
AUSTRALIAN INDUSTRY GREENHOUSE NETWORK



ANNUAL REPORT 2015-2016

Australian Industry Greenhouse Network Ltd

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1. Chair's Report

The Australian Industry Greenhouse Network (AIGN) continues to provide a valuable forum for industry discussion and collaboration on climate change policy.

Our members draw on the skills and experience of their peers, bringing together collective knowledge and expertise to access the latest thinking on emerging international, national and local climate change policy.

The monthly network meetings are the focal point for these exchanges, providing members a Chatham House forum to test theories and engage with government and opinion leaders on the adoption of a principled national and international policy framework within which effective and equitable domestic climate change policy is developed and implemented.

1.1 Paris Agreement

In December 2015, the Paris Agreement marked an important milestone for the United Nations Framework Convention on Climate Change (UNFCCC) when the Parties reached a landmark agreement to combat climate change, and to accelerate and intensify the actions and investments needed for a sustainable low carbon future. The Agreement brings all nations into a common framework for the first time, with a central aim to keep global temperature rise this century well below 2°Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°Celsius.

The implications of the Paris Agreement and responses by individual members of the UNFCCC will continue to be a major focus for AIGN. A major priority is the relationship between domestic policy and industry competitiveness.

I had the privilege of joining our Chief Executive Officer and a number of AIGN members in representing Australian industry at the UNFCCC meeting, and was pleased with the level of discussion and access provided by the Australian Government delegates. We provided prompt feedback on various policy discussions and, importantly, were able to contribute to the gradual shift in perception - from industry being part of the problem to being part of the solution.

I look forward to AIGN continuing to constructively contribute at these pivotal international negotiations.

1.2 Climate Change Principles

AIGN's engagement continues to be framed by its climate change principles. We continue to advocate for a strategic national approach to responding to climate change that:

- is consistent with the principles of sustainable development;
- is consistent with other national policies, including those on economic growth, population growth, international trade, energy supply and demand, and environmental and social responsibility;
- takes a long-term perspective;
- maintains the competitiveness of Australian export- and import-competing industries;
- distributes the cost-burden equitably across the community;
- adopts a consultative approach to the development of new policies; and
- is consistent and effectively coordinated across all jurisdictions throughout Australia.



1.3 Domestic Policy Engagement

AIGN advocates a bi-partisan approach to climate change policy, providing the stable and predictable environment for long-term investment in low-cost abatement.

A focus for cooperative industry policy responses was provided by AIGN on key elements of Direct Action policy, including operational matters in relation to the emissions reduction auctions and detailed policy development associated with the safeguard mechanism and its related rules. AIGN facilitated a series of technical safeguard mechanism implementation sessions for members and broader industry with the Clean Energy Regulator and the Department. These sessions were well attended and we extend our appreciation to the Government for their engagement in these important discussions.

AIGN also responded to numerous other climate change policy processes, including the Climate Change Authority's special review into Australia's policies and future emissions reduction targets, and a Senate Inquiry into carbon risk disclosure.

1.4 Priorities for 2016-17

Looking to the next 12 months, I forecast another busy (and pivotal) climate change policy landscape.

The combining of climate change policy and energy policy portfolios under Minister Frydenberg is welcomed recognition of the integrated nature of these important policy areas.

AIGN will continue to:

- provide ongoing feedback on the implementation of the safeguard mechanism and operational effectiveness of the related rules;
- contribute to the national energy productivity plan consultation process; and
- undertake broader engagement with State Governments on a range of climate change policies under consideration.

With our major focus, of course, being the Federal Government's 2017 Climate Change Policy Review.

1.5 With Thanks

I would like to take this opportunity to thank AIGN members for their active involvement in the Network through policy discussions, networking, and providing input into our submissions. It is through this active participation that we bring a broader industry perspective to climate change policy.

We thank all contributions from State and Federal Government representatives and, in particular, the Department of the Prime Minister & Cabinet, the Department of Foreign Affairs & Trade, the Department of Environment & Energy, and the Clean Energy Regulator for their willingness to engage in discussions with our Network.

