

Carbon Clearer...perhaps if you squint

Climate policy under a Gillard minority government

9 September 2010

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Key Points, Implications and Executive Summary

Key Points

- After the Australian 2010 Federal election outcome, the climate policy debate has been reset.
- The role of carbon market creation and regulation, the renewable energy industry relevance, and even energy market reform will be re-tested within a new political paradigm.
- Business desire for clear and long term signals about the pace and direction of a carbon price could eventuate within the next 12 months
- An evolving, broadly coherent energy and climate policy could now emerge, albeit a long way from being finalised.

Implications for business

- ✓ The Australian Greens and the Independents will significantly influence the pace and direction of climate change policy debated in the 43rd Australian Parliament, resulting in the need for carbon risk oversight to return to the Boardroom / Senior Executive agenda in FY11.
- ✓ Probabilities of a carbon price being set within the life of the new Parliament have risen significantly, with the passing of ETS laws being passed sometime in the 3rd Quarter of 2011.
- ✓ Energy price volatility as well as investor uncertainty about the financial impact of future Australian climate law and policy on business will be critical strategic issues that could require developing new narratives with key stakeholders.

Executive Summary

With the outcome of the 2010 Australian Federal election, climate policy, and possibly also energy policy, is at a new juncture.

Putting aside the issue of the longevity of the Gillard minority government, climate policy returns to centre stage in Australia's political stage. Not just because the Australian Greens will hold the balance of power in the Australian Senate from July 2011, but also because they can influence power within their alliance with the government. The Green election platform on climate change is both breathtaking in its reach, and arguably also in its acceptance by some of the business community.

And then there will be the influence and issues of the Independents who have also supported the Gillard government. Their votes also will be critical to the Government if laws on climate action are to pass before the Lower House of the Australian Parliament. Are their issues capable of being in line with those of Labor and with the Greens?

This report looks at the challenges ahead for climate policy in this country by considering the negotiated positions of the Greens and the Independents with the Gillard minority government; considers those positions against the key drivers to develop a low carbon economy (policy, markets, technology, investment, consumer and supplier interaction); and finally looks forward to the possible actions that policymakers will need to deliver if business is to have confidence that they can manage the risk of, and invest with confidence in, Australia's future low carbon economy.

Andrew Petersen
9 September 2010

Overview

The Australian Labor Party (the **ALP**) is to form government with the support of the Australian Greens and the Independents of Andrew Wilkie, Tony Windsor, and Rob Oakeshott. The Prime Minister's minority Government is so tight that one parliamentarian changing their mind on who to support would cost the ALP their hold on government. Welcome to the new Australian political landscape.

What are the challenges ahead ?

So what now for climate change policy and lawmaking in Australia as the outcome of the 2010 Australian Federal election denied both major parties a mandate to govern according to their own platforms? Will the ALP dust off the CPRS Bill Package 2010 and renegotiate it with the Greens and the supporting Independents, to possible adverse financial consequences to business, and then seek to pass it after July 2011, when the Greens will have the balance of power in the Senate ?

And there are other questions. Will Penny Wong remain as the Climate Change Minister ? Will the Greens push for a Cabinet position and seek the Environment portfolio? What hope is there for a proper carbon / energy security debate ? What is the future of the announced ALP policies made during the course of the election (For an outline see [Appendix 2: A review of the Key Drivers](#)) ? And there other related issues such as the Victoria's move to introduce climate laws, and the negotiations at an international level toward a binding legal agreement post Kyoto ?

And then there is the challenge of the operation of the new Parliament. Both major parties face the important tests in adjusting to the new parliamentary environment, including new rules on debate and Private Members Bills.

What is the climate make-up and mandate for the new Government ?

Unlike the Liberal and National Parties' coalition, the Greens and Independents are not in coalition with the ALP. Rather, they have committed nothing more to Prime Minister Gillard and her party other than to guarantee, in writing, they will not block supply or lead no-confidence motions against her government.

And yet, in one of life's great ironies, and despite the low profile of climate change in the 2010 campaign (and not gaining government in its own right) the ALP may now be more able to enact climate policy it most wanted to last term. Questions will be asked about what conviction a Gillard government has towards plans for putting a price on carbon if her government is either unable to take legislation to the people in circumstances where she is being blocked by the Senate, at least until July 2011. Furthermore, Prime Minister Gillard will also struggle to propose a carbon bill that satisfies the Greens, and possibly even some or all of the Independents, while the Greens know that however long this predicament lasts they are likely to be the ballot-box winners.

And regional Australia has much to gain from taking action on pollution and climate change. Investments in clean energy and carbon farming have significant regional employment and other benefits.

In [Table 1](#) is a summary of each of the Greens / Independents' respective stated positions on climate change during the course of their deliberations on which government to give their support.

In [Table 2](#) those positions have been compared against the Key Drivers for a Low Carbon Economy, outlined in [Appendix 1](#).

