# DEC Climate Change Unit

Turning back the tide: State and National Policy Approaches to Climate Change

## Environment Institute of Australia and New Zealand Leadership Forum

Charles Crouch
Principal Economist
Climate Change Unit

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# OVERVIEW OF PRESENTATION

- The Climate Change Unit
- Climate change context
- Commonwealth policy
  - Mitigation – carbon tax or emissions trading
- State Government policy
  - Climate change adaptation and mitigation strategy

*Disclaimer: the views expressed in this presentation are personal and do not necessarily imply endorsement of any particular policy position by the Climate Change Unit or the Western Australian Government*

# CLIMATE CHANGE UNIT

Climate Change Unit established within DEC in May 2007 as part of former Government's *Premier's Climate Change Action Statement.*

Key objectives include:

- Lead development of policy advice on greenhouse issues in WA and coordinate whole of Government responses to climate change related issues;
- Represent WA in intergovernmental negotiations and policy development;
- Undertake and review economic analysis of greenhouse policy, emissions trading and carbon markets;
- Implement the Government's adaptation to climate change program, coordinate the Indian Ocean Climate Initiative; and
- Work across each sector of the economy in conjunction with relevant State agencies to assess greenhouse gas abatement opportunities and policy measures.

# THE OFFICE OF CLIMATE CHANGE

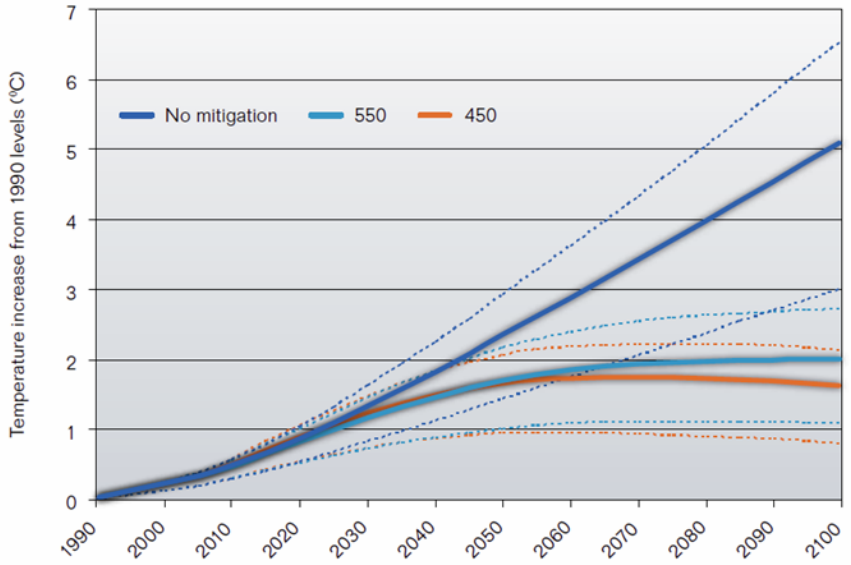
OCC has two main work streams:

- Adaptation – adapting to the unavoidable impacts of climate change.
- Mitigation – reducing greenhouse gas emissions.

# CLIMATE CHANGE CONTEXT

- Significant increases in anthropogenic greenhouse gas emissions have led to higher global temperatures
- Temperatures will continue to increase with some degree of global warming "locked in" but will depend greatly on future emissions
- To keep future increases to "acceptable risks" significant (60-80%) cuts below current levels will be required from developed nations
- But even if cuts are made will still need to adapt to changed climate

Figure 4.5 Global average temperature outcomes for three emissions cases, 1990–2100




Source: Garnaut Review

# GLOBAL AGREEMENT TO REDUCE EMISSIONS

- General consensus that need to stabilise at between 450 and 550 ppm to limit temperature increase to between 2-3 degrees where impacts are acceptable
- Will require all countries to limit emissions
- But generally agreed that targets will differ between developed and less developed countries with rich world facing more stringent targets
- Kyoto Protocol imposed emissions targets on rich world only but expire in 2012 and currently no binding targets after then
- Copenhagen failed to get international agreement
  - Will Cancun in December?