My sincere thanks to our AIGN staff for their efforts on behalf of members over the past year. They have continued to provide excellent support and service to the membership.

Susie Smith
Chair, Australian Industry Greenhouse Network

2. Year in Review

2015-16 required a focus on both policy development and policy matters in the domestic climate change arena, whilst internationally the focus was on the development of a new agreement at the Paris meeting of the UNFCCC in December 2015. Further commentary on this is provided in Section 4.

The first auction of abatement opportunities was held in April 2015, with a further two auctions held during 2015-16. The regulations giving effect to the implementation of the safeguard mechanism passed through the Senate in December 2015, and came into effect on 1 July 2016. Given the operations of most AIGN members are captured by the safeguard mechanism, a key focus over the past 6 months has been providing detailed input into the development of baselines. AIGN provided a number of substantive responses to the Department of the Environment, in submissions and via meetings between the Department and AIGN.

During 2016, AIGN conducted four joint technical sessions with the Clean Energy Regulator on issues related to the development of baselines for the safeguard mechanism, with a focus on when a calculated baseline will be required. These meetings drew strong attendance from AIGN members, and provided an opportunity to discuss complex issues in a detailed manner.

In the context of the 2016 election, comprehensive discussions were held with both major parties on climate change policy, where AIGN raised the importance of competitiveness issues in relation to future policy options, as well as the risks associated with poorly designed policy.

In addition to implementation of the Direct Action Plan, there have been a number of other domestic issues and events requiring AIGN's attention.

AIGN provided a submission to the Climate Change Authority's post-2020 target review, which highlighted the need to realistically assess current action in other countries for the purposes of comparing Australia's efforts with that of the world in general.

Arising from the Energy White Paper of 2015 and the COAG Energy Ministers' meeting of December 2015, the Commonwealth Government, in conjunction with the States, is developing a National Energy Productivity Plan (NEPP). This is an area of expected increasing policy development where, to date, details are relatively scarce. AIGN will maintain a strong involvement, to highlight the need to avoid simplistic policy options where there is no evidence of market failure. Governments can best support investment in industrial business efficiency by providing a stable, nationally-integrated energy and climate change policy environment in which policy risks are minimised.

During 2015-16, AIGN was an active contributor to the work of the Australian Alliance to Save Energy (A2SE), which is coordinating the Australian Energy Productivity (2xEP) Roadmap initiative; an industry-led collaborative approach to developing methodologies to improve energy efficiency.



The increasing interest by state and territory governments in potentially introducing new climate change policies (arising from recent changes in a number of state Governments) has necessitated increased contact with state Ministers and their departmental advisors. Several meetings were held with both South Australian and Victorian Government representatives. AIGN continues to advocate that the role of state and territory governments in addressing climate change is twofold: to support a national mitigation approach, enabling a simple, consistent and long-term national policy to properly reduce emissions and achieve national emissions reduction targets; and providing leadership in developing adaptation policies

On behalf of our members, AIGN maintained a strong interest in international developments building up to the negotiations in Paris in December 2015, particularly in regard to the shape of the post-2020 climate change agreement. AIGN attended the UNFCCC meeting in Paris, which led to the development of a new international climate change agreement at the Paris Conference of Parties (COP) meeting in December 2015.

Members continue to place a high value on the monthly network meetings, with frequent strong attendance; reflecting both the policy-rich environment and the ability of AIGN to attract topical and relevant speakers. The secretariat has also produced a constant email flow of information, as well as the analysis of issues and the commissioning of targeted pieces of external work.

Representatives of the Departments of the Environment, Industry, Foreign Affairs and Trade and Prime Minister and Cabinet, as well as the Clean Energy Regulator (CER), were regular attendees at network meetings, including Chloe Munro (Chair and CEO of the CER). Such patronage serves to highlight the continuing recognition by the Department of the Environment and the Clean Energy Regulator that AIGN can provide a constructive environment in which to consider issues and to obtain views from a wide sector of the Australian economy.

