction action.

## ***Voluntary measures to reduce cap***

Many Australians are already undertaking a range of voluntary measures to contribute to emissions reductions, including purchase of accredited Green Power. It is likely that many will be keen to continue to undertake voluntary emission reduction measures after the introduction of the CPRS. These accredited voluntary measures (such as Green Power), should be additional to the annual target cap, therefore driving emissions lower, and quicker than otherwise: the target cap should be annually reduced by the certified voluntary abatement undertaken in that financial year. This would ensure that the significant emitters still pay an appropriate price for their emissions whilst ensuring that voluntary measures further drive down Australia's total emissions.

## ***Structural readjustment***

Addressing climate change requires major restructuring of our society and economy, and the revenue from the auction of pollution permits provides the funds for these opportunities, including the deployment of climate change solutions and minimisation of the impact of climate change on those most affected (see 'Business opportunities', 'Vulnerable Communities', 'Biodiversity Protection' and 'Climate Migrants' below).

## ***Business impacts and opportunities***

Many businesses have recognised for a number of years that climate change will significantly impact on their operations, both through economic (carbon pricing) and environmental effects, and as a result have been calling for policy certainty on climate change, to allow management of risks and plan for investment. The release of the CPRS Green Paper now contributes to the business sector's policy certainty on climate change and is therefore to be welcomed.

Many businesses have already been planning for operation in a low carbon future; considering opportunities for energy efficiency, investment in improved technology and changes to cost structures. There are significant emerging business opportunities in a carbon-constrained world, including development of the renewable energy industry (research, commercialisation and deployment), and development of the 'Green Collar' energy services sector.

A recent CSIRO report<sup>1</sup> has shown that well designed policies can substantially decouple economic growth from environmental pressure with little or no impact on national employment. However, achieving the transition to a low carbon sustainable economy will require a massive mobilisation of skills and training – both to equip new workers and to enable appropriate changes in practices by the three million workers already employed in the key sectors influencing our environmental footprint. The report outlines five key elements of a coherent and systematic response to the skills challenges associated with this transition have been identified:

- incentives and policy settings for environmental performance;
- green skills and training;
- performance assessment and accreditation to inform action;
- access to appropriate business inputs and components; and
- promotion of a stronger innovation culture.

While NAGA recognises that the CPRS forms one element in the required suite of policies, the Federal Government should embrace the opportunities and needs identified in the report by implementing its recommendations.

The CPRS Green Paper includes support for emissions-intensive trade exposed industries for the period when competitor countries do not yet have their own emissions schemes; whilst this support is important, adjustment assistance support should be separated from the CPRS scheme to avoid market distortions. Whilst NAGA supports adjustment assistance for affected communities and workers, NAGA does not support compensation to coal-fired generators as this will delay the transition to clean energy sources, and divert potential funding that would be better allocated to renewable and low carbon energy research, development and infrastructure.

## ***Complementary measures***

Climate change provides huge and complex challenges to our established ways of life; there is a requirement for a wide and varied suite of measures to effectively implement the essential mitigation and adaptation responses to climate change. Market mechanisms including emissions trading schemes are unlikely, by themselves, to achieve the level of mitigation required within the short timeframes that the scientific evidence is increasingly indicating is required to avoid dangerous climate change. Market mechanisms do not guarantee reductions in emissions, stimulate localised energy generation, address energy efficiency nor guarantee the diversity of solutions that we require. The suite of necessary complementary measures include a strong renewable energy target, energy efficiency measures, deployment at commercial scale of low emission technologies, and direct regulation.

To realise the business opportunities such as those highlighted in CSIRO's Green Collar report, as well as the necessary mitigation and adaptation responses, will require government targeted programs for each identified technologies and skills development areas.

## ***Energy Efficiency***

The recent McKinsey report<sup>2</sup> has demonstrated that energy efficiency is the least cost measure that can deliver substantial cuts in emissions. The huge economic potential across sectors of energy efficiency measures, as demonstrated by the NFEE process and the McKinsey Review, must be recognised, and programs to support its implementation expanded.

