

Submission Cover Sheet:

Clean Energy Legislative Package

Overview

This submission cover sheet should be used to provide comments on the Clean Energy Legislative Package.

Contact Details

Name of Organisation:	Conservation Council of South Australia Inc
Name of Author:	Mr Tim Kelly, Chief Executive
Phone Number:	08 8223 5155
Email:	Julia.winefield@conservationsa.org.au
Website:	www.conservationsa.org.au
Date:	22 August 2011

Confidentiality

All submissions will be treated as public documents, unless the author of the submission clearly indicates the contrary by marking all or part of the submission as 'confidential'. Public submissions may be published in full on the Department of Climate Change and Energy Efficiency website, including any personal information of authors and/or other third parties contained in the submission. If any part of the submission should be treated as confidential then please provide two versions of the submission, one with the confidential information removed for publication.

A request made under the *Freedom of Information Act 1982* for access to a submission marked confidential will be determined in accordance with that Act.

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

Submission Instructions

Submissions should be made by **5pm on Monday, 22 August 2011**. The Department reserves the right not to consider late submissions.

Where possible, submissions should be sent electronically, preferably in Microsoft Word or other text based formats, to the email address cleanenergybills@climatechange.gov.au

Submissions may alternatively be sent to the postal address below to arrive by the due date.

Carbon Price Legislation Branch
Carbon Strategy and Markets Division
Department of Climate Change and Energy Efficiency
GPO Box 854
CANBERRA ACT 2601



Conservation Council SA

Comments on the Clean Energy Legislative Package

22 August 2011

Conservation Council of SA Inc
CCSA
1/157 Franklin St
Adelaide
SA 5000

p: (08) 8223 5155

f: (08) 8232 4782

e: general@conservationsa.org.au

www.conservationsa.org.au

The **Conservation Council of South Australia Inc (Conservation Council SA)** is the peak conservation body for South Australia, representing over 50 of the State's environment and conservation organisations.

Conservation Council SA is an independent non-profit, non party-political, community based organisation which provides resources, advice and representation for the SA environment movement, and which leads many of the key conservation campaigns in SA.

Conservation Council SA is known for its success in developing long term community development, education, and on-ground environmental restoration programs.

Conservation Council SA regularly liaises with local, state and federal governments, government agencies, media, educational institutions, NGOs, unions, industry, business and other groups on matters relating to the environment and social justice.

As a community organisation, much of what Conservation Council SA achieves is through a large network of skilled volunteers from all walks of life – for its office, on-ground, governance and campaign activities.

Conservation Council SA is committed to a healthy environment for South Australia.

Contents

Introduction	1
The Title of the Legislation.....	1
Part 2 – Section 14 Carbon Pollution Cap.....	1
Part 4 Division 1, Introduction.....	1
Division 2 - Periodic reviews of this Act and the associated provisions to be conducted by the Climate Change Authority	2
Division 2 - Periodic reviews of this Act and the associated periodic reviews of the level of carbon pollution caps etc.	2
Division 3 - Property in, and transfer of, carbon units	2
Part 8 Division 5 - Clean Energy Investment Plans.....	2
Carbon pass through costs	3
Voluntary action from 2015.....	3
General.....	4
Managing and over-dependence on uncovered sectors and on nations without caps, to source carbon allowance units	5

Introduction

The Conservation Council of South Australia strongly supports the implementation of a carbon pricing mechanism to underpin Australia's transition to a low-emissions economy as fast as possible. We commend the Australian Government on its efforts to establish this mechanism.

The Title of the Legislation

Whilst we support the legislative package as a whole, the Bill fails the accuracy and integrity test at its first word suggesting that it is about 'clean' energy. In particular, whilst the gas industry has been provided a prominent role in the Clean Energy Future Plan, it is inaccurate to describe this fossil fuel as clean. The word should be changed to 'cleaner', given that no form of energy generation properly considered over its life cycle is completely clean.

It is important that even simplified messaging remains true and accurate.

Part 2 – Section 14 Carbon Pollution Cap

The section on the Carbon Pollution Cap is poorly defined. There is no acknowledgement of the limitation of the Carbon Pollution Cap, in that it applies only to some sectors, and only to corporations and activities with NGER and carbon pricing thresholds.

There is no clarity of the cap not applying to transport fuels or synthetic gases. It reads as if Australia will have an economy-wide emissions trading scheme, yet this is not the case. Transport and Agriculture are two sectors that will play an important role in reducing Australia's emissions, which require different approaches as no cap applies.

The legislation should properly describe the context for the scheme cap in relation to Australia's international commitments.

Part 4 Division 1, Introduction

Carbon units as described under this section should be more fully described as Carbon ALLOWANCE Units to better describe their purpose. In addition, it should be explained that 'carbon' is the short hand expression for 'equivalent carbon dioxide' emissions.

Division 2 - Periodic reviews of this Act and the associated provisions to be conducted by the Climate Change Authority

The review should also examine the effectiveness of policies and how they interact with regard to Productivity Commission assessments and other input to ensure that climate change efforts are not wasted.

Division 2 - Periodic reviews of this Act and the associated periodic reviews of the level of carbon pollution caps etc.

The Climate Change Authority should also provide advice on Australia's national cap (currently referred to as the National Carbon Budget). Without the ability to provide advice on the tightening of Australia's national cap, the role of the Authority is considerably diminished.

Division 3 - Property in, and transfer of, carbon units

Section 103

Whilst Section 103 says that carbon units are personal property, it completely fails to clarify what carbon units are. The legislation is creating Carbon ALLOWANCE Units, and it is important that they be described accordingly, as units to allow greenhouse gas emissions to be released into the atmosphere.

