



Australian Industry Greenhouse Network

AIGN

annual report 2009-2010



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*Photographs included
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AIGN members*

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Chair's report

Climate change policy in 2009–10 was characterised by debate, disagreement, uncertainty and compromise. The challenges in communicating the value of various policy approaches became particularly evident — as did the need to conduct sincere and transparent consultation with the community in order to prosecute a complex and difficult policy.

During a tumultuous year, it has been pleasing that AIGN has remained firm in its rigorous and principled approach to climate change policy.

AIGN's approach to analysis and advice sets a standard for others to aspire to in ensuring a transparent debate — particularly amongst those who do not share the same view.

Much of the credit for the quality of AIGN's work goes to the staff — Michael Hitchens as CEO, Emma Watts as Senior Policy Advisor, Lynda McIntosh as Administration Officer and Louise Monge as Research Assistant. Their attention to detail, wise counsel and hard work have been of immense value to AIGN members and to the broader policy formulation process. I would like to thank each of them on behalf of all AIGN members.

As we look ahead to an uncertain year for Australian climate change policy in 2010–11 it will be imperative that AIGN and its members continue to advocate the principles of good policy while remaining open-minded and constructive on ways to achieve those principles. If 2009–10 has taught us anything, it was that a workable climate change policy can only be achieved through constructive engagement with those whose views do not precisely match our own.

AIGN provides an excellent forum for developing and adjusting our views. The range of economic activity and community reach represented across the membership, and the input received from an array of government officials, independent experts and other stakeholders is unrivalled in the climate change debate.

AIGN's greatest strengths are the diversity of views and debate amongst the members. I would like to take this opportunity to thank all AIGN members for the thoughtfulness they have brought to meetings, their willingness to put forward their ideas and to have those ideas challenged by others.

It has also been pleasing to witness (and be part of) a gradual changing and expansion of AIGN participants. I encourage all AIGN participants to learn from those who have been involved in the debate for many years but also to be willing to propose new approaches or contest accepted views.

As a Board we have benefitted from many years of sound management and I thank my predecessor, Belinda Robinson, and her colleagues for the fine shape in which they handed on AIGN. I also thank my fellow Directors for the efficient and cooperative approach they have brought to the task.

It would be satisfying to be able to say that, at the end of 2009–10, we had played our part in achieving an efficient and effective climate change policy for Australia — however, it appears that we will have to wait on that outcome for one more year at least. I am confident that AIGN will continue to be a sensible and steady voice in the debate.

Miles Prosser
Chair

Year in review

Climate change policy has once again been at the forefront of public discussion in 2009–10. The development of an Australian emissions trading scheme has been tumultuous and this has contributed to a productive and demanding year for the AIGN secretariat and members.

Ongoing negotiations with respect to the Carbon Pollution Reduction Scheme (CPRS) and the Renewable Energy Target, the build up to the UNFCCC Copenhagen international negotiations and the subsequent shelving of the CPRS have changed the public policy dynamics throughout the year.

In addition to the primary focus on the CPRS and the RET, there has been a number of other issues and events requiring AIGN's attention. These have included the emergence of alternative policy responses to climate change and the ongoing refinement of the National Greenhouse and Energy Reporting (NGER) Scheme.

AIGN network meetings

AIGN's main activity continues to be the program of regular network meetings throughout the year. These meetings contribute to the exchange of ideas within the network, and are important in developing thoughtful responses to key issues.

The network meetings give members the opportunity to hear from a range of speakers, including those from government, the private sector, non-government organisations and academia.

The Australian Government's CPRS has dominated the AIGN agenda in 2009–10. The group has spent substantial time analysing issues critical to the design of the proposed scheme, and their implications for industry. Members have been provided with the opportunity to share their own detailed views on particular elements and to discuss the AIGN response to proposals, particularly the elements that relate to trade exposed industry and the development of industry specific activity definitions. This has necessarily increased the level of internal AIGN discussions.

Despite more time spent on developing AIGN's own views on policy, AIGN heard from an impressive range of guest speakers during 2009–10. Many of our guests reflected the focus on emissions trading and the CPRS.