Table 1

Climate change and negotiations with the Greens, Independents

| | Greens | Independent | Independent | Independent | Independent |
|----------------------------|---|--|---|--|--|
| | Andrew Bandt | Andrew Wilkie | Rob Oakeshott | Tony Windsor | Bob Katter |
| Preliminaries | | | In a document titled Requests for Information ⁺ the 3 Independent Members jointly requested a briefing from, amongst others, the relevant secretary / Department on Climate Change, Energy Efficiency and Water | | |
| Pre – Agreement Positions | | <ul style="list-style-type: none"> Urgent action on climate change, including a price on carbon # | | <ul style="list-style-type: none"> Establishment of a Climate Change Committee Update Garnaut report | <ul style="list-style-type: none"> Creation of a National Energy Grid No carbon tax / No emissions trading scheme Carbon and pollutant reduction to be achieved by renewables |
| Agreement (Reps) | 010910: Between the ALP (<i>Gillard / Swan</i>) and the Australian Greens (<i>Brown/Milne/Bandt-MP elect</i>) to ensure supply to a Gillard minority government (the Government) and oppose any non-Green no-confidence vote in the Government | 020910: Between the ALP (<i>Gillard</i>) and the Independent (<i>Wilkie – MP elect</i>) to ensure supply to the government and oppose any non-Wilkie no-confidence vote in the Government | 070910: Between the ALP (<i>Gillard /Swan</i>) and the Independent Members (<i>Windsor / Oakeshott</i>) to ensure supply to the government and oppose any non-Windsor / Oakeshott no-confidence in the Government unless it is moved or seconded by either of them | | No agreement with the ALP. Gave confidence to the Liberal / National Coalition |
| Emission Reduction Targets | No mention | No mention | No mention | | |
| Climate Change Committee* | Establish & resource a “Cabinet” Committee to be made up of lawmakers and scientists and will provide advice on the best way to charge polluters for emissions (Clause 6.1(a)) | No mention | No mention | | |
| Carbon Price / ETS | See above | No mention | No mention | | |

Table 2

Key drivers: Analysis of the Greens, Independents positions

| | Greens | Independent | Independent | Independent |
|---------------------|--|-------------|--|--|
| | | Wilkie | Oakeshott | Windsor |
| Policy & Regulation | <ul style="list-style-type: none"> Establish Climate Change Committee (<i>ALP / Greens Agreement, Clause 6.1</i>) Establish binding national emission targets for 2012, 2020 and 2050 supported by a detailed strategy to reduce emissions from the energy, transport, industry, waste and land management sectors. Renewable electricity provides 30 per cent of national demand by 2020 Reform the Renewable Energy Target to exclude non-renewable sources (including greenfields coal-bed methane, new hydroelectric and native forest fuelled power stations) Transfer Government subsidies and support from fossil fuel to renewable and efficiency sectors Establish a national system of energy efficiency targets Establish a low greenhouse trigger in the Environment Protection Biodiversity Conservation Act (EPBC), for Federal oversight of developments liable to have a significant impact on domestic or global greenhouse emissions. Significantly increase the stringency of Minimum Energy Performance Standards (MEPS) for products, buildings and infrastructure. Reform the National Electricity Market to remove the bias towards centralised coal-fired generation, and encourage demand management and the development of distributed generation and renewable energy. Ensure that energy price subsidies are not used to attract or retain energy intensive industries. | No mention | <ul style="list-style-type: none"> Install an Independent Authority to oversee Carbon Market | <ul style="list-style-type: none"> Establish Climate Change Committee Review Garnaut |
| | | | <ul style="list-style-type: none"> Within 3 months of forming Government , and continuing the ALP's Caring for our Coasts Policy, the Gillard Government commits to provide a formal response to the House Standing Committee on Climate Change, Water, Environment and the Arts' Inquiry report, released November 2009 (<i>ALP / Windsor – Oakeshott Agreement, Annex B, Clause 4.7</i>) | |

Table 2

Key drivers: Analysis of the Greens, Independents positions

| | Greens | Independent | Independent | Independent |
|---------------------------------|--|--|--|----------------------------------|
| | | Wilkie | Oakeshott | Windsor |
| Markets | <ul style="list-style-type: none"> • Yes, commitment to 40 per cent reduction of greenhouse gas emissions by 2020. • Committed to implementing a market based reduction scheme as soon as possible • \$23 a tonne carbon tax on big polluters for two years | Price on Carbon, possibly as part of an enhanced Emissions Trading Scheme. | Price on Carbon | Price on Carbon in the long term |
| Technology | No mention | No mention | No mention | No mention |
| Investment & Finance | <ul style="list-style-type: none"> • Introduction of national gross feed-in tariffs for renewable energy • Remove the GST on public transport • Use government procurement policies to promote efficient passenger vehicles. • Amend the Fringe Benefits Tax to remove the incentive to increase vehicle use. • Provide incentives to promote public transport and to encourage research, development and commercialisation of energy efficiency and renewable energy. • Ban public funding to refurbish any existing coal fired power stations. | No mention | <ul style="list-style-type: none"> • \$573 million investment from the Regional Infrastructure Fund to support local projects identified by Regional Development committees. Eligible projects could include energy infrastructure projects (<i>ALP / Windsor – Oakeshott Agreement, Annex B, Clause 3.4; Para B</i>) | |
| Consumer & Supplier | <ul style="list-style-type: none"> • Facilitate the rollout of smart meters with real-time communications technology and information display • Install measures to ensure low income earners, unemployed or aged are not unfairly penalised. | No mention | No mention | No mention |

Could the world and the states be moving the goalposts ?

Will the world look on and wonder ?

Meanwhile, China is underway to clean up its act, while India has started active measures to combat its ever-growing rise in energy consumption.

