



## **SACOME Climate Change Policy**

June, 2021

**South Australian Chamber of Mines & Energy**

*The leading industry body representing the resources sector in South Australia*

## Context

The South Australian Chamber of Mines & Energy (SACOME) accepts the international scientific consensus of the Intergovernmental Panel on Climate Change (IPCC) that human influence on the climate system is clear; and that limiting climate change will require substantial and sustained reductions in greenhouse gas emissions which, together with adaptation, can limit climate change risks.<sup>1</sup>

SACOME supports the Paris Agreement as a critical element of the global response to climate change; and its goal of limiting global warming to below 2 degrees Celsius compared to pre-industrial levels while pursuing efforts to limit the temperature increases to 1.5 degrees Celsius above pre-industrial levels.

SACOME member companies continue to express clear public statements of support for the Paris Agreement and many have committed to reaching emissions targets of net-zero by 2050.

SACOME shares this support for a target of net-zero emissions by 2050.

This clear expression of support by major international companies reflects the seriousness with which they treat the challenge of reducing emissions and managing the impacts of climate change.

Whole of company operations continue to be critically reviewed through the lens of climate change risks and opportunities. This includes identifying ways to reduce emissions consistent with expectations under global frameworks and enhancing the resilience of physical assets.

Companies are increasingly responding to these challenges through the use of carbon accounting, risk management and disclosure frameworks consistent with international best practice.

Coordination, integration, and harmonisation of climate change policy at a national level remains a key public policy objective, as does linking national policy with global agreements. Stable, effective, and enduring climate change policy is central to instilling the confidence required for long-term investment decisions.

This need for integration and stability is especially acute at the nexus of climate and energy policy to ensure issues of energy reliability, affordability and emissions reductions are appropriately balanced. This will enable key industrial sectors to realise opportunities and minimise adverse impacts associated with the energy transition.

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<sup>1</sup> IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, R.K. Pachauri and L.A. Meyer (eds.)]. IPCC, Geneva, Switzerland.

Mitigating and adapting to climate change will continue to require structural policy and economic reforms. The ideal policy response should employ efficient, market-based mechanisms which achieve lowest-cost emissions reduction.

In advocating for market-based mechanisms, SACOME supports appropriate protection for trade exposed industries competing in international markets which do not have reciprocal carbon pricing mechanisms.

The transition to a low-carbon economy will require significant mobilisation of capital.

Major and rapid shifts in capital markets are occurring as climate related factors become increasingly important in funding and investment decisions. Balancing access to capital, industry certainty and improved environmental outcomes is a key policy consideration.

## **Policy Principles**

### **1. Market-based mechanisms**

National policy mechanisms should incorporate a market-based framework implemented in a manner that addresses competitiveness concerns and achieves lowest-cost emissions reduction.

This market-based framework should be phased in over time to smooth the transition for industry and operate in line with international frameworks. SACOME supports an international price on carbon that incentivises market-based responses.

Any market-based mechanism should allow for the flow of credible emissions units between international jurisdictions.

### **2. Trade competitiveness**

The design of carbon pricing schemes should preserve the trade competitiveness of Australian industries. The impacts of climate change policy should be trade neutral and trade exposed industries should be adequately shielded from costs associated with emissions internationally.

### **3. Clear, stable, and effective Climate Change & Energy policies**

Climate change and energy policy are inextricably linked. Balancing the demands of energy reliability, energy affordability and emissions reduction is essential to minimising adverse impacts.

Strategic coordination of these two policy areas should be a priority for governments to limit disruption as energy generation as electricity markets undergo unprecedented transformation.

Similarly, climate change and energy policy should be clear, stable, and effective so as to provide confidence for business in making long-term investment decisions. Enduring, bipartisan policy will unlock investment in new industries while providing confidence and security for all sectors, with associated economic and employment benefits for the Australian economy.

A nationally coordinated approach to climate and energy policy should appropriately recognise the energy and resource-intensive nature of the Australian economy.

#### **4. Technology Neutral**

Energy markets should be technology neutral. The utility of a given technology to assist in achieving abatement goals should be a primary policy consideration. Governments should focus on providing clear, enduring climate change and energy policy with associated goals and system stability requirements. Markets are best placed to determine technology options within these settings.

#### **5. Climate Change Adaptation Infrastructure**

Policy frameworks to deliver an orderly transition to a low-emissions economy should include a range of complementary policy measures, including:

- A market-based price on carbon.
- Support for development and implementation of low emissions technologies.
- Measures to build resilience, incorporating risk management strategies to reflect likely impacts of climate variability;
- Support for international and national modelling to provide location-specific climate change predictions and data availability; and
- Research and development into climate adaptation, especially infrastructure resilience.

#### **6. Energy Efficiency & Affordability**

National climate and energy policy should deliver the necessary energy market reforms to improve energy efficiency and affordability across the Australian economy.

Industry and household assistance programs should be retained for as long as appropriate and expanded wherever additional progress can be achieved.

Assistance should be prioritised on the basis of need and in the interest of securing affordable energy, maintaining economic growth, and protecting Australia's trade competitiveness.

## 7. Transition to a Low-Carbon Economy

The transition to low emissions will be a complex process underpinned by existing energy sources. In South Australia, natural gas is a critical feedstock for industrial processes and electricity generation, being regularly used to bolster electricity supply when renewable generation is insufficient.

Gas will continue to play a role in providing energy security and in progressing toward a low-carbon economy. Policy settings should look to optimise generation assets to strike the best balance between reliability, affordability, and emissions reduction.

## 8. Carbon offsets

A comprehensive suite of abatement opportunities to reduce emissions should be permitted in any market-based mechanism to reduce emissions.

The unrestricted flow of credible emissions units between international jurisdictions must be facilitated by government. International frameworks provide the foundational architecture for such markets, which also represent significant opportunity for Australian business.

State and Commonwealth Governments should continue exploring carbon sequestration techniques and practices to provide economic opportunities for land users, especially in rural and remote Australia. Sequestration efforts can diversify revenue streams for landholders and create additional social and environmental co-benefits. These benefits support employment, economic growth, wellbeing, and the longevity of regional communities.