In July, AIGN continued its practice of holding an annual meeting in Perth. Wesfarmers Ltd generously hosted this, and we were once again pleased to hear from Western Australian government officials.

In August, we heard from the Department of Climate Change and Energy Efficiency (DCCEE) on the quarterly *National Greenhouse Accounts*, in addition to a briefing from Frontier Economics on their work for Independent Senator for South Australia, Nick Xenophon and the Liberal–National Coalition, entitled *The economic impact of the CPRS and modifications to the CPRS*. We also heard from a visiting guest, Morey Wolfson, on US Climate and Energy Policy.

In September, we were briefed by the DCCEE on the latest emissions projections, *Tracking to Kyoto and 2020*. Discussions were also held on the AIGN commissioned report *Negotiating Australia's 'comparable effort'* and on potential amendments to the CPRS legislation.

In October, AIGN invited the DCCEE to brief members on the Australian Climate Change Regulatory Authority development process and the work of the CPRS Implementation Division. In addition, discussions were also held with the Greenhouse and Energy Data Officer regarding



progress on greenhouse and energy reporting and the NGER Scheme. Further assessment of potential amendments to the CPRS legislations were also discussed.

The November AIGN meeting focussed on the forthcoming UNFCCC international negotiations in Copenhagen and the DCCEE's International Division addressed the meeting. Discussions were also held on members' NGER scheme reports and progress on Emission Intensive Trade Exposed industries (EITEs) discussions with the department and ministers.

The first meeting of 2010 was held in January. Members were briefed by the DCCEE on the outcomes of the Copenhagen UNFCCC negotiations and then discussed their implications for Australian policy making. Members were invited to provide input into the AIGN work program for 2010. Additionally, discussion was held on the AIGN's response to EITEs and RET regulations and those members involved in the NGER Scheme working group discussed the forthcoming meeting with the DCCEE.

In March, the DCCEE briefed members on proposed changes to the RET. They were also briefed by the Opposition spokesperson on climate change, Greg Hunt, on the Opposition's proposed "Direct Action" policy.

In April, Howard Bamsey reported on the progress of the Prime Minister's Task Group on Energy Efficiency. Members discussed AIGN's response to the discussion paper and considered their individual responses to the proposed changes to the RET legislation and the government's National Carbon Offset Standard.

The June AIGN meeting comprised a scenario and planning workshop and a briefing from the DCCEE on the National Greenhouse Gas Inventory Report and Projections.

Throughout the year, AIGN invited presentations from Commonwealth officials on a regular basis. This has been particularly important with the release of the draft Bills for the CPRS and the RET, and their respective regulations. AIGN is grateful to the DCCEE officials who have been generous in their participation in network meetings.

Seminars and workshops

AIGN Climate Change 101 Workshop

In March 2010, AIGN conducted a Climate Change 101 workshop to refresh long-term members on key points of climate change policy, and to introduce new members to the background and concepts behind the development of the various policy options in a domestic and international context. The workshop covered international negotiations, policy design, AIGN's policy principles and the development of AIGN policy positions in the domestic context.

Scenarios and planning workshop

In June 2010, AIGN held a scenario and planning workshop which provided members with background on the development of international and domestic climate change policy to date, the potential Senate outcomes of the 2010 Federal Election, the policy context which might exist after the election, and how members might plan and respond to these circumstances. The outcome of this workshop was a recommendation that AIGN prepare an interpretation of the AIGN principles to make them more accessible and a policy options paper for future discussion.

International meetings and policy

United Nations Climate Change Conference (COP 15 and CMP5), Copenhagen

The UNFCCC's fifth meeting of the Parties to the Kyoto Protocol (CMP 5), in conjunction with the fifteenth session of the Conference of the Parties to the Climate Change Convention (COP 15), was held in Copenhagen from the 7–19 December 2009. The two-week period included the sessions of the Conference of the Parties to the UNFCCC, its subsidiary bodies as well as the Meeting of the Parties to the Kyoto Protocol.