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<sup>1</sup> Hatfield-Dodds, S., G. Turner, H. Schandl and T. Doss, 2008, Growing the green collar economy: Skills and labour challenges in reducing our greenhouse emissions and national environmental footprint. Report to the Dusseldorf Skills Forum, June 2008. CSIRO Sustainable Ecosystems, Canberra.

<sup>2</sup> McKinsey and Company, 2008, An Australian Cost Curve for Greenhouse Gas Reduction.

Energy star ratings and minimum energy performance standards should be expanded to cover a much broader range of appliances, particularly as recent reports indicate that many household appliances will outstrip whitegoods on their energy use.

### **Urban planning and design**

Climate change action requires significant changes to our cities. Sustainability measures will *improve* liveability; both urban and building design, and community building contribute significantly. Measures include decentralisation of water and power systems through investment in small scale systems (e.g. residential water tanks and solar PV systems). Urban vegetation, in parks, and habitat corridors such as waterways, has a vital role in mitigating heat island effects.

Regulation and statutory planning requirements for building standards and sustainable infrastructure need to continue to be improved. There are a number of existing programs that have established minimum standards and targets, such as 5 star for new houses. For these programs to continue to be effective, there should be annual tightening of standards or levels; otherwise what was once world's best practice will progressively be eclipsed.

### **Vulnerable communities**

Revenue from the auction of permits, and complementary measures should be targeted at reducing the demand for carbon intensive (fossil fuel) based energy, particularly in vulnerable communities. Improving energy efficiency of housing and appliances, and sustainable transport options will minimise the impact of any increase in energy costs as well as contributing to social equity as well as emission reductions targets. In addition, programs such as those developed and delivered by Brotherhood of St Laurence targeting provision of training and skills in new low carbon trades sector for socially disadvantaged sectors can have multiple benefits.

Upfront costs of energy efficiency retrofits continue to be a barrier to uptake (even though payback periods may be promoted). Split incentives are also a major barrier for the rental sector; measures to address this include tax deductibility for sustainability retrofits for landlords; compulsory disclosure of energy performance for rental properties, and targeted programs for low income renters.

### **Pacific communities and climate migrants**

Australia has a responsibility to contribute to international adaptation financing for least developed countries, including exchanging information on innovative responses and technologies; and providing assistance to those displaced by climate change impacts [climate change refugees].

### **Biodiversity protection and restoration; and land management**

Revenue from auction of permits should also contribute to a biodiversity fund to provide incentives for reforestation of native species. Climate change impacts on natural systems have been well documented, with modelled changes to the ranges of pest plants and animals, increased pressure on some rare and threatened species and increased need for effective habitat linkages.

There is an increased need for incentives for permanent protection of biodiversity on private land, including recognition of the value of biodiverse ecosystems beyond their simple carbon value, as well as land stewardship payments to reduce land-based emissions, whilst at the same time improving sustainable land management practices.

Support should also be extended to existing groups such as Landcare, to include climate change mitigation and adaptation in their suite of actions.

### **Local Government actions and roles**

Local government, and regional greenhouse alliances (of which more than half Victoria's municipalities are members), have been active in implementing climate change programs and policies for a number of years, and are well placed to work in partnership with the state and federal governments to deliver programs at local and regional scales that are targeted to the specific characteristics of their communities, including targeting socially disadvantaged sectors. Effective delivery of climate change action programs can be achieved through the provision of adequate resources from state and federal Governments (research information, policy frameworks and funding) to local government and their alliances.

NAGA is one of 6 Regional Greenhouse Alliances in Victoria. The Greenhouse Alliances bring together local governments, state and federal government departments and agencies and other key players to plan, design and implement regional programs for climate change mitigation and adaptation. They have demonstrated their effectiveness and efficiency in delivering regional programs, and the establishment of other such alliances across Australia should be encouraged and supported.

As noted in the Interim Report of the Garnaut Climate Change Review, 'the development of, and the marshalling of community understanding and support for steady policies that can be sustained over long periods' (p 58) is of critical importance. Community-focussed organisations and alliances, such as NAGA, and including NAGA's members (local government sector, and the not-for profit sector) are well placed to significantly contribute to this process of community engagement and support.