

***AIGN Response to Independent Expert Panel:
Interim Emissions Reduction Targets for Victoria
(2021 – 2030) Issues Paper***

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1 INTRODUCTION

AIGN welcomes the opportunity to provide a submission to the Independent Expert Panel (the Panel) on its *Interim Emissions Reduction Targets for Victoria (2021 – 2030)* issues paper.

AIGN is a network of industry associations and individual businesses which contribute to the climate change policy discussion and see value in joint industry action on climate change to promote sustainable development. We have been grateful for opportunities to engage with the Panel on the development of Victoria's interim targets as part of implementing the Victorian Government's Climate Change Act 2017, and we hope to continue participating constructively in this process.

In considering this submission, the Panel should take note of AIGN's broad range of members, and resultant wide diversity of views on greenhouse and energy policy.

2 AIGN POLICY PRINCIPLES

AIGN's position on climate change policy is underpinned by our principles, which have been the basis of AIGN's contributions to the climate change policy discussion for many years:

Australia should make an equitable contribution, in accordance with its differentiated responsibilities and respective capability¹, to reduce greenhouse gas emissions and adapt to impacts of climate change globally.

Australia should engage the international community to pursue global action to reduce

greenhouse gas emissions leading to identified and beneficial environmental outcomes which:

- 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 which:

- is consistent with the principles of sustainable development;
- is consistent with other national policies including 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;

¹ 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.

- adopts a consultative approach to the development of new policies; and
- is consistent and effectively co-ordinated 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;
- address all 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.

Given the global nature of the climate change challenge, the world has been contending with the best way to reduce emissions and deal with the impacts of climate change for many years. The task is enormous and requires action at all levels of government, as well as from the private sector. As such it is easy for national and sub-national initiatives to duplicate each other and create a larger than necessary compliance burden on private enterprises. AIGN has a

strong interest in seeing the above policy principles applied across the scope of climate change action in Australia, and with the greatest possible economic efficiency.

3 FEEDBACK ON TERMS OF REFERENCE

AIGN's members include industry associations and corporations from a range of industrial sectors. Many are trade-exposed and have energy (production, conversion or consumption) as a core element of their business. Our members have been deeply immersed in the climate change debate for many years and possess valuable expertise in this area.

Given the broad nature of our membership, however, our feedback is more principles-based than issues-based. As a result, the terms of reference provide a better framework for our comments.

For many years, Australia's competitive advantages in natural resources and affordable energy made us an attractive destination for investment in mining and manufacturing industry. However, as greenhouse gas emissions began to be factored in to the cost of doing business, the times have changed – as have Australia's comparative advantages. There is new potential for economic growth, which needs to be unlocked with a coherent and clearly defined vision, supported by strong and sensible policy. This necessitates national action.

Based on our principles outlined in Section 2, AIGN offers the following feedback.

3.1 Victoria's legislated long-term target for net zero emissions by 2050

As far as is possible, the Victorian Government should ensure its long-term target, and the trajectory to get there, are in line with Australia's national policy and international commitments. In terms of the impact of a target on AIGN members, the more important factors are the detailed policy settings giving effect to the target, and the comparable costs borne by competitors in other countries. The target itself is of rather small import where investment decisions are concerned.

3.2 Economic circumstances – in particular, impact on competitiveness

In an open, traded economy like Australia's, thinking of the Victorian economy in isolation from the rest of the country, and isolating the economic impacts of Victoria's emissions reduction target (and interim targets) will not yield a comprehensive assessment of the economic circumstances faced by entities operating in Victoria.

As noted above, it will be the policies that operationalise the target, not the target itself, that will be responsible for any economic impacts. Of importance will be the detailed design elements that directly affect businesses operating in Victoria – including in the mining, manufacturing and energy sectors.

The Panel needs to be aware that the most important design element of all for AIGN members is, effectively, already decided; we live in a world of production-based climate change policy. To be in step with the global consensus represented by international action under the United Nations Framework Convention on Climate Change (UNFCCC – including the Paris

Agreement) and to which Australia is a party, the Victorian Government is highly likely to follow suit. Whatever form the policy takes – carbon price, carbon tax, regulatory standard or other policy – there will be cost impacts on traded sectors that must be addressed in the detailed rules. An extensive account explaining the interrelationships underpinning the inevitable need to consider competitiveness impacts is given in an AIGN-commissioned report by the CIE and CM Group, available on our website.

