
AUSTRALIAN INDUSTRY GREENHOUSE NETWORK



ANNUAL REPORT 2016-2017

Australian Industry Greenhouse Network Ltd
Unit 3, 4 Kennedy Street, Kingston ACT 2604

PO Box 4622, Kingston ACT 2604
T +61 2 6295 2166 |

E admin@aign.net.au | W www.aign.net.au



CONTENTS

Chair's Report	3
1. Introduction	6
2. Policy Reviews	6
2.1 Review of Australia's Climate Change Policies: the 2017 Review	6
2.2 Independent Review into the Future Security of the National Electricity Market	7
2.3 Emissions Reduction Fund (ERF) and Safeguard Mechanism.....	7
3. AIGN Network Meetings.....	7
4. International Meetings and Policy.....	8
5. Public Activity and Publications.....	9
6. AIGN's Climate Change Policy Principles	9
7. Governance	11
7.1 Objectives	11
7.2 Operations	11
7.3 Staffing	11
7.4 AIGN Board.....	12
8. Membership	12
9. Financials	13

Chair's Report

Throughout the past year, AIGN has continued its valuable role facilitating industry discussion, collaboration and dialogue with key contacts on climate change policy. As has always been the case, the strength of AIGN is in the skill and experience of its members, bringing together their collective expertise to inform and improve the development of emerging international, domestic and local climate policy.

AIGN's monthly network meetings provide members a 'Chatham House forum' to engage with government and private sector experts on the development, implementation and improvement of the tools chosen to enable Australia to reduce emissions and meet its international commitments.

International Developments

With the adoption of the Paris Agreement in 2015 and its entry into force in November 2016, the work of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in 2016/17 has centred on crafting detailed rules to deliver a consensus agreement to:

- reach peak emissions as soon as possible
- limit global temperature increases to well below 2° Celsius above pre-industrial levels and
- pursue efforts to limit temperature increases even further to 1.5° Celsius.

AIGN has built a strong rapport with Australia's negotiating team over many years, and our efforts in the past year were no exception. AIGN's chief executive is a customary presence at the annual, year-end international negotiations. The atmosphere at the 2016 negotiation was calmer than in 2015, with a focus on implementation of the Paris Agreement. AIGN had regular contact with Australian Government delegates, providing prompt feedback and information on various issues, and continued to promote the positive inclusion of industry in reaching the UNFCCC's emissions reduction goals.

With the announced exit of the United States from the Paris Agreement, the position of Australia as a middle power, an important player in the Asia-Pacific, and a collaborator with the European Union and China, has eclipsed the prior focus within the international community on our domestic policy.

Development of the Paris Agreement rules will continue to be a major focus for AIGN. I look forward to AIGN continuing to constructively contribute to these pivotal international negotiations.

Domestic Policy

The pace of climate change policy development has been unusual in the last year, with the focus largely shifting to energy policy – and greenhouse gas emissions an important but secondary issue – compared to

similar consultation processes in recent years. As a result, contributions by AIGN and its members to departmental processes have at times been limited to high level input.

AIGN's climate change policy principles provide an enduring framework for engagement with key stakeholders. AIGN continues to advocate for a strategic, bipartisan, national approach to address climate change that provides the institutional stability necessary to encourage long-term investment in abatement, and 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.

The Government's 2017 review of climate change policies is an opportunity for AIGN to offer feedback on the future of climate change policy development in the context of Australia's 2030 target and commitment to the Paris Agreement. It was not always easy to provide the detail that officials seemed to desire, and the purpose of the review itself seems to be clouded by the pre-emptive exclusion of potential policy options at the political level. The review is scheduled to report to the Government by the end of 2017.

The past year has also seen the first Government process deliberately linking energy and climate change policy in an independent review into the future security of the National Electricity Market (the Finkel Review) and its intersection with the 2017 review. AIGN's role in terms of energy policy is as an observer, although the relevance of the Finkel Review's recommendation to adopt a clean energy target (in its final report presented to COAG leaders on 9 June this year) is clear, and will continue to be given close attention by AIGN.

AIGN has continued to cultivate constructive relationships with key Departments and agencies. These include the Department of the Environment and Energy and the Clean Energy Regulator, with whom we have engaged on issues ranging from policy principles to detailed elements of the Emissions Reduction Fund safeguard mechanism, the Emissions Reduction Fund itself, the Renewable Energy Target and the National Greenhouse and Energy Reporting Scheme.