AIGN CEO, Michael Hitchens, and a number of AIGN members attended the conference as official observers. AIGN provided updates throughout the conference through regular emails from the CEO and a special focus by the secretariat in Canberra on the conference, with additional daily news articles sent to members.

The conference:

- was attended by 120 Heads of State and Government, 10,500 delegates and 13,500 observers
- was covered by more than 3,000 media representatives
- comprised over 1,000 official, informal and group meetings among parties

- led to a total of 23 decisions being adopted by the COP and the CMP.

In the lead up to the conference, expectations and possible outcomes had been the subject of much media and political commentary. While the potential for a breakthrough on an international climate change agreement had been highly anticipated by some, the actual outcomes were more modest.

The primary outcome of the conference was the Copenhagen Accord, which was noted but not adopted, by the conference. The key elements of the accord included:

- agreement that climate change is one of the greatest challenges of our time
- a re-emphasis of the need to combat climate change in accordance with the principle of common but differentiated responsibilities and respective capabilities
- a recognition of the scientific view that the increase in global temperature should be below two degrees Celsius and that this should be achieved on the basis of equity and in the context of sustainable development
- cooperation in achieving the peaking of global and national emissions as soon as possible, recognising that the timeframe for peaking will be longer in developing countries and bearing in



Public activity

Conferences, speeches and presentations

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

This year AIGN CEO, Michael Hitchens, presented at a number of member forums including A3P, NGF and Wesfarmers, and also presented guest lectures at ANU and the Parliamentary Library.

In the media

Requests for media comment continue to increase. AIGN, represented by the CEO, Michael Hitchens, participated in several media interviews and

provided background material to journalists on an occasional basis. AIGN also provided commentary and opinion pieces for publications.

AIGN does not usually issue press releases on issues being debated. However, in 2009–10, AIGN did release a statement regarding the mid-year Budget forecasts for CPRS revenue. A press release was also issued on a report commissioned from Access Economics by AIGN on negotiating Australia's 'comparable effort' in an international agreement.

In response to the increased requests for comments and information, by request of the Board, the Secretariat prepared a media policy that is available to members from the Secretariat.

mind that social and economic development and poverty eradication are the first and overriding priorities of developing countries and that a low-emission development strategy is indispensable to sustainable development

- Annex I Parties to commit to implement individually or jointly the quantified economy wide emissions targets for 2020, to be submitted in the format given in Appendix I by Annex I Parties to the secretariat by 31 January 2010 for compilation in an information document
- Non-Annex I Parties to the Convention to implement mitigation actions, including those to be submitted to the secretariat by non-Annex I Parties in the format given in Appendix II by 31 January 2010
- agreement to pursue a variety of approaches, including the use of markets to promote mitigation actions. Developing countries, especially those with low emitting economies, should be provided incentives to continue to develop on a low emission pathway
- a revenue stream to be established to support developing countries in their efforts.

American Clean Energy and Security Act (Waxman-Markey Bill)

AIGN members spent some time over the course of 2009–10 considering the *American Clean Energy and Security Act of 2009* introduced by Congressmen Henry Waxman and Edward Markey, and other Bills that followed in the Senate. The main element of the Waxman-Markey Bill was the proposed introduction of an emissions trading scheme (ETS) — as well as many complementary measures.

The Bill called for a 20 per cent economy-wide reduction in emissions below 2005 levels by 2020, and 83 per cent economy-wide reductions below 2005 levels by 2050. Emissions reductions for capped sources (i.e. sources that were to be covered under the ETS) were 17 per cent below 2005 levels by 2020, and 83 per cent below 2005 levels by 2050. The Bill also laid out targets for interim years.

The development and progress of the Bill coincided with the development of the Australian Government's CPRS and members were interested in the different approach being proposed and comparisons with the Australian proposals.

Key issues, consultation and submissions

AIGN's activities in responding to government policy initiatives increased significantly during 2009–10. In addition to AIGN responding to formal consultation processes and appearing in front of parliamentary inquiries, the Secretariat initiated correspondence on key issues to Ministers and officials, as well as commissioning consultants to undertake work to analyse aspects of the international negotiations and the CPRS.