Further details on the submissions prepared by AIGN during 2015-16 are available on the AIGN website¹.

¹ www.aign.net.au

3. AIGN Network Meetings

A major AIGN activity continues to be the program of regular network meetings. Members place a high value on these meetings with regard to the contribution and exchange of ideas within AIGN, and in developing thoughtful responses on key issues.

Speakers over the past 12 months have included representatives from the Government, the private sector, non-government organisations and academia, and discussions have covered policy and implementation issues. Topics addressed by guest speakers at AIGN meetings have included the following:

- Department of the Environment and the Clean Energy Regulator: Development of the ERF, covering purchasing/crediting and safeguard mechanism, cessation of the carbon tax, Australia's greenhouse gas emissions forecast for 2015, and the Renewable Energy Target.
- Departments of the Environment, Foreign Affairs and Trade and Prime Minister and Cabinet: Outcome of the Paris UNFCCC negotiations on the new international agreement.
- A2SE: Proposal to improve Australia's energy productivity.
- Department of Industry: National Energy Productivity Plan.
- Howard Bamsey, Australian National University: What to look for at the Paris UNFCCC negotiations.
- Amy Tisdall, New Zealand High Commission: New Zealand's Intended Nationally Determined Contribution to the Paris meeting of the UNFCCC.
- The Hon Mark Butler MP, Opposition Spokesperson for Climate Change: ALP policy on climate change for the 2016 election.
- Climate Change Authority: Emission Trading Scheme review, and Special Review (Australia's Post-2020 Target).
- The Climate Institute: Activities of the Institute and implications of the Paris Agreement.
- Victorian Government Department of Environment, Land, Water & Planning: Victoria's approach to climate change policy.
- Aboriginal Carbon Trust: Opportunities from savanna burning projects.
- Fiona Wild, Vice President Environment, BHP Billiton: Activities of the Financial Stability Board Taskforce on climate-related financial disclosure.
- David Pearce, Centre for International Economics: Australia's emissions 2020.
- Frank Jotzo, Crawford School of Public Policy (ANU): Brown coal exit - a market mechanism for regulated closure of highly emissions-intensive power stations.
- Steve Tonner, KPMG: Survey on the current and potential uses of data collected under the NGER scheme.
- Megan Flynn, Vice President, Qantas Group Fuel & Environment: The approach of Qantas to environmental issues.
- Emma Herd, CEO, Investors Group on Climate Change: The role of investors in pursuing a low carbon emissions future.
- Department of the Prime Minister and Cabinet Taskforce: Review of Australia's Post-2020 target, national approaches to climate change and post-2020 Intended Nationally Determined Contributions.
- Representatives from Embassies/High Commissions (EU, France, United Kingdom and United States): Ambitions for the Paris UNFCCC meeting.

4. International Meetings & Policy

Developments in the international arena have been of major interest to AIGN members, particularly given the implications they have for domestic policy and, in turn, the competitiveness of Australian industry. AIGN's involvement in international climate change negotiations stems from being one of the few bodies representing the interests of Australian business in this space.

AIGN acknowledges the importance of the [United Nations Framework Convention on Climate Change \(UNFCCC\)](#) in providing a forum for the international community to formulate common actions to combat the effects of climate change. A long-term universal climate agreement based on common and transparent commitments across member parties will encourage industry to make the appropriate long-term investment in transitioning to a low net carbon environment.

Interest in the work of the UNFCCC was particularly high in 2015 owing to the proposed development of a new international agreement on climate change by the 195 parties to the Framework at the Paris Committee of Parties (COP) meeting in December 2015. The new agreement is designed to take effect from 2020 and replace the Kyoto Protocol.

The subsequently negotiated Paris Agreement articulates two ambitious emissions goals. Firstly, a peaking of emissions as soon as possible (with a recognition that it will take longer for developing countries) and, secondly, a goal of net greenhouse gas neutrality (expressed as "*a balance between anthropogenic emissions by sources and removals by sinks*"²) in the second half of this century.