3.3 Existing national and global climate change action

The Victorian Government is familiar with the Commonwealth Government's climate change policies, including the National Greenhouse and Energy Reporting Scheme (NGERS), the Emissions Reduction Fund (ERF) and safeguard mechanism, and Renewable Energy Target (RET) Scheme. AIGN's policy principles support national over sub-national action. The basic argument in its favour is based on the costs involved for entities in complying with policies covering the same issue at different levels of government. Another strong argument is simplicity; the confusion and expense of complying with a messy patchwork of national and state-based schemes should not be dismissed.

AIGN members make up a significant group of the entities liable under the above policies, and have extensive compliance experience, as well as strong relationships with the Clean Energy Regulator (CER). In AIGN's view compliance is one of the hidden costs of climate change policy. The resources involved in meeting the requirements and having all relevant matters independently audited, are substantial.

AIGN asks the Victorian Government to seriously consider the inefficiencies and costs of

sub-national policy instruments in these circumstances. Not only can it be problematic to set state-based targets (and harmonise these with national targets and actions), it means that more resources must be spent by private entities on compliance – which may mean less resources available to actually reduce emissions.

3.4 Policy objectives of Climate Change Act

The policy objectives of the Act, as laid out in Section 22, are:

- To reduce the State’s greenhouse gas emissions consistent with the long term and interim emissions reduction targets;
- To build the resilience of the State’s infrastructure, built environment and communities through effective adaptation and disaster preparedness action;
- To manage the State’s natural resources, ecosystems and biodiversity to promote their resilience;
- To promote and support the State’s regions, industries and communities to adjust to the changes involved in the transition to a net zero greenhouse gas emissions economy, including capturing new opportunities and addressing any impacts arising from the need to reduce greenhouse gas emissions across the economy;
- To support vulnerable communities and promote social justice and intergenerational equity

As previously stated, AIGN has always supported a national approach to reducing greenhouse gas emissions because it is the

simplest, most efficient and cost-effective way to achieve targets.

We acknowledge that it is now commonplace for state governments to consider regulating in this space as well, and that the policy intent is to strive for more ambitious emissions reductions which are ultimately in the global interest. However, AIGN urges state governments, including the Victorian Government, to first explore other avenues for supporting Australia’s emissions reduction efforts. These could include coordinated consultation with all levels of government and stakeholders to achieve the best emissions reduction and other outcomes without adding to the compliance burden - working within established processes such as the COAG Energy Council’s consideration of the proposal put forward by the Energy Security Board (ESB).

State Governments have a vital role in addressing climate change that the Commonwealth Government is not well placed to deliver, and this role is reflected in the objects of the Victorian Government’s Climate Change Act. Effective adaptation measures to manage the impacts of climate change, disaster preparedness, supporting communities to adjust to a changing economy, and managing natural resources, ecosystems and biodiversity – these are important pieces of the mosaic of measures required to manage climate change that can be most effectively delivered by state governments.

4 OTHER FEEDBACK ON ISSUES PAPER

4.1 Industrial energy efficiency potential

The issues paper addresses industry and industrial emissions, including observations

about the potential for emissions reductions through energy efficiency.

The Panel references a study undertaken by ClimateWorks, estimating the potential to reduce industrial emissions by more than 50% by 2050 (p 26). AIGN members make up a large share of the industrial processes ClimateWorks reported on in its study - we have engaged directly with ClimateWorks regarding our members' concerns that the opportunity for additional energy efficiency has been overstated.

The fact is that energy (whether use or production) is a vital part of AIGN members' businesses and they are therefore very much alive to the opportunities they have available to them of making the most out of their energy consumption. Our members do not consider energy efficiency in a silo; it is part of a complex system of decision-making that determines where an entity (particularly within a multinational corporation) will invest its limited capital. AIGN would be open to meeting with the Panel to discuss this issue further.

5 CONCLUSION

Thank you for the opportunity to provide input on the Panel as it determines the advice it will bring to the Victorian Government on its interim targets.

AIGN welcomes future opportunities to engage with the Panel and encourages the Panel to contact Susie Smith (CEO), with any further questions regarding this submission (susie.smith@aign.net.au)