So thinking more broadly, regarding the international implications of not setting a carbon price, what will the repercussions from the US, China, and India be if the world's best performing democratic economy is reluctant to bring forward a comprehensive framework to address its share of the problem?

Are we starting to see states of exasperation ?

There are further signs that Australia's state governments are taking their own actions to respond to climate change.

The Australian Capital Territory

The Australian Capital Territory (ACT) Government announced on 26 August 2010 cuts to greenhouse gas emissions by 40 per cent by 2020, and 80 per cent by 2050, based on 1990 levels. The targets were announced by Minister for the Environment Climate Change and Water, Simon Corbell when tabling the ***Climate Change and Greenhouse Gas Reduction Bill 2010*** (ACT) in the ACT legislative assembly. The legislation sets out a commitment to carbon neutrality by 2060 and peaking in per capita emissions by 2013.

It also prescribes regular reporting of emission trends to the ACT Legislative Assembly; establishment of a Climate Change Council for advice on response to climate issues; and encouragement of voluntary action.

Victoria

The ACT's announcement follows Victorian Premier John Brumby's announcement during the Federal election for a generous solar feed in tariff to encourage development of large scale solar thermal power in Victoria's north, and a target of 25 per cent of the state's electricity from renewables by 2020.

The Brumby government's Climate Change bill — now passed in the in the Upper House—commit Victoria to a 20 per cent cut in greenhouse emissions below 2000 levels by 2020. In addition to the targets, it will mean that new "conventional" coal-fired power stations can no longer be built, greenhouse gases will be regulated, and a "trigger" will be created for large emitters. The government will be required to take climate change into consideration in planning decisions in certain circumstances.

The bill will guide adaptation plans for the state, facilitate a substantial roll-out of carbon sequestration and require public reporting on the bill every two years, and a one-off review after five years. It intends to take the community with it as it develops solutions to climate change, and includes a substantial retrofit of housing stock to higher energy efficiency standards.

Victoria is now well ahead of any other Australian state when it comes to climate change policy.

Climate Change Committee: Future path or rocky road ?

Can a Climate Change Committee achieve anything in three weeks ?

One of the key initiatives to come out of the agreement between the ALP and the Greens was the announcement of the establishment of a Climate Change Committee.

Who thought of it ? The Australian Greens are taking credit for proposing the idea of the committee based on a Scandinavian model, and in particular Sweden and Norway. So what could be the role, responsibility and purpose of the **Climate Change Committee**. In the words of Senator Bob Brown” ... *to set up a parliamentary committee representing all the interests in the parliament committed to a certain idea and then enabling the appointment of experts to that committee. So the experts are not just to give evidence to the committee.*“

In the proposed Australian model , the price of entry to the committee is a commitment to a carbon price. The Coalition have already raised the possibility that the constitution of the committee a breach of parliamentary privilege because it dictates an outcome to a committee before it is even convened. In short, it imposes a limitation on the deliberations of a parliamentary committee that limits its Discretion. This may be an issue that the Parliament’s Privilege’s Committee may actually have to rule on.

How this climate committee will work is not yet clear. Parliament is entering new and unexplored territory. The broad agreement between the Greens and Labor provides only that they will decide on the mechanism by the end of September, which gives them three weeks to sort it out.

So where to now ?

At the heart of Australia’s climate debate is still a yawning gap, if not a contradiction between climate and energy policy. **Table 3** is an outline of some of the key actions on the key policy framework that have been called for by business groups and NGOs since the announcement to hold off the passing of the CPRS Bill package. These actions have been cross referenced against the Key Drivers of the Low Carbon Economy, previously outlined in **Appendix 1**.

Table 3: Key drivers: Actions for policymakers

| Driver | Detail | Policy action | Sectors potentially impacted |
|------------|---|--|--|
| Policy | Emissions Reduction Target | <ul style="list-style-type: none"> Revisit current assumptions underlying the reduction targets based on known science, and the post Copenhagen Accord policy positions of the globe's developed countries and major developing countries | All sectors |
| | Renewable Energy Target | <ul style="list-style-type: none"> Consider calls for a 5 yearly review of the Mandatory Renewable Energy Target | Stationary Energy Renewable Energy |
| | Energy Efficiency Target | <ul style="list-style-type: none"> Release the Gillard Government's Energy Efficiency Taskforce Paper | Services |
| Regulation | General | <ul style="list-style-type: none"> Seek urgent review of States based Climate Laws | All sectors |
| | Emissions Permitting | <ul style="list-style-type: none"> Development & release of Emissions Performance Standards | Stationary Energy |
| | Emissions Reporting | <ul style="list-style-type: none"> Harmonisation of the National Greenhouse & Energy Reporting System and the Energy Efficiencies Opportunities Program | All reporting companies |
| | Energy Efficiency | <ul style="list-style-type: none"> Release the Gillard Government's Energy Efficiency Taskforce Paper | |
| | Energy Efficiency – Transport (Road – light vehicles) | <ul style="list-style-type: none"> Release of the emissions standards | Auto – Local Manufacturers and Importers |
| | Energy Efficiency - Buildings | <ul style="list-style-type: none"> Release the Building Energy Efficiency Disclosure Regulations | Property |