All AIGN submissions are available on the AIGN website www.aign.net.au

Carbon Pollution Reduction Scheme

Following introduction of the CPRS legislation in May 2009, AIGN members considered potential amendments to the legislation over the second half of 2009.

Throughout 2009–10, the government continued to release discussion papers and undertake consultation on the measures and regulations with respect to the CPRS, specifically to deal with the EITE and the electricity generator assistance packages under the CPRS.

AIGN continued to prepare responses to these papers and make representations to officials when formal avenues were not available. The Secretariat also developed a series of briefing notes and worked with members to ensure a comprehensive understanding of the issues across industry.

In August 2009, the Senate voted against the CPRS. It was reintroduced in October 2009 and, while amendments were originally negotiated on this legislation between the Australian Government and the Opposition, the Senate rejected the legislation again in December. The CPRS legislation, in an amended form, was reintroduced in February 2010. In April, however, the government announced a delay in the implementation of the CPRS until after the end of the current period of the Kyoto Protocol.

Renewable Energy Target

In order to deliver on its 2007 election commitment to have 20 per cent of electricity generated by renewable energy by 2020, the Australian Government's RET legislation was passed by Parliament in June 2009. The legislation was passed with important, but less than fully effective, provisions affecting the costs to electricity using, trade exposed industry.

In February 2010, the government announced further changes to be made to the RET scheme to take into consideration issues raised by large-scale renewable energy projects and installers of small-scale renewable energy systems including solar panels and solar water heaters. From January 2011, the existing RET scheme will be separated into two parts: the Small-scale Renewable Energy Scheme (SRES); and the Largescale Renewable Energy Target (LRET). Combined, the new LRET and SRES are expected to deliver significantly more renewable energy than the existing 45,000 gigawatt-hour target for 2020 at a substantially higher cost to electricity consumers.

Legislation to implement the enhanced RET scheme was introduced into Parliament on 12 May 2010. The enhanced RET legislation was passed by the Commonwealth Parliament on 24 June 2010.

AIGN and its members responded to a number of the consultation processes over the development of the legislation and its regulations — specifically those elements that affected the EITE industries. These included the Inquiry into the *Renewable Energy (Electricity) Amendment Bill 2009* and a related bill; the Senate Economics Committee Inquiry Into the RET Bills; RET Discussion Papers 4 and 5; and the Enhancing the Renewable Energy Target Discussion Paper.

Independent review of the EPBC Act 1999

On 31 October 2008, the Minister for the Environment, Heritage and the Arts, Peter Garrett commissioned an independent review of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). Section 522A of the EPBC Act requires it to be reviewed every 10 years from its commencement. The review was undertaken by Dr Allan Hawke.

The third stage of the public consultation process occurred in 2009–10 with the release of an Interim Report on the review highlighting the key issues raised in the first two stages of the public consultation process.

The interim report discussed proposals for the introduction of a greenhouse trigger to the EPBC Act, through the application of a threshold of emissions released over a certain period, and the requirement for projects that produce over the threshold to undergo assessment and approval under the Act. The stated rationale was that such a measure could avoid emissions through mandating technology adoption, the use of offsets or the rejection of a proponent's application for development approval.

In its submission, AIGN contended that the introduction of a greenhouse trigger in the EPBC Act is an unnecessary measure that does not meet the robust tests set by the Council of Australian Governments for measures complementary to the CPRS. AIGN argued that, while it supports a strategic and effective approach to mitigating Australia's greenhouse gases, it does not consider a greenhouse trigger under the EPBC Act to represent either a strategic or effective approach. Instead it threatens to add to the already crowded regulatory environment that exists with respect to managing greenhouse gases in Australia.

A greenhouse trigger was not introduced into the EPBC Act in 2009–10.

Prime Minister's Task Group on Energy Efficiency

In March 2010, the former Prime Minister, Kevin Rudd, established a Task Group on Energy Efficiency to advise the Australian Government on possible policy measures by mid-2010.