# COMMONWEALTH PROGRAMS – A CARBON PRICE

- Australia committed to 60% cut below 2000 levels by 2050 and minimum 2020 target of 5% below (could be more depending on international agreements)
- Many argue that most efficient way to deliver most of this abatement is a carbon price which allows emitters to abate using least cost method or pay carbon cost
- Two main options for a carbon price:
  - Carbon tax – fix a carbon price directly; or
  - Emissions trading – determine acceptable quantity and let market determine price to deliver
- Commonwealth established *Multi Party Climate Change Committee* to determine how best to implement carbon price
  - Report end of 2011 at the earliest

# COMMONWEALTH PROGRAMS – CPRS

- Emissions trading scheme – “carbon pollution reduction scheme” imposes overall cap on economy and issues permits to value of cap
- Liable parties must acquire permits to meet emissions, reduce emissions or both
- Those able to reduce emissions at lower cost than carbon price can do so and avoid need for permits, those with higher costs buy permits
- Does require scheme regulator and other administrative costs - $400 million pa assumed for CPRS
- Key advantages over carbon tax –
  - Ability to include offsets
  - CPRS has firm cap and will deliver whatever quantity required

# COMMONWEALTH PROGRAMS – CPRS

- Commonwealth previously committed to broad based emissions trading scheme no earlier than 2013
  - •But subject to Senate agreement and decision on how carbon price to be introduced
- Will cover all except LULUCF and Agriculture
  - •Forestry can opt in
  - •Only directly cover 25 Kt+ emitters (10 Kt for some waste)
- Prices initially capped at $10 per tonne first year, then $40 plus cpi plus 5% for next four years then prices set by market

# COMMONWEALTH PROGRAMS – CPRS

- EITEs compensated at 60% and 90% of industry average emissions until competitors have equivalent carbon price
  - EITEs based on emissions intensity
- SAIs (coal fired power stations) receive compensation to reflect asset value impact
- Fuel excise “holiday” removes impact on transport fuels for 1st 3 years
- Assistance for low income families via pension increases, tax changes and transitional payments
- Assistance for impacted businesses and regions via $1.15 billion *Climate Change Action Fund*

# COMMONWEALTH PROGRAMS – CARBON TAX

- Carbon tax would apply tax to all emissions from liable parties
- Main advantage is price certainty and much lower overhead costs
- But carbon tax fixes price not quantity – can not guarantee emissions at given price and would need to experiment with prices to get quantity outcomes needed
- Greenhouse gas emissions a price or quantity problem
- Will Government be politically able to change tax levels that may be necessary to get required emissions outcomes?

# STATE GOVERNMENT POLICY AND PROGRAMS

- State Government currently active in both mitigation and adaptation
- Mitigation - $30+ million program to support development of new low emissions technology
- Adaptation - $4 million Indian Ocean Climate Initiative to getting detailed understanding of climate change initiatives in WA

# STATE GOVERNMENT POLICY AND PROGRAMS – COMPLEMENTARITY REQUIREMENT

- Original CCU establishment included wide range of mitigation policies
  - But many of these – state renewables, state abatement target – response to lack of Commonwealth action which changed with CPRS introduction
- Despite delays, bulk of mitigation work likely to be done at national level via a carbon price and other measures rather than at state level
- COAG requirement that State Government climate change policies need to "complement" a carbon price
  - Policies should therefore not duplicate impact of carbon price
  - Focus on areas where lack of coverage or market failure means carbon price will not be effective
- But situation complicated by significant delays in introducing a carbon price
  - When CPRS unveiled carbon price due in mid 2011 - 6 months

# ADAPTATION

- Regardless of mitigation action, clear that will be rising temperatures into the future and thus requirement for *adaptation*
- Adaptation likely to be a key area for State Government action as State Governments closer to local conditions
- Adaptation requirements include greater understanding of climate change via programs such as IOCI and improved risk assessment in climate sensitive areas
- Wide range of potential measures in response such as:
  - R&D to develop new crops to cope with changed conditions
  - Demographic shifts in response to drier, hotter climate
  - Climate proofing  existing infrastructure
  - Biodiversity corridors to allow species migration
  - Changed planning requirements in response to sea level rises
  - Increased water efficiency in response to drying climate
  - Improved risk assessment in planning

# CCAMS

- Climate Change Adaptation and Mitigation Strategy (CCAMS) the major work program of CCU
- Government's election platform committed to "work with industry, scientists, local government and conservation groups to develop a Climate Change Adaptation Strategy"
- CCAMS will cover both adaptation and mitigation
- Intent is to deliver a long term framework to:
    - reduce climate change risk to WA; and
    - capture the opportunities

Charles Crouch

Climate Change Unit

Department of Environment and Conservation

6467 5545

charles.crouch@dec.wa.gov.au

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