Table 3: Key drivers: Action list for policymakers

| Driver | Detail | Policy action | Sectors potentially impacted |
|----------------------------|---|---|--|
| Markets – Carbon & Energy | Commitment to a compliance market based emission reduction scheme | <ul style="list-style-type: none"> Update the Garnaut recommendations/ treasury modelling to factor in recent international and national data, modelling, information and analysis Determine the role of rewards for early action by business and the development of offsets in the agriculture sector. | Liable Companies Financial Services |
| | Support for establishment of a voluntary emissions reduction scheme | <ul style="list-style-type: none"> Release National Carbon Offset Standard Guidelines | Agriculture Forestry Offset Providers |
| | Energy Market Reform | <ul style="list-style-type: none"> Release the Update of the 2004 Energy White Paper | All Sectors |
| Technology | | <ul style="list-style-type: none"> Announcement of the preferred projects under Round 1 of the Solar Flagship Program[due Feb 2011) Release of the preferred projects under the | Renewable Energy Finance |
| Green Investment & Finance | Industry – General | <ul style="list-style-type: none"> Review of the cost benefit analysis of existing and proposed complementary measures Undertake full Treasury costings of the Committee’s recommendations | |
| | Industry – Transport | Review of the cost benefit analysis of existing and proposed complementary measures, including the cash for clunkers scheme | |
| | Industry – Electricity | <ul style="list-style-type: none"> Consultation on the role of the Connecting Renewables Initiative | |
| | Industry – Renewables | <ul style="list-style-type: none"> The role of a national gross feed-in tariff Release funding guidelines for the Renewable Energy Venture Capital Fund | Renewable Energy Financial Services Construction, Engineering |
| | Industry – Agriculture | | Agriculture |
| | Industry – Buildings | <ul style="list-style-type: none"> Tax Break for Green Buildings (to commence July 2011) | Property Financial Services |
| | House & Community | <ul style="list-style-type: none"> Release of the funding guidelines for the Low Carbon Communities initiative | Industrial Products |

Where to now for business ?

Conclusion

Every sign points to a period of weaker government delivering poorer policy. But sooner or later Australia needs to address several vital areas of policy. In each case they go to the broader issue of the sustainability of the nation. One is climate change. The other is its obvious corollary, energy policy. Decisions made now will reverberate for decades to come.

Meeting the energy and climate challenge will mean the new government will need to address years of underinvestment in low-carbon infrastructure through market reform and intervention, a push on energy efficiency, and ensuring energy policy choices taken now are sustainable in the future.

Where is the way forward for business in this new regime ?

In response to a question about climate change policy, at a Australian Institute of Company Directors lunch in Brisbane on 26 August 2010 Rio Tinto chief executive said Australia should not be "*leading too far ahead*" or industries could go elsewhere. While it was reported he believes in a market-based mechanism to address the climate change problem, a carbon tax was not the only way to tackle global warming. "*It's important the move to breakthrough technology is government-enabled but market-led,*" he said.

Most business groups are likely to express nervousness that a Greens backed carbon policy will reduce the previously negotiated framework for industry assistance that was negotiated by them in 2009. With that in mind here are some possible strategic and operational action steps that business could consider.

Strategic action steps for business

- **Return the climate agenda to the Boardroom / Executive level discussions** – While a number of businesses stepped back from preparation for a carbon price earlier in 2010, the need for its return to the risk assessment framework of business operations would be commercial prudent.

- **Transparency in reporting** - Regulator and Investor alike will now be more likely scrutinise a business' corporate environmental performance. How well this is managed could influence future investment decisions.
- **Engagement with new stakeholder interests, including Green NGOs** – Buoyed with the outcome of election, NGOs (green and rural alike) will be seeking to have more say and influence over future policy directions, not just in climate change. Business will need to have an effective narrative with the NGOs to ensure its position is appreciated and factored into framework.
- **Evidence based arguments for assistance** – With the CPRS emissions intensive trade exposure test likely to be re-examined, as well as a number of international developments clouding arguments around "carbon leakage", business will need to be prepared to advocate assistance based on data that is robust, verifiable and transparent

Operational action steps for business

- **Energy Procurement** – Unless and until there is a price on carbon, the short term cost of energy in Australia will remain volatile. Therefore business' energy needs will require greater planning during this time of uncertainty, and energy consumer / supplier negotiations will take on a heightened level of risk to a business' bottom line.
- **Carbon pass through** - While a number of companies prepared for a post 2012 CPRS environment, the clauses underpinning these contracts may need to be reviewed.
- **Compliance with obligations to report Ghg emissions** – No business that is required to report could ignore that the enforcement and compliance regime under Ghg reporting laws will now become a more important focus of government, and therefore a licence to operate issue for business.

Appendix 1: Going into the election

Going into the election

What has happened to the issue of climate change in this election ?

This is not 2007. Where it was centre stage as an election issue in Australia in the 2007 Federal election, the climate change policies of the 2 respective Major Parties (the Australian Labor Party and the Liberal / National Coalition) in the 2010 Australian election do not have the same prominence.

So here is the conundrum. After 21 August 2010 Australian business will need to reappraise the impact of a very different (and possibly non-emissions trading scheme based) set of policy drivers and therefore possibly devise and implement a more complex Management response to climate risk within their corporate operations. Not just because of the different policy settings of the major parties, particularly on the issue of setting a price on carbon, but also because, for the first time in Australia's Parliamentary history, business may well be faced with the Australian Senate being controlled by a major environmental party, from 1 July 2001, a party which hold different views from the main stream parties on how the climate conundrum should be resolved.