The agreement establishes binding commitments for all parties to submit Intended Nationally Determined Contributions (INDCs) and to pursue domestic measures aimed at achieving them. This is a departure from the Kyoto Protocol, which requires commitments from developed economies only. New INDCs are to be submitted every 5 years, with the clear expectation that they will represent progress from previous commitments, and are subject to international review.

Both the Chair and the CEO of AIGN attended the Paris COP meeting and participated in a series of meetings with Federal and State Ministers on climate change-related matters, as well as attending briefing sessions by the Australian delegation. This provided the opportunity to present the views of industry on key issues under negotiation, such as the role of markets.

AIGN welcomes the key aspects of the agreement, namely a comprehensive agreement with widespread participation (particularly by major emitters), the removal of the past differentiation between developing and developed countries, and proposals for a regular and transparent review process of the commitments entered into by member parties.

The success of the Paris Agreement will depend on effective implementation. For Australia, the commitments of our major trading partners must play a part in determining how we meet our commitments. As countries develop policies to meet their targets, we are seeing further differences emerge in their approaches and the costs imposed on domestic business. These differences will be critical in determining possible impacts on Australian businesses.

² Letter by 130 Investors Controlling USD 13 Trillion, 'Investors Urge G20 Leaders to Swiftly Ratify Paris Agreement', UNFCCC, 24 August 2016 (<http://newsroom.unfccc.int/paris-agreement/investors-urge-g20-leaders-to-swiftly-ratify-paris-agreement/>)



Until our major competitors are imposing comparable costs, issues around trade competitiveness remain valid in any future policy development in Australia, and must be addressed to minimise differences in the cost of climate change policies. To ensure the success of the Paris Agreement, it will be critical to develop and implement measures to ensure the integrity of INDCs. Of particular importance is the ability of countries to monitor, review and verify the impact of climate change policies.

The Paris Agreement will enter into force 30 days after at least 55 parties (representing at least 55% of global emissions) ratify the agreement (via their own domestic processes). Expectations are that the agreement will be ratified during 2016-17; the Australian Government has committed to early ratification.

AIGN will contribute the views of industry through public consultation and Parliamentary processes. The ratification process will involve not only considered assessment of the benefits of ratification, but also the potential implications for Australian climate change policy and economic activity in Australia.

5. Public Activity

5.1 Conferences, Speeches & Presentations

Public and corporate interest in climate change policy issues has generated many forums. AIGN staff and members attended many of these over the course of the year.

5.2 In the Media

AIGN, represented by CEO Alex Gosman, participated in several media interviews over the course of the year, and provided background material to journalists on an occasional basis.

During 2015-16, Alex spoke at a number of forums on post-2020 targets, including those events organised by the Carbon Market Institute, the Crawford School of Public Policy, Climate Change Institute and the Australian Institute of Energy.

In interacting with the media, the CEO is guided by the Board-endorsed media policy, which is available to members on the AIGN website³.

6. AIGN-commissioned Consultants' Reports

AIGN commissioned consultants to undertake research on behalf of members on an 'as needed' basis.

The Centre for International Economics prepared a document titled 'Australia's Emissions to 2020' and provided presentation on this topic at the AIGN meeting in June 2016.

³ www.aign.net.au

7. AIGN's Climate Change Policy Principles

The most appropriate response to climate change is a globally consistent approach, which should include a common price signal for greenhouse gas emissions. Such an approach, however, is not likely to emerge within the long-term investment horizon of industry.

AIGN's climate change policy principles establish a sound framework for Australian policy development. In summary, in the international context, these principles envisage a global agreement that imposes on the Australian community costs that are comparable to the costs expected to be borne in countries with similar wealth.