The task group was commissioned to:

- report on the most economically and environmentally effective mechanisms to deliver major improvements in Australia's energy efficiency
- consult with industry and community groups and seek their input on policy ideas and mechanisms to drive these changes.

To inform and advise the task group, the government established an advisory group with experts from industry and non-government organisations.

In May 2010, AIGN responded to the consultation process established by the task group concluding that the issue of energy efficiency and the appropriate role of governments requires further research given that over the past 40 years, very few evidence-based examples of good public policy relating to industry energy use have emerged.

In its submission, AIGN endorsed the work of the Productivity Commission from over five years ago, noting that the Productivity Commission found that:

- firms generally do not deliberately waste energy
- Australia must achieve the right level of energy efficiency for its own circumstances, and not compare itself to other OECD countries
- the scope for significant energy efficiency improvement that is privately cost effective is modest. This implies any step-changes at sector or facility level would require publicly funded incentives
- where government intervention is warranted, prescriptive and intrusive regulation should be avoided
- any government intervention should be part of a coordinated national strategy with rigorous evaluation of proposed policies and programs
- there is no sound case for imposing national energy efficiency targets or tradable obligations.





Continuing issues

Greenhouse and energy reporting

Substantial progress has been made on the issue of energy and greenhouse gas emissions reporting. AIGN and its members actively participated in this debate, working with government officials on contentious issues, refining previously held positions and working to develop common understandings.

This work has culminated in the NGER Scheme. The NGER Act introduced a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations.

In 2009–10, AIGN worked to refine the legislation prior to the requirement to register in August 2009, working with the Department of Climate Change and Energy Efficiency to resolve issues before the first reports were due, and sharing experiences and lessons learned from the first reporting period. This was facilitated primarily through the AIGN NGERs implementation working group, which has established a constructive relationship with the Department. This work will be on-going.

Other inquiries and consultations

Department of Climate Change and Energy Efficiency UNFCCC Consultations

Periodically — typically before UNFCCC international meetings — the International Division of the Department of Climate Change and Energy Efficiency conducts briefings with stakeholders on progress of international negotiations and seeks views on Australia's negotiating position. AIGN has participated in these briefings for a number of years. They continue to be a useful and productive part of industry's dialogue with Australia's negotiating team.

Energy White Paper

The Australian Government agreed to the development of a White Paper on energy issues in September 2008. The Department of Resources, Energy and Tourism developed six issues papers on key focus areas, and conducted stakeholder sessions in which AIGN and its members participated. AIGN also invited officials to attend the May AIGN meeting to discuss the White Paper progress.

Responses to these discussion papers and stakeholder forums, as well as input from commissioned consultants reports and the CPRS processes were intended to inform the development of an Energy Green Paper. The Energy Green Paper was expected to be released in late 2009. While AIGN maintained a watching brief over the process, to date none of the final work has been released and it is the understanding of AIGN that the process has been shelved.

AIGN commissioned consultants reports

Road to Copenhagen: Negotiating Australia's 'comparable effort' briefing note by Access Economics

In September 2009, AIGN commissioned Access Economics to consider what indicators and measures might be used when quantifying 'comparable effort' in international negotiations.

A key element embedded in Australia's negotiating position is the concept of 'comparable effort'. The concept requires that Australia would be prepared to adopt a national allocation budget over the period 2013–20 that is comparable in its economic impact to the economic impact that is shouldered by other advanced countries.

The Access Economics study highlighted that applying the same percentage reduction in the national allocation for each advanced economy would be unfair, and would lead to significantly different effort and economic impacts for each country. Comparable effort is only achieved through differentiated national allocations.

The report also pointed out that Australia's commitment under the Kyoto Protocol, and its position on future action, is commonly misnamed a 'target', when it is more accurate to describe it as Australia's national allocation budget, or share, of international emissions rights.