Where was energy reform on the political agenda ?

No discussion or debate about carbon can be effectively held without a discussion about business' as well as the broader communities' future energy needs. And yet, as the analysis shows, nowhere was meaningful proposals put to the electorate, at least not amongst the major parties. The last time business participated in consultation on the issue was when the Energy White Paper was released by the Howard Government in 2004.

What if Independents rule the roost ?

Given that the polling indicates a tightly fought election, political commentators suggest the possibility of a "hung" parliament.

Should neither major party hold a working majority in the House of Representatives, then the views and, more crucially, the votes of the current 3 Independents in the House of Representatives will be critical to any minority government seeking to pass legislation on climate change.

Who are they and what are the stated views on this issue?

- [Bob Katter](#) (Kennedy) – A climate sceptic and opposes an ETS.
- [Rob Oakeshott](#) (Lyne) – Supports the establishment of an ETS.
- [Tony Windsor](#) (Tamworth) – Supports the establishment of an ETS

Why are the States 'doin' it for themselves' ?

To add further complexity, on 26 July 2010 the Victorian Government, which faces an election in November, released the **Victorian Climate Change White Paper**. The paper outlines a number of highly significant climate policy measures. Business raised concerns about whether Victorian industry would be disadvantaged by the state going it alone on cutting greenhouse gas emissions by 20 per cent on 2000 levels by 2020. In contrast the environment movement largely embraced the policy. A draft bill is due to be released shortly.

But the world keeps on turning, keeps on churning ?

Copenhagen showed how difficult it is to get consensus when 200 governments are at the table. Nevertheless, former Prime Minister Rudd had managed to put Australia's position on several crucial issues on the international agenda. For example, the value of the G20 group of nations is in tackling not just trade, investment and financial regulation, but broader issues such as climate change.

It remains to be seen whether either of the current political leader has an appetite to maintain the leadership on these issues , particularly climate change and find a way through the [current uncertainty in an era where co-operation rather than a "go-it alone" philosophy is favoured by the broader and business community alike.

About this Review

The next few pages offer a break-down of the major policy statements on climate change, announced since the calling of the election by the two major parties. The Greens Party policies have also been.

To put them into some context a framework of the key drivers in addressing the climate issue has been overlaid on the policies by considering:

- [Policy on Target setting](#)
- [Regulation](#)
- [Market Development – Carbon & Energy](#)
- [Green Investment, Finance and Technology](#)

I trust you find it informative.

Andrew Petersen
19 August 2010

Appendix 2: A review of the key drivers

Policy on Target setting

| | Labor | Coalition | Greens |
|---------------------------|---|--|---|
| Emission Reduction Target | <ul style="list-style-type: none"> Between 5-15 per cent by 2020 Create a Climate Change Commission: an independent, properly credentialed source of information and expert advice to explain the science of climate change and report on progress in international action. | <ul style="list-style-type: none"> 5 per cent reduction target by 2020 achieved through: <ul style="list-style-type: none"> Reductions would come through soil sequestration and increase in renewable energy usage, and will be explored through Forestry Measures, Waste Coal Mine Gas, Transport, Green Buildings & Energy Efficiency \$2.55 billion Emissions Reduction Fund (ERF) over 4 years to meet the reduction target (<i>more in Notes</i>) | <ul style="list-style-type: none"> Establish binding national emission targets for 2012, 2020 and 2050 supported by a detailed strategy to reduce emissions from the energy, transport, industry, waste and land management sectors. |
| Renewable Energy Target | | <ul style="list-style-type: none"> Create a band within the Renewable Energy Target to be reserved for larger renewable energy projects (over 50 megawatt) or for emerging technologies such as solar fields, geothermal projects or tidal and wave projects (over 10 megawatt). | <ul style="list-style-type: none"> Renewable electricity provides 30 per cent of national demand by 2020 Reform the Renewable Energy Target to exclude non-renewable sources (including greenfields coal-bed methane, new hydroelectric and native forest fuelled power stations) Transfer Government subsidies and support from fossil fuel to renewable and efficiency sectors |
| Energy Efficiency Target | | | <ul style="list-style-type: none"> Establish a national system of energy efficiency targets |

Regulation

| | Labor | Coalition | Greens |
|---|---|--|---|
| Emissions Permitting | <ul style="list-style-type: none"> Tighter standards for the construction of new coal fired power plants and be Carbon Capture and Storage-ready (CCS-ready). | | <ul style="list-style-type: none"> Establish a low greenhouse trigger in the Environment Protection Biodiversity Conservation Act (EPBC), for Federal oversight of developments liable to have a significant impact on domestic or global greenhouse emissions. |
| Emissions Reporting | | <ul style="list-style-type: none"> Will use National Greenhouse & Energy Reporting System (NGERS) to determine proposed emissions reductions beyond overall base levels already determined for firms | |
| Energy Efficiency | | | <ul style="list-style-type: none"> Significantly increase the stringency of Minimum Energy Performance Standards (MEPS) for products, buildings and infrastructure. |
| Energy Efficiency – Transport (Road – light vehicles) | <ul style="list-style-type: none"> Mandated average mandatory CO2 emission standards of 190g/km by 2015 and 155g/km by 2024. (More in Notes) | <ul style="list-style-type: none"> Support Labor proposal | <ul style="list-style-type: none"> Phase in stringent fuel efficiency standards |
| Energy Efficiency - Buildings | <ul style="list-style-type: none"> Develop a National Buildings Framework, to set minimum performance standards for new buildings and major renovations. (More in Notes) | | |