In the domestic context, the principles envisage Australian policy measures that:

- are national — there is no place for State-based mitigation policies;
- are developed and implemented transparently to engender community support;
- are stable, predictable and avoid complexity to help minimise investment uncertainty;
- establish a long-term price signal across the whole economy;
- do not expose Australian export- and import-competing industry to costs not faced by these industries in other countries;
- compensate those that carry a disproportionate share of the cost burden, including low income earners and non-trade industry;
- effectively address market failures that are not addressed by an emissions price signal;
- promote public and private investment in first-of-a-kind low emission technologies;
- do not discriminate against early movers and new entrants; and
- encourage the community to invest in adaptation strategies.

Adopting policies that meet these principles should deliver least-cost, environmentally-effective and equitable outcomes for Australia.

AIGN's recommendations for climate change policy principles are provided on the next page.

AIGN Climate Change Policy Principles

- Australia should make an equitable contribution, in accordance with its differentiated responsibilities and respective capability, to global action to reduce greenhouse gas emissions and to adapt to impacts of climate change.
- Australia should engage the international community in pursuing identified and beneficial environmental outcomes through greenhouse gas emissions reduction action that:
 - allows for differentiated national approaches;
 - promotes international cooperation;
 - minimises the costs and distributes the burden equitably across the international community;
 - is comprehensive in its coverage of countries, greenhouse gases, sources and sinks;
 - recognises the economic and social circumstances and aspirations of all societies; and
 - is underpinned by streamlined, efficient and effective administrative, reporting and compliance arrangements.
- In this global context, Australia should develop a strategic national approach to responding to climate change that:
 - is consistent with the principles of sustainable development and other national policies, including economic growth, population growth, international trade, energy supply and demand, and environmental and social responsibility;
 - takes a long-term perspective;
 - maintains the competitiveness of Australian export and import-competing industries;
 - distributes the cost-burden equitably across the community;
 - adopts a consultative approach to the development of new policies; and
 - is consistent and effectively coordinated across all jurisdictions throughout Australia.
- Australia's future greenhouse policy measures should:
 - be consistent with the strategic national approach;
 - be trade and investment-neutral, in a way that does not expose Australian industry to costs its competitors do not face;
 - not discriminate against new entrants to Australian industry, nor disadvantage 'early movers' in Australian industry who have previously implemented greenhouse gas abatement measures;
 - take account of the differing sectoral circumstances;
 - be based as far as is practicable on market measures;
 - address all greenhouse gases, emission sources and sinks; and
 - balance, in a cost-effective way, abatement and adaptation strategies, both of which should be based on sound science and risk management.
- Australia's contribution to the global climate change effort as set out here reflects the principle in Article 3.1 of the United Nations Framework Convention on Climate Change. Differentiated responsibilities and respective capabilities could take account of such matters as a country's economic growth and structure, population growth, energy production and use, etc.

8. Governance

8.1 Objectives

The objectives of AIGN are to promote the development of Australia's manufacturing, agricultural and industrial resources, as set out below.

- Consultation with governments and other opinion leaders on the adoption of a principled, comprehensive, national and international greenhouse policy framework within which effective, equitable, efficient and appropriate domestic greenhouse policies and measures are developed and implemented, consistent with sustainable development.
- Provision of information, advice and a forum for developing analysis and participation in the process of public policymaking on the climate change issue.
- Contribution to the international climate change debate, including through the provision of advice to the Australian delegation to the UNFCCC meetings.

8.2 Directors

At the AIGN Annual General Meeting of 11 November 2015, members considered changes to the AIGN Constitution, in response to a changing external operating environment. The proposed changes to the Constitution were discussed at length with members, and legal advice on the proposed changes was obtained.

An amendment was presented at the AGM to Section 30 of the Constitution (Directors of the Board) to change the number of Company Board members required from "*nine (9) or twelve (12)*" to a "*minimum of six (6) and a maximum of eight (8)*". Members approved the changes to the Constitution at the AGM.

AIGN members and the secretariat appreciate the input of the Board of Directors to the efficient and effective management and direction of the organisation, and thank directors for the time and effort they devote to the organisation.