Road to Copenhagen: Economic 'comparable effort' modeling of Australia's national allocation report by Access Economics

Building on its earlier work on comparable effort, in November 2009 AIGN commissioned Access Economics to model what might be considered to be 'comparable effort' with respect to the international negotiations.

This report considered a more comprehensive measure of effort defined as the economic welfare impacts of various national allocations.

Consistent with Treasury modeling for the Garnaut Review in 2008–09, the Access Economics report found that with a national emission allocation of -5 per cent of 2000 emissions by 2020, Australia would be taking on a commitment that is three to four times more costly to Australian's economic wellbeing than the -20 per cent commitments proposed by the European Union and the United States for their citizens.

AI&N climate change policy principles



The most appropriate response to climate change is a globally consistent approach, which would 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.

AI&N's climate change policy principles (see box opposite) 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:

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

Australia should make an equitable contribution, in accordance with its differentiated responsibilities and respective capability¹, 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 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
- 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
- adopts a consultative approach to the development of new policies
- 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
- address all emission sources and sinks
- balance, in a cost-effective way, abatement and adaptation strategies — both of which should be based on sound science and risk management.

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.

Governance



Objects

The objects of the company are to promote the development of Australia's manufacturing, agricultural and industrial resources by:

- consulting 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
- providing information, advice and a forum for developing analysis and participation in the process of public policymaking on the climate change issue
- contributing to the international climate change debate including through the provision of advice to the Australian delegation to United Nations Framework Convention for Climate Change meetings.

Directors

AIGN's constitution provides for nine or 12 directors, two-thirds of whom are elected by association members and one-third by corporate members. The Board currently operates with a membership of nine.

Directors representing association members must hold general manager or equivalent positions within their organisation while directors representing corporate members must be employees or officers of their company.

At the time of the annual general meeting in October 2009, association directors Belinda Robinson (APPEA), John Tilley (AIP) and Andrew McKellar (FAI) had completed their two-year term. Miles Prosser (AAC) was appointed in early

June 2009 to fill a casual vacancy on the Board following the resignation of John Boshier (NGF). All four directors were eligible to renominate for their positions.

In relation to corporate membership, John Torkington (Chevron) and Neil Marshman (Rio Tinto) had completed their two-year term on the Board. Both were also eligible to renominate for their positions.

Nominations were received from association members Belinda Robinson (APPEA), Miles Prosser (AAC), Malcolm Roberts (NGF) and Richard Stanton (A3P) and from corporate members John Torkington (Chevron) and Dave Plunkett (Qenos). As no other nominations were received and the nominations equalled the positions available on the Board, all were duly elected for two-year terms.

Following the annual general meeting, the Board held a short meeting at which Mr Prosser (AAC) was elected as AIGN's chair and Mr Jones (CSR) as deputy chair for the coming 12 months.

Board membership has been very stable over the past 12 months with only one resignation during the reporting period. Mrs Robyn Bain resigned in May 2010 when she retired from the CIF. The Board decided that it would carry the vacancy until the next AGM in October 2010. Mrs Bain had served on the Board since AIGN was incorporated in August 2004 and had held the position of chair in 2005-06 and 2006-07. The Board and members recognised Mrs Bain for her outstanding commitment to, and leadership of, AIGN during that period.

AIGN members and staff greatly appreciate the time and support given to the network by its directors. Their advice and expertise have ensured that the organisation continues to operate on a sound financial basis, and achieves the outcomes and expectations set by its members.

AIGN Board membership 1 July 2009 to 30 June 2010

AIGN's Board of Directors, elected in general meeting, is responsible for the company's business planning and operational management. 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 2009–10 have been communicated to members through its network meetings and email communications.

