



## **SACOME Climate Change Policy**

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## Overview

The Australian Government and most of its international counterparts accept the science on human accelerated climate change and that climate change is a real and present socio economic and environmental issue requiring action.

The South Australian resources sector recognises that climate change will have potentially significant although uncertain implications and accepts that the resources sector has an obligation to reduce its carbon footprint through adopting less carbon-intensive energy, encouraging innovation and investigating new and more efficient technologies.

Adapting to a changing climate will also require improvements in water use and resilience against extreme weather events that may impede production. Environmental stewardship and responsibility is a key pillar of sustainable development and is an essential component of the resource sector's ability to meet its obligations to communities.

Climate change is a global issue requiring a strategic global response. Australia should continue to work towards reducing greenhouse gas emissions, however, policy arrangements must be consistent with international arrangements, and align with jurisdictions that Australia has or may have partnerships with in future years.

Climate change action will require costly structural reforms that are likely to stretch the economy's resilience during the transition toward a lower carbon base. The South Australian resources sector expects openness, honesty and transparency with the community on the likely impacts of reform and associated programs to soften these impacts. The ideal policy response should employ efficient market-driven carbon reduction mechanisms delivered at least cost to the economy.

In this sense, The South Australian Chamber of Mines and Energy (SACOME) does not support fixed pricing on emissions permits and strongly advocates for any pricing of carbon to be determined by market-based mechanisms. Revenue generated through carbon pricing should have a mechanism for its redeployment into the economy to assist with:

- transitional costs for commercial and residential sectors;
- support research, development and deployment of lower emission technologies;
- fund energy efficiency incentives; and,
- provide infrastructure that supports a low carbon power supply.

In addition, Australia's trade competitiveness should not be compromised. Appropriate protection should be given to trade exposed industries especially those that compete with international markets without similar policy arrangements.

Policy mechanisms to address climate change will require consideration of a wide range of:

- energy solutions such as gas and renewable generation; nuclear power; uranium export; carbon capture and storage (geological and biological);
- efficiency improvements; and,
- energy, transport and transmission infrastructure upgrades.

SACOME expects governments to undertake broad stakeholder engagement and facilitate meaningful strategic discussion on the full range of options available to deliver cost effective energy in a modern, carbon-constrained economy.

## Statement of principles

SACOME's assessment of policy mechanism(s) to address climate change will be guided by the following ten principles:

### 1) Market-based.

Australia's policy mechanism should incorporate a market-based framework that is phased in over time to smooth the transition for industry and operates in line with **international** developments on a global framework to addressing climate change.

In this sense, SACOME advocates against fixed pricing on greenhouse gas emissions and a reduction in the scope of covered emissions to remain consistent with similar jurisdictions. Majority of the forty jurisdictions with an emissions reduction mechanism have implemented an emissions trading scheme (ETS) rather than a fixed price carbon tax. Only South Africa and Chile have a fixed carbon price. SACOME considers that good policy is based on achieving an effective outcome rather than having a focus on the mechanism of policy delivery. Policy should provide clear and effective incentives to reduce emissions at least cost.

### 2) Trade competitive.

The design of a scheme to introduce a carbon price should not affect the trade competitiveness of Australian industries. The impact of climate change policy should be trade neutral and trade exposed industries should be adequately compensated for greenhouse gas emission costs.

### 3) Simple and efficient.

The historical Clean Energy Future Scheme cap and trade model was extremely complex in its design, particularly with its criterion for trade exposure and associated assistance, creating additional compliance costs and time to comply with the model. A cap and trade scheme should be clear for both business and the community, simple in its design and not overly burdensome. Future schemes should be economically efficient by being simple, cost effective and provide certainty on long term emissions trajectories.

### 4) Effective.

A future scheme should be effective, providing clear long-term conditions and incentives to reduce greenhouse gas emissions; and encourage investment in lower emission technologies and abatement opportunities. The current emissions reduction target, ratified under the Paris Agreement has committed Australia to reduce emissions by 26 to 28 percent below 2005 levels by 2030 on a per capita and GDP basis.

## **5) Broad based.**

In line with international programs, the scope of emissions covered under the cap and trade scheme should be reduced in the short to medium term, with a gradual phase-in of nitrous oxide, in line with targets for fluorocarbons and methane.

## **6) Technology neutral.**

The scheme should continue to cultivate government/industry partnerships for development of new technologies and infrastructure which will deliver improvements in energy efficiency, emissions reductions, and electricity system management (e.g. smart technology, intermittent generation, embedded generation, two-way flow of electricity, electric vehicles). The Australian Government should also revisit the development and use of carbon capture and storage (CCS) and nuclear energy to assist with lowering Australia's carbon footprint while responsibly transitioning industry sectors away from traditional energy means.

## **8) Reliable, Secure and Low Carbon energy**

Develop and deliver strategic, comprehensive energy policy considering all energy options. Australia should develop a vision for a transitioned energy sector based on lower carbon technologies without compromising on energy security and reliability.

## **9) Energy efficiency and adaption**

Complement and deliver the necessary energy market reforms to improve energy efficiency across the Australian economy including initiatives such as Government-led energy efficiency programs and adaptation strategies. Existing industry and household assistance programs should be retained for as long as appropriate and expanded upon wherever additional progress can be achieved.

Assistance should be prioritised on a needs basis and in the interest of securing affordable energy, maintaining economic growth and protecting Australia's trade competitiveness. The operation of the Clean Energy Finance Corporation should be transparent and accountable. The CEFC should engage in open and constructive dialogue with stakeholders to identify and deliver highest value outcomes for both low-carbon and renewable energy generation over simply "picking winners".

## **10) Carbon offsets.**

A comprehensive suite of abatement opportunities to reduce emissions should be permitted in any market-based scheme to price greenhouse gas emissions.

State and Commonwealth Governments should continue exploring carbon sequestration techniques and practices to provide opportunities for land users to contribute to carbon abatement and continue to explore links to international carbon trading schemes so as to consolidate global efforts.