We have also reached out to State and Territory governments, especially in view of increased discussion of sub-national climate policies and programs: our aim is to promote a streamlined, national approach to climate change policy, and discourage state-level initiatives that duplicate Commonwealth Government policy and are



inconsistent across state borders. This is particularly important when it comes to climate mitigation policies; however, AIGN supports states taking a leadership role in developing and deploying adaptation measures.

Looking Ahead

The next twelve months look set to be very busy in the international space, with the Paris Agreement rule book due to be completed by the end of 2018. AIGN will continue to engage closely with relevant officials as the details of this work begin to emerge.

With the delivery of the Finkel Review earlier this year and the 2017 review of climate policies due to be completed by the end of 2017, AIGN will prioritise the design and implementation issues arising from these processes, including issues such as trade competitiveness and how Australian domestic policy may best be connected to international action. With the support of members, AIGN will continue to advocate for sensible and equitable policy into the coming year, and beyond.

Acknowledgements and Appreciation

I would like to take this opportunity to thank members for their active involvement in the work of AIGN, from policy discussions and feedback on submissions, to participation in formal and informal networking to share ideas and bring a broader industry perspective to climate change policy.

We gratefully acknowledge the efforts of state and Federal Government representatives for their willingness to engage with AIGN; in particular, the Department of the Prime Minister and Cabinet, the Department of Foreign Affairs and Trade, the Department of Environment and Energy, and the Clean Energy Regulator. I look forward to continuing to work closely together.

I also thank our outgoing Chief Executive, Alex Gosman, who finished up with AIGN in April. His work on behalf of members was appreciated and we wish him well in his future endeavours.

We welcome Susie Smith as AIGN's new Chief Executive, who brings a wealth of experience to the role and who is well known to all at AIGN. She has seamlessly taken up the reins on the many varied issues AIGN is engaging with, from high-level principles to intricate design detail. My sincere thanks to Susie and Marion for their excellent support and service to the membership.

Damian Dwyer

Chair, Australian Industry Greenhouse Network

1. Introduction

Climate change policy will be a key political and policy topic in 2017-18, particularly given the disparate policy approaches of the major parties and the importance of this policy matter to the Australian economy.

In this setting, AIGN has an important role to play, not only in representing members and providing a forum to present consolidated industry views to Government, but in keeping members abreast of potential changes and implications, particularly in regard to trade competitiveness issues. AIGN continues to promote policies that are consistent with its principles of sustainable economic development.

Throughout the year, AIGN will continue to provide members with:

- monthly network meetings to hold detailed policy discussion and engage with senior Government representatives
- representative written submissions on the numerous climate change policy papers
- timely and informative climate change news bulletins (via email)
- detailed research and analysis, as directed by members, on specific climate change policy matters (e.g. Competitiveness Study)
- timely and informative feedback (and input, where applicable) from the annual international climate change meetings (Conference of the Parties).

2. Policy Reviews

AIGN maintained its strong tradition of networking with members, government and other key stakeholders to provide a reasoned and informed voice for industry in the development and implementation of climate change policy. AIGN advocates for sensible policy design, which promotes economic growth and is underpinned by the principles of sustainable development. AIGN's policy principles (see Section 6) form the basis of this engagement.

AIGN continues to advocate for streamlined national policy to address climate change mitigation. While the network's primary focus is on national policy, the evolution of state-level climate change policies continues to draw focus. The strength of AIGN's internal networking comes to the fore in this area, with members providing valuable insight to state policy.

2.1 Review of Australia's Climate Change Policies: the 2017 Review

The terms of reference for the '[Review of Australia's Climate Change Policies](#)' (the 2017 Review) were announced in December 2016. The 2017 Review provides an opportunity for a comprehensive conversation about Australia's climate change policy suite and the integration of Australia's international commitments into the domestic context. Importantly, the 2017 Review opened the discussion to include beyond 2020 measures and the evaluation of current policies such as the Safeguard Mechanism, the Emissions Reduction Fund and the Renewable Energy Target.

AIGN's submission to the 2017 Review advocated a long-term approach to developing climate change policy and promoted an effective, national policy with broad participation to share the responsibility of emissions reductions equitably. It emphasised the necessity of broad political support for climate change policy to encourage stability and, in turn, investment. Furthermore, the submission emphasised the need to consider the environmental effectiveness in driving lowest cost abatement, and the impact of any policy on jobs, investment, and, crucially, trade competitiveness. The final report is expected in December 2017.