Market Development – Carbon & Energy

| | Labor | Coalition | Greens |
|--|---|--|---|
| Commitment to a compliance market based emission reduction scheme | <ul style="list-style-type: none"> • Yes, via the CPRS model, but not before 2012, to reduce emissions by between 5-15 per cent • 150 person community panel to build consensus on climate change • Incentives for businesses to cut emissions | <ul style="list-style-type: none"> • No commitment to a price on carbon unless world acts first | <ul style="list-style-type: none"> • Yes, commitment to 40 per cent reduction of greenhouse gas emissions by 2020. • Committed to implementing a market based reduction scheme as soon as possible • \$23 a tonne carbon tax on big polluters for two years |
| Support for establishment of a voluntary emissions reduction scheme | <ul style="list-style-type: none"> • \$46 million to establish a scheme to allow farmers to sell carbon credits that they earn from progressive farming practices. | <ul style="list-style-type: none"> • \$10 million to retain the “Greenhouse Friendly” programme for 5 years. Review after 3 years | |
| Energy Market Reform | | <ul style="list-style-type: none"> • Update the 2004 Energy White Paper | <ul style="list-style-type: none"> • Reform the National Electricity Market to remove the bias towards centralised coal-fired generation, and encourage demand management and the development of distributed generation and renewable energy. • ensure that energy price subsidies are not used to attract or retain energy intensive industries. |

Green Investment, Finance & Technology

| | Labor | Coalition | Greens |
|------------------------|---|--|--|
| Industry – General | | <ul style="list-style-type: none"> Cut \$37.6 million from its <i>Retooling for Climate Change program</i> | <ul style="list-style-type: none"> Introduction of national gross feed-in tariffs for renewable energy |
| Industry - Transport | <ul style="list-style-type: none"> \$394 million cash for clunkers scheme , labelled the <i>Cleaner Car Rebate</i>, to take 200,000 older inefficient cars off the road Reduce \$200 million from the <i>Green Car Innovation Fund</i> (GCIF) reducing it by \$100 million in both 2012-13 and 2013-14. | <ul style="list-style-type: none"> Cut \$278 million from the GCIF | <ul style="list-style-type: none"> Remove the GST on public transport Use government procurement policies to promote efficient passenger vehicles. Amend the Fringe Benefits Tax to remove the incentive to increase vehicle use. Provide incentives to promote public transport and to encourage research, development and commercialisation of energy efficiency and renewable energy. |
| Industry - Electricity | <ul style="list-style-type: none"> Contribute an additional \$1 billion over 10 years to invest in the connection of the electricity grids to new sources , labelled the <i>Connecting Renewables initiative</i>. The first \$100 million will be invested over four years. | <ul style="list-style-type: none"> Unspecified financial incentives, via the ERF, for the oldest and most inefficient power stations to reduce their emissions \$2 million for a <i>major study</i> into the use and application of High Voltage Direct Current transmission within Australia, funded from the <i>Solar Towns and Schools initiative</i> (see below) Study into replacing high voltage overhead cables in cities with underground cables. | <ul style="list-style-type: none"> Ban public funding to refurbish any existing coal fired power stations. |

Green Investment, Finance & Technology

| | Labor | Coalition | Greens |
|------------------------|---|---|--------|
| Industry - Renewable | <ul style="list-style-type: none"> \$100 million over 4 years to support market based projects developing renewable technologies through the Australian Centre for Renewable Energy through the Renewable Energy Venture Capital Fund (REVC) | <ul style="list-style-type: none"> \$60 million for clean energy research and development to develop the La Trobe Valley, Hunter and Central Queensland regions as Clean Energy Employment Hubs \$5 million to conduct a 1 year testing process to ensure that algal energy and biofuels are effective in reducing CO₂ levels and will not distort the food chain and production processes | |
| Industry - Agriculture | | <ul style="list-style-type: none"> Purchase out of ERF 10 million tonnes of CO₂ abatement through soil carbons for 2012-13. Farmers will be entitled to tender for all verified new additions in soil carbon beyond the commencement of the Fund. | |
| Industry – Buildings | <ul style="list-style-type: none"> From 1 July 2011, under the Tax Break for Green Buildings initiative businesses that invest in eligible assets or capital works to improve the energy efficiency of their existing buildings – from 2 stars or lower to 4 stars or higher – will be able to apply for a one-off bonus tax deduction. | | |