Please do not repeat the mistake of Australia's Renewable Energy (Electricity) Act 2000 where Renewable Energy Certificates were described as something that could be created and traded but never properly defined as to what they did or did not represent. This has caused problems in renewable energy accounting and claims of use ever since.

Part 8 Division 5 - Clean Energy Investment Plans

The proposed legislation must ensure that Clean Energy Investment Plans require organisations to take significant and tangible steps and commit to much cleaner energy investment.

Such plans must include commitments not just to transition technologies, but also to adopt truly low-emission technologies. For example, a clean energy investment plan for a coal-fired electricity generation facility should not just be about switching to gas, but should also include tangible steps towards the lowest-emission technologies at scale.

Carbon pass through costs

There is no assurance in the plan that carbon pass through costs will be allocated fairly and transparently. For example:

- Will carbon costs be passed through to residential electricity customers at the same rate as to large-scale industrial users?
- Will GreenPower customers be exposed to carbon costs for emissions that they have paid to avoid?

Voluntary action from 2015

The Clean Energy Future legislation does not properly include mechanisms to support voluntary action.

The Clean Energy Future Plan states that:

First, the Government will take voluntary action into account when setting pollution caps. Voluntary action will be treated as additional when accounting for Australia's pollution reduction targets after 2012. Second, in the carbon pricing mechanism's flexible price period, carbon permit holders may voluntarily cancel their permits. Third, a tax-deductible Pledge Fund will be established to help individuals buy and cancel carbon permits. Fourth, any purchases of accredited GreenPower from the start of the carbon pricing mechanism will be treated as voluntary action.

Firstly, the statement is flawed in method as the Government cannot possibly measure voluntary actions in key areas such as energy efficiency or individuals making decisions to use less.

Secondly, where reductions in emissions are achieved and carbon allowance units are freed up to make it easier for caps to be tightened, the second concept of voluntarily surrendering permits without tangible greenhouse achievements just cancels out the gains in energy efficiency and using less, tonne-for-tonne.

The problem of voluntary surrender of permits in detail

The approach of the Climate Change Authority recommending future emission caps and the Government setting caps will not be based on science or fixed numbers alone. Arriving at a scheme cap and national caps will include considerations of the risks to the economy at various rates to drive further change.

Given this, it is not clear why the voluntary surrender of permits is still included as voluntary action as this creates permit scarcity, making it harder for caps to be tightened whilst achieving no tangible emission reductions.

Traditional voluntary actions such as turning down air conditioners and heaters, improving control systems, improving insulation or switching to more fuel-efficient appliances will free up carbon allowance units that can be used elsewhere under a cap and trade mechanism. These efforts do however contribute real tangible achievements and the Government has previously confirmed that these efforts contribute to the economy-wide effort by making it easier to tighten future caps. In contrast, removing permits without tangible outcomes contributes nothing directly to reducing emissions and **makes it more difficult to tighten future caps.**

Whilst it is appropriate to reduce the number of available permits to recognise real voluntary action achievements, it is not appropriate for the voluntary surrender of permits to have no foundation in real achievements. The Government needs to settle on a single logic on how voluntary action will work under the emissions trading scheme when it starts in 2015.

General

- We support the actions to close down 2000MW of heavily polluting coal-fired power generation to low emissions energy sources.
- The Australian Energy Market Operator's assessment of the technical needs for a switch to 100% Renewable Energy should be undertaken by 2012 and regularly reviewed to incorporate new solutions.
- The 80% emissions reduction target by 2050 is strongly supported and must be retained and a transition pathway to achieve this goal as quickly as possible needs to be established.
- The provision for the default cap starting July 1, 2015 which would reduce emissions from liable entities by 38 Mt from 2012 levels is strongly supported, as are provisions to prevent banking of units from the fixed price period (s122.7). Both of these should be retained.
- In section 12 of the Climate Change Authority Bill (CCA Bill), the principles for the Authority should include the principles of ecologically sustainable development.
- The list of matters to which the Authority must put its mind in preparing recommendations for caps for the emissions trading scheme (*Clean Energy Bill* s289.2) and which the Minister must consider when preparing Regulations to set caps (*Clean Energy Bill* s14.2c) should include any carbon budget and emissions reduction pathway prepared by the Authority covering both the scheme cap and Australia's national target on its emissions.
- The functions of the Land Carbon and Biodiversity Board (*Climate Change Authority Bill* Part 4 Division 1) must include biodiversity conservation and ecological priorities. This section should refer to Australia's biodiversity adaptation plans and other biodiversity conservation planning at the national scale.
- Since the object of this Act will be to give effect to Australia's obligations under the UNFCCC and the Kyoto Protocol, s14 2a should be amended to ensure that the Minister must 'act consistently with' (not just have regard to) Australia's international obligations.

- For the purposes of this Act, the **emissions intensity** of a generation complex should incorporate the emissions associated with the production of the fuel. Fuels such as coal, coal seam gas and shale gas can leak high levels of methane during exploration and production, which is 21 to 70 times worse than carbon dioxide (depending on timeframes considered). When the emissions intensity of electricity is referred to it needs to be comprehensive (scope 1 and scope 3 emissions).
- The Clean Energy Investment Plans (ss177-180) to be prepared by electricity generators should be required to be consistent with reducing the emission intensity of the electricity sector to levels consistent with the long-term objects of the Act and the regulations.

Managing and over-dependence on uncovered sectors and on nations without caps, to source carbon allowance units

By permitting carbon allowance units to be sourced from non-covered sectors and nations without binding targets, there is a danger that the Federal Government may unintentionally create dependencies for both consumers and providers of carbon allowance units that may deter sectors and countries from moving towards caps and reductions of their own. Ultimately, a global system should work across all sectors and nations, where each contributes to reducing their emissions.