Name			Position
Bain, Robyn	Elected	August 2004	Chief Executive, Cement Industry Federation
	Re-elected	October 2006	
		October 2008	
	Resigned	May 2010	
Jones, Martin BE (Chem)	Appointed	June 2008	General Manager Government Relations, CSR Limited
	Re-elected	October 2008	
Marshman, Neil BAg Sc, PhD	Elected	October 2007	Chief Consultant Climate Change, Rio Tinto
	Resigned	October 2009	
McKellar, Andrew BEC	Appointed	July 2007	Chief Executive, Federal Chamber of Automotive Industries
	Re-elected	October 2007	
	Resigned	October 2009	
Pearson, Brendan, MPhil International Relations	Appointed	March 2008	Director Corporate Affairs and Deputy to the Chief Executive, Minerals Council of Australia
	Re-elected	October 2008	
Plunkett, David, LLB	Elected	October 2009	General Counsel, Qenos Pty Ltd
Prosser, Miles BSc (Forestry) (Hons)	Appointed	June 2009	Executive Director, Australian Aluminium Council
	Re-elected	October 2009	
Roberts, Malcolm PhD	Elected	October 2009	Executive Director, National Generators Forum
Robinson, Belinda BA, MEnviron Law	Appointed	August 2005	Chief Executive, Australian Petroleum Production and Exploration Association
	Re-elected	October 2005	
		October 2007	
		October 2009	
Stanton, Richard BSc (Forestry) (Hons) MBA	Elected	October 2009	Chief Executive Officer, Australian Plantation Products and Paper Industry Council
Tilley, John, BSc (Hons), MSc, PhD	Elected	October 2007	Executive Director, Australian Institute of Petroleum
	Resigned	October 2009	
Torkington, John BAppSc	Appointed	May 2007	Senior Advisor, Climate Change Policy, Chevron Australia Ltd
	Re-elected	October 2007	
		October 2009	

Administration

Staffing arrangements

AIGN has been fortunate in having no staff changes throughout the reporting period. Our small secretariat is staffed by:

- Michael Hitchens, Chief Executive Officer (approximately 20 hours per week) engaged on a consultancy basis
- Emma Watts, Senior Policy Advisor (full time employee)
- Lynda McIntosh, Administration Officer (approximately 10 hours per week) also engaged on a contract basis
- Louise Monge, Research Assistant (casual — hours as required).

Operations

AIGN's secretariat continues to be a busy hub of activity. The appointment of research assistant, Louise Monge, in early July 2009 has enabled the distribution of news and information to members to continue. This has also allowed the senior policy advisor to devote more time to important research and policy analysis.

Early in 2010, AIGN's contracted accountant, Mr Peter Bacon, advised that he would retire at the end of June 2010. The Administration Officer will now undertake additional bookkeeping work and minor accounting tasks which may require her to increase her hours each week. Accounting firm Hardwicke's have been engaged to produce quarterly financial reports and annual financial statements for the auditor as well as provide training, guidance and financial support if and when required.

AIGN's office lease expired in December 2009. At that time the National Institute of Accountants, which had shared our office for the past three years decided to close its Canberra operation. Following Board discussions and research into the Canberra commercial rental market, it was agreed that AIGN should renew its lease for 12 months with an option to extend, in the hope that tenants could be found to occupy the vacant suite within its Kingston office. At the time of preparation of this report, new tenants have not been found. A review of the situation will be carried out before the lease expires.

Membership

During the past year of uncertainty in the political debate, the need for associations and companies to have immediate access to relevant information generated by governments and other stakeholders in the climate debate has become even more important. This, in turn, has assisted in maintaining AIGN's membership, which experienced minor growth in 2009–10.

At 1 July 2009, AIGN had a total membership of 36 — 14 associations and 22 companies.

During the reporting period the network gained the following new members:

- Incitec Pivot Ltd
- Tarong Energy Corporation Ltd

The following member resigned at the end of the year:

- National Association of Forest Industries

Membership fees in 2009–10 were:

- Association Members \$20,952.80 (incl GST)
- Corporate Members \$10,476.40 (incl GST)

The Board agreed to increase subscriptions for 2010–11 by 2.5 per cent, in line with CPI increases.