Green Investment, Finance & Technology

| | Labor | Coalition | Greens |
|----------------------------------|--|---|--|
| Household & Community | <ul style="list-style-type: none"> \$80 million Low Carbon Communities initiative to support local councils and communities to cut pollution and reduce their energy costs through energy efficient upgrades to street lighting, community facilities and council buildings. | <ul style="list-style-type: none"> \$400 million for the 1 million Roofs Solar Program – representing an extra \$1,000 rebate for solar panels or solar hot water systems (capped at 100,000 rebates or \$100 million per annum). This is in addition to existing incentives and is intended to remain in place until 2020. | <ul style="list-style-type: none"> Facilitate the rollout of smart meters with real-time communications technology and information display Install measures to ensure low income earners, unemployed or aged are not unfairly penalised. |
| | | <ul style="list-style-type: none"> \$100 million for the Solar Towns and Solar Schools initiative to run for 4 years - competitive tenders for 125 mid-scale solar projects, commencing on 1 July 2011 for towns and non-capital cities to access direct solar energy for on-site use (maximum grant of \$2 million each). Flagship Solar Schools program tenders to commence 1 July 2011 with maximum \$500,000 grant. Grants for both programs to be allocated on the basis of greatest savings for CO₂ per dollar | |
| | | <ul style="list-style-type: none"> \$50 million for a Geothermal and Tidal Towns Initiative to support the development of additional renewable energy opportunities through the establishment of 25 micro, pilot and demonstration projects with potential to provide renewable power to local communities. Maximum grant of \$2 million with competitive tenders to commence on 1 July 2011 | |
| | | <ul style="list-style-type: none"> \$50 million incentive to the planting of an additional 20 million trees by 2020 including large scale plantings in regional areas as well as urban street planting and highways. <p>Carbon clearer...perhaps if you squint</p> | |

Appendix 3: Australia decides, but what is the outcome ?

Australia decides, but what is the outcome ?

Why is the governance of Australia in limbo ?

At the end of Saturday night, 21 August 2010, Australian Prime Minister Julia Gillard's Labor Party and Tony Abbott's Liberal-National coalition were deadlocked with more than half the vote counted in the tightest national election in almost five decades. The closeness of the race raises the possibility that no party will win a majority of the vote, an outcome not seen in Australia for 70 years.

As foreshadowed in [Going into the election](#) (See Appendix A) the Australian Greens were likely to figure prominently in the election. By Saturday night the Greens won 11.6% of the national vote from 7.8% in 2007.

But more significantly the Greens won their first constituency in a general election, taking a seat in Victoria as the party's national vote surged almost 50 percent. The seat of Melbourne, won by Adam Bandt, was previously held by retiring Labor Finance Minister Lindsay Tanner and has been controlled by the Labor Party for more than 100 years.

"The government has been punished for its denial on climate change," said Bandt, an industrial and public interest lawyer who was a partner at Slater & Gordon in Melbourne, the law firm where Prime Minister Julia Gillard also worked before becoming a lawmaker. *"People have delivered a resounding verdict on climate change, we are opening up a new prospect in the parliament to take definitive action."*

Some have argued the Greens are now a third political force in Australia. But it is not just the Greens that will influence the future composition of the government or its policy framework. The Independents in the former Australia Parliament will play a vital role. For example, one of them, Tony Windsor (Independent, Tamworth) has been a strident critic of the coal industry and in 2008 sponsored the **Climate Protection Bill** in the Parliament, calling for 30% Ghg emission cuts by 2020, although he did vote against the CPRS bill package in 2009.

Are we going to be get hung up because of this result ?

A so-called hung parliament would make it harder for either party to push through legislation such as Labor's proposed 30% tax on iron ore and coal profits, carbon trading, and other reform priorities such as those securing Australia's electricity and gas supplies. Gillard and Abbott would have to build alliances with independent and Greens lawmakers to enact laws.

The last federal hung parliament happened in 1940, when the Coalition government of Sir Robert Menzies was returned with the support of two independents, only to lose power to John Curtin in 1941.

What of the Senate outcome ?

While it is too early to say how many more seats the Greens won in the Senate, it looks likely they will hold the balance of power in the next Senate from July 2011. Until then the composition of the Senate will remain, namely:

| Political Party | Numbers |
|--|---------|
| Australian Labor Party | 32 |
| Opposition Coalition | 37 |
| Crossbench <ul style="list-style-type: none">• Australian Greens (5)• Family First (1)• Independents (1) | 7 |

Appendix 4: Key Drivers – Where to now ?

Key drivers - Where to now ?

Will Greens influence the future direction of Australia's climate policy ?

Assuming they form part of a Labor minority government, then definitely.

The Green's climate and renewable energy policies include:

- Seeking a carbon price
- Ensure that renewable electricity provides 30% of national demand by 2020
- Introduction of national gross feed-in tariffs for renewable energy
- Reform Australia's Renewable Energy Target to exclude non-renewable sources, including coal-bed methane, new hydroelectric power and native forest fuelled power stations.
- \$4.5 billion in loan guarantees for big renewable energy projects.

In [Going into the election](#) (See Appendix 1) a review of the policy statements major parties, and the Australian Greens, was carried out against the key drivers of change on climate policy. Those drivers were:

- [Policy on Target setting](#)
- [Regulation](#)
- [Market Development – Carbon & Energy](#)
- [Green Investment, Finance and Technology](#)

In the next few pages there is a further look at those drivers, exploring the a possible challenges that a Gillard minority government and an Abbott minority government could possibly face in prosecuting their climate policy.

For the purpose of the review, 2 separate assumptions have been made; namely that a Gillard minority government holds power with the support of the Greens and at least 2 Independents, while an Abbott minority government holds power with the support of 3 Independents.

Implications for business

There are some aspects of Australia's climate policy and regulation framework that business will need to manage irrespective of who forms government. For example:

- [Emissions Reporting – Businesses Nationwide](#)

The **National Greenhouse & Energy Reporting Act 2007(Cth)** will still continue to apply to businesses already reporting under the Act, meaning they will need to report by 31 October 2010; those and businesses with a greenhouse gas emissions footprint of 87.5 tonnes, or energy use of 350kj will need to apply for registration by 31 August 2010 and report by 31 October 2010.