2.2 Independent Review into the Future Security of the National Electricity Market

The Independent Review into the Future Security of the National Electricity Market led by Dr Alan Finkel (the Finkel [Review](#)) was delivered to the Council of Australian Governments (COAG) Leaders' meeting on 9 June 2017.

The Finkel Review marked the Government's commitment to linking energy and climate change policy, a key intersection for AIGN's membership. The Review recommended a raft of measures and initiatives including a clean energy target as part of an orderly transition to support the security, reliability and affordability of electricity while reducing emissions.

AIGN has long advocated for the integration of climate change and energy policy and will continue to review, discuss and contribute to this important policy area. With its broad membership base, AIGN is well placed to articulate the potential impacts and benefits to business from the various policy options.

2.3 Emissions Reduction Fund (ERF) and Safeguard Mechanism

The Clean Energy Regulator (the Regulator) conducted regular auctions for the ERF during the past twelve months and continued to publish new methods. Involvement in the auctions by AIGN members has been limited to date. AIGN feedback to the Department and the Regulator has consistently highlighted the challenges faced by AIGN members including: onerous / impractical methodologies, onerous high-risk contract terms, cost of administration, project cost and low clearing prices.

The establishment of the Safeguard Mechanism (SGM) continued in 2016-17, with the Regulator issuing reported baselines and assessing 'initial calculated' (and 'calculated') baseline applications. The first compliance period under the SGM closed on 30 June 2017, with reports due 30 October 2017 and settlement for any exceedance due in early 2018.

AIGN played a facilitative role in this area, with Regulator representatives being regular guests at AIGN monthly meetings. This enabled a fluid and efficient dialogue between corporate members (as liable entities) and the Regulator. This is especially useful during the implementation of new policy and in areas of complex interpretation such as audit requirements and data determinations. These discussions provided a valuable learning forum for members (and hopefully the Regulator) to share information and better understand compliance requirements.

3. AIGN Network Meetings

AIGN's monthly network meetings continue to facilitate valuable exchanges among members, and with key public and private sector stakeholders. These meetings provide opportunities to develop robust and thoughtful positions on common issues. In addition to valuable internal discussion, AIGN hosted a diverse program of invited guests over the past 12 months covering a wide variety of issues. These included:

- 2017 Review (Helen Wilson, Gayle Milnes: Department of the Environment and Energy)
- ALP Climate Change Policy (The Hon. Mark Butler MP)
- ACT Government climate change policy (Stephen Bygrave: ACT Government)
- ARENA funding priorities (Ivor Frishnecht: Australian Renewable Energy Agency)
- CCA Review into policies to achieve Australia's 2030 target (Shayleen Thompson, Kathryn Smith: Climate Change Authority)
- CER activities and direction (Chloe Munro [former Chair], David Parker [Chair], Jody Swirepik, Mark Williamson, Jane Wardlaw: Clean Energy Regulator)
- CER survey on potential uses of NGER data (Steve Tonner: KPMG)

- EU policy landscape (Caroline Lambert: Delegation of EU to Australia)
- international climate change negotiations and Paris Agreement (Andrea Faulkner, Kate Hancock, Dougal McInnes, Peter Horne: Department of Foreign Affairs and Trade; and Paula Starr: Department of the Prime Minister and Cabinet; and Kushla Munro: Department of the Environment and Energy)
- National Greenhouse Gas Inventory updates (Rob Sturgiss: Department of the Environment and Energy)
- NSW energy efficiency plans for large energy users (Nick Landreth, Liam Ryan: NSW Government)
- safeguard mechanism review into benchmarking (Dan Besley: Department of the Environment)
- safeguard mechanism baselines (Tas Sakellaris, Jody Swirepik: Clean Energy Regulator).

4. International Meetings and Policy

International climate change policy ultimately sets the guiderails for domestic policy. AIGN's involvement in international negotiations is long-standing and crucial in ensuring the interests of Australian businesses are represented in this space.

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

The Conference of the Parties (COP) 21 in Paris, held in 2015, saw the adoption of the Paris Agreement, consisting of a bottom-up approach of countries making voluntary commitments to limit emissions, emissions growth and/or emissions intensity, with the objective of reaching peak emissions as soon as possible, thereby limiting global temperature increases to well below 2° Celsius above pre-industrial levels, and pursuing efforts to limit temperature increases even further to 1.5° Celsius.

While 200 countries were represented at the COP 22 in Marrakech in 2016, attendance numbers were down compared to the 2015 Paris meeting. Non-state actors from industry, local governments, the finance sector and cities were again in prominent attendance, reflecting the increasing recognition that reducing emissions requires a response across all levels of society.