AIGN Members at 1 July 2010

Association Members

- Australian Aluminium Council
- Australian Coal Association
- Australian Food and Grocery Council
- Australian Industry Group
- Australian Institute of Petroleum
- Australian Petroleum Production and Exploration Association
- Australian Plantation Products and Paper Industry Council
- Australian Trucking Association
- Cement Industry Federation
- Federal Chamber of Automotive Industries
- Minerals Council of Australia
- National Generators' Forum
- Plastics and Chemicals Industries Association

Corporate Members

- Adelaide Brighton Ltd
- Alcoa World Alumina — Australia
- BlueScope Steel
- BP Australia Ltd
- Caltex Australia
- Cement Australia Pty Ltd
- Chevron Australia Pty Ltd
- CSR Ltd
- ExxonMobil Australia
- Hydro Aluminium Kurri Kurri Pty Ltd
- Incitec Pivot Ltd
- Inpex Browse Ltd
- Leighton Holdings Ltd
- Origin Energy Ltd
- Qenos Pty Ltd
- Rio Tinto Australia Ltd
- Santos Ltd
- Shell Australia Ltd
- Tarong Energy Corporation Ltd
- Thiess Pty Ltd
- Tomago Aluminium Company Pty Ltd
- Wesfarmers Ltd
- Woodside Petroleum Ltd
- Xstrata Coal

Member services

Website

AIGN maintains its website at www.aign.net.au

This comprises a public area which provides general information on AIGN including activities, members and publicly available presentations. It also comprises a members only section providing members with access to meeting documents, members' presentations, archived news briefs, submissions and other documents of interest.

Regular news service

AIGN continues to provide an email news service for members. This news brief highlights key news reports and issues of interest to industry regarding climate change and greenhouse gas management. The brief also contains reports of new publications, upcoming events and government consultations. Feedback from members indicates that this is a valuable service that helps them keep abreast of issues and information that is relevant and useful. Given the workload of the secretariat this year, the news service has been more sporadic than in past years, however, with the appointment of Louise Monge (research assistant) steps have now been taken to ensure a more regular service continues.

AIGN briefing papers

Given the complexity of the policy environment, AIGN has been preparing regular briefing papers and key issues documents for the benefit of members. These canvass a range of policy issues, but concisely explain specific design elements of proposed policy measures as they emerge.

AIGN working groups

In the context of the details emerging from the CPRS legislation and the first Reports of the NGER Scheme, AIGN established a number of working groups:

- **NGERS Implementation Group**
Practical issues regarding the implementation of NGERS, including the OSCAR system.
- **CPRS Cost Pass Through and Point of Liability**
Development of responses to DCCEE correspondence on stakeholder consultation on options for resolving some contract pass-through issues using the liability transfer certificate mechanism.
- **International Group**
The impact of international negotiations on carbon markets and sharing views from business as to what industry is seeking in terms of clear signals (linked to investment certainty), market discontinuities, thoughts on improvements to existing mechanisms and thoughts about the design of new mechanisms.

Both the International and NGERS Implementation Group have had meetings with the Department of Climate Change and Energy Efficiency to pursue the issues of relevance. The NGERS group has been particularly active under the leadership of Cameron Schuster and has established a constructive process of engagement with the Department.

Financials

Financial outcome 2009–10



The financial statements, which accompany this report, confirm AIGN's continued sound financial position at the end of the reporting year.

The organisation finished the year with a surplus of \$42,929. While the 2009–10 budget predicted a small deficit, the positive outcome was achieved through a reduction in administrative and operating costs, the retention of one member considering resignation and the recruitment of two new members.

AIGN's balance sheet at 30 June 2010 shows a figure of \$316,561 in retained earnings, including this year's surplus. The Board has justified the retention of this amount to use for two specific purposes, namely:

- to ensure members are not required to provide additional funding to engage consultants or to implement major projects that may be required to address government decisions on climate change policy in the coming years
- to provide sufficient funds to meet foreseen and unforeseen expenses in the unlikely event that the organisation is wound up.

The budget for 2010–11 was approved by the Board in June 2010. It predicts a deficit of approximately \$19,000 at the end of this financial year. This is based on membership remaining stable and the assumption that no new tenant is found to share AIGN's office suite.

www.aign.com.au

AIGN