- [Energy Efficiency Disclosure – Buildings Sector](#)

The **Building Energy Efficiency Disclosure Act 2010 (Cth)** was passed at the end of June 2010. It is due to come into effect on 1 October 2010. The commercial property sector will need to be developing and managing its compliance response once the impact of the regulations become clear.

Generally, though with respect to Australia's policy on climate change, and particularly on the development of a carbon market or the setting of a carbon tax, the key word going forward will be compromise. Whoever ultimately forms government, and assuming it does so with a minority, neither major party will have an unfettered mandate to carry out their climate policy agenda. In the short term it is unlikely we are going to see the clear policy direction on pace and timing that business needs if it is going to be asked to investment in abatement, particularly in the energy industry.

Where there is certainty is that climate policy in Australia will be re-tested re-framed, and re-articulated by the major parties with the Australian community including business,. It may also include more stringent regulatory levers, particularly if the Greens are instrumental in shaping the policy. This will have a cost to business.

Key drivers - Where to now ?

| Driver | Gillard Minority Government | Abbott Minority Government |
|--|---|--|
| <p>Policy Target setting While both parties committed to achieve an emissions reduction target of 5% by 2020, it is difficult to ascertain how the major parties' respective climate policies would achieve the target.</p> <p>Perhaps one unintended development will be the reinvigoration of a debate and policy development on energy reform.</p> | <p>One challenge will be the way forward on the 150-person "citizen's assembly" that is proposed to meet three times over the next two years. Heavily criticised by environment groups, and the opposition, the likelihood of it progressing could be in doubt given Prime Minister Gillard's announcement on 20 August 2010 (see Carbon Markets).</p> <p>There would also be pressured by the Greens to release and implement the recommendations of its energy efficiency task force, as well announce an Energy Efficiency Target.</p> <p>The possibility that the Greens or one of the Independents could bring forward climate change legislation as a private members bill is now possible.</p> | <p>Challenges could emerge in getting the sufficient numbers in the Lower House of Parliament for the Direct Action Plan on climate change, particularly if the Independents only provided the government support on supply bills, and did not consider this policy to be one of supply. The \$3.2 billion emissions reduction fund is, according to the Department of Climate Change and Energy Efficiency (DCCEE), insufficient to meet the ambition of buying greenhouse abatement equal to a 5 % reduction in Australian emissions by 2020. The DCCEE estimates that even if they spent twice as much by 2020, Australia would still be only half way towards the 5 per cent target.</p> <p>This would mean they would need to impose extra taxes or spend more to achieve the target, and under the current policy, they have no way to guarantee that other parts of the economy, where they are not purchasing emission reductions, would not undo their efforts by emitting more. This would clearly be unacceptable to the Greens and possibly at least 2 of the Independents.</p> <p>Meanwhile, what will be of critical concern to the Greens is the government's position on international climate negotiations. As stated above meeting the abatement goal through the government current policy could represent a large risk to the budget. The risk is compounded if Australian soil carbon abatement is still not recognised in international agreements by 2020 . Also there is a very likely possibility that Australia will have to reduce emissions by more than 5 per cent to pull its weight internationally.</p> |

Key drivers - Where to now ?

| Driver | Gillard Minority Government | Abbott Minority Government |
|---|---|--|
| <p>Regulation Unlikely to see any major change to emissions / energy reporting legislation, but the use of the regulatory lever to curb greenhouse gas emissions is likely to be one favoured by the Greens.</p> | <p>The government would be pressured by the Greens to introduce a variety of legislation mandating reductions in motor vehicle emissions, buildings and appliances. Significant pressure would be brought by the Greens to introduce a low emission reduction trigger into the <i>Environment Protection and Biodiversity Conservation Act 1999 (Cth)</i></p> | <p>Based on current policy pronouncements the government has no commitment to energy efficiency regulation, except for motor vehicles. Reduced funding for the Department of Climate Change and Energy Efficiency operations could mean reduced focus on monitoring, enforcement and compliance under NGERs.</p> |
| <p>Carbon Markets This is the area of major difference between the major parties, and a key issue for Greens. The Independents (Windsor, Katter, Oakeshott) are divided on the need for a price on carbon, although the treatment of the agriculture sector is likely to be a significant factor that could influence their vote on future legislation</p> | <p>On the day prior to the election, Prime Minister Julia Gillard sent a clear signal that she would move to introduce a price on carbon if re-elected. Gillard promised to legislate to impose a carbon price during the next term of the Australian Parliament, should Labor form the next government and has sufficient support from legislative partners such as the Green Party.</p> | <p>There would be no carbon price until there was a clear intent by other countries that they will also introduce a price on carbon, and even then the intent is not certain. Of potential concern, however, could be the international reaction to such a position. The possibility of threats of trade barriers and border adjustments from countries in the EU, and possibly also India and China, could not be discounted.</p> |
| <p>Investment Without a clear investment signal the electricity generation industry has stated that it will build stop-gap generation capacity that will push up the price of power, without making big cuts in emissions.</p> | | <p>Funding promised by the Rudd government under the Copenhagen Accord would be cut. This would need to be clarified as to whether Australia still backs this accord, preferably before the next international meeting in China in October.</p> |

Sources

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