8.3 AIGN Board Membership: 1 July 2015 to 30 June 2016

AIGN's Board of Directors, elected in general meeting, is responsible for the company's business planning and operational oversight. They do this within a policy framework and strategic agenda determined by the general meetings of the company.

Business transacted and decisions made by the Board during 2015-16 have been communicated to members through its Network meetings and regular communications.

Board members are listed below.

<i>NAME</i>	<i>PERIOD</i>
Paul Barrett <i>Chief Executive Officer</i> Australian Institute of Petroleum	Appointed: March 2015 Elected: November 2015
Damian Dwyer BEc, Grad Dip Pub Ec Pol <i>Director, Economics</i> Australian Petroleum Production & Exploration Association	Elected: October 2011 Re-elected: October 2015
Clare Luehman FCA, BBus (A) <i>General Manager, Global Sustainability & Carbon</i> Incitec Pivot Ltd	Elected: October 2013 Re-elected: October 2015 Resigned: December 2015
Sid Marris BA(Hons) <i>Manager - Environment, Climate Change & Communities</i> Minerals Council of Australia	Appointed: May 2013 Re-elected: October 2015
Tennant Reed <i>Principal National Advisor – Public Policy</i> Australian Industry Group	Appointed: July 2014 Elected: October 2014
Susie Smith BSc, MAICD <i>General Manager, Carbon & Sustainability</i> Santos Limited	Appointed: October 2012 Re-elected: October 2014
John Torkington BAppSci <i>Manager, Climate Change Team</i> Chevron Australia Pty Limited	Appointed: May 2007 Re-elected: October 2007 Re-elected: October 2009 Re-elected: October 2011 Re-elected: October 2013 Re-elected: October 2015

9. Administration

9.1 Staffing

Secretariat staff as at 30 June 2016 are:

- **Alex Gosman**
Chief Executive Officer
(part-time)

- **Marion Niederkofler**
Policy Advisor
(part-time)

- **Maria Pelle**
Administration Officer
(casual employee)

Accountancy firm, Hardwicks, has taken on the responsibility for the day-to-day accounting tasks.

9.2 Operations

AIGN renewed the lease on its office suite in Kingston for 4 years from December 2013.

AIGN continues to sub-let two offices within its suite to two other tenants. The income derived from leasing these offices is important in assisting to keep AIGN membership fees as low as possible.

10. Membership

Wesfarmers advised that they would not be renewing membership for 2015-16, reflecting changing corporate priorities. The Australian Forest Products Association rejoined AIGN in 2015-16.

Membership fees in 2014-15 were:

- Association membership: \$21,900 (excl GST)
- Corporate membership: \$10,950 (excl GST)

Membership fees for 2015-16 have been decreased.

10.1 AIGN Members at 30 June 2016

ASSOCIATION MEMBERS

Australian Aluminium Council
Australian Forest Products Association
Australian Industry Group
Australian Institute of Petroleum
Australian Petroleum Production & Exploration Association
Cement Industry Federation
Minerals Council of Australia

CORPORATE MEMBERS

BHP Billiton Ltd
BlueScope Steel
BP Australia Ltd
Caltex Australia
Chevron Australia Pty Ltd
CSR Ltd
Dampier Bunbury Pipeline
ExxonMobil Australia
Incitec Pivot Ltd
International Power Australia
Origin Energy Ltd
Rio Tinto Australia Ltd
Santos Ltd
Shell Australia Ltd
Wesfarmers Ltd
Wilmar Sugar Australia Limited
Woodside Petroleum Ltd
Xtrata



11. Financials

The financial statements that accompany this report confirm AIGN's continued sound financial position as at 30 June 2016.

The financial outcome at year-end showed a deficit of \$12,021. The Board had agreed to a forecast deficit for 2015-16, reflecting both the healthy financial position of AIGN and the difficult economic conditions for members. The resultant deficit was well below forecast, due mainly to a general reduction in expenses.

The Board agreed that membership fees in 2015-16 will be decreased by 6%, recognising the state of the economy and the healthy state of AIGN reserves.