The meeting was of a procedural nature and side talks were dominated by the election of Donald Trump as US President on Day 2 (8 November).

Australia's Foreign Minister, Julie Bishop and Minister for the Environment and Energy, Josh Frydenberg, led a number of working groups following-up matters arising from the Paris Agreement. AIGN attended Australian briefing sessions and several key side events. It was noted that several countries, including the US and Germany, outlined pathways to reduce their emissions by 80% by 2050.

The Marrakech meeting made reasonable progress on establishing procedural elements to implement the outcomes of the Paris Agreement. A key theme was establishing a fair process to create a 'rule book' that will give all countries confidence when assessing climate pledges and progress. The technicalities of the rule book will be debated this year and into 2018.

Fiji has the presidency of COP 23 this year, which will be held in Bonn, in November. COP 24 (in 2018) will focus on reviewing the latest state of the science, as well as the nature of commitments made by signatories to the Paris Agreement. The rule book is also to be finalised at this meeting.

As countries develop policies to meet their targets, there are further differences emerging in their approaches and the costs imposed on domestic business. These differences will be critical in determining possible impacts on Australian businesses.

Issues around trade competitiveness remain significant in any future policy development in Australia, and must be addressed to minimise differences in the facility-level costs of climate change policies. It will be critical to develop and implement measures to ensure the integrity of nationally determined contributions. Of particular importance is the ability of countries to monitor, review and verify the impact of climate change policies. As such, details of the rule book will be of great interest to AIGN members.

5. Public Activity and Publications

Public and corporate interest in climate change policy issues reflects the importance of this policy area. This interest has generated many forums and events gathering policy makers, thought leaders and affected entities to discuss common issues. AIGN staff and members attended and were lead contributors to many of these over the course of the year.

AIGN commissioned the Centre for International Economics (CIE) and CM Group to conduct a study to examine the trade competitiveness impacts of climate change policy, to improve understanding of this crucial issue. A central aim of this study is to increase the awareness of policy makers that any production-based climate change policy will have adverse trade competitiveness impacts if not designed astutely. A series of briefings was provided for key stakeholders and the report is available on AIGN's website.

These reports aim to inform the climate change policy debate and make meaningful, considered contributions to policy development.

6. AIGN's Climate Change Policy Principles

AIGN's climate change policy principles establish a framework for Australian policy development. In summary, these principles envisage a global agreement that imposes costs on the Australian community that are comparable to those borne by residents of countries with similar wealth. In the domestic context, the principles envisage Australian policy measures that:

- are national
- 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 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 respond 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.

7. Governance

7.1 Objectives

The objectives of AIGN are to promote the development of Australia's manufacturing, agricultural and industrial resources. Consistent with AIGN's climate change policy principles (see Section 6), this is achieved through:

- consultation with governments and other opinion leaders on the adoption of a principled, comprehensive, national and international greenhouse policy framework within which effective, equitable and efficient domestic greenhouse policies and measures are implemented, consistent with the principles of 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.

7.2 Operations

In 2017, Alex Gosman resigned from AIGN and Susie Smith was appointed as Chief Executive.

As part of this transition, AIGN will progressively move to a 'virtual office' rather than a traditional office operating model. This transition will be designed to ensure that the small 'fit for purpose' AIGN secretariat can best meet members' needs, through integration of technology and a continued focus on optimising operational costs.

7.3 Staffing

Secretariat staff for this reporting period, 1 July 2016 to 30 June 2017:

Alex Gosman

Chief Executive Officer (August 2012 to May 2017)
(part-time)

Susie Smith

Chief Executive Officer (March 2017 +)
(part-time)

Marion Niederkofler

Policy Advisor
(part-time)



7.4 AIGN Board

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

Business transacted and decisions made by the Board during 2016-17 have been communicated to members through its network meetings and regular communications.

AIGN members and the secretariat appreciate the input of the Board of Directors to the efficient and effective management of the Company, and thank directors for their time and effort.

AIGN Directors (1 July 2016 to 30 June 2017)

NAME	PERIOD
Paul Barrett <i>Chief Executive Officer</i> Australian Institute of Petroleum Ltd	Appointed: February 2015 Elected: October 2015
Damian Dwyer BEc, Grad Dip Pub Ec Pol <i>Director, Economics</i> Australian Petroleum Production & Exploration Association	Elected: October 2011 Re-elected: October 2016
Charmaine (Tzila) Katzel BSc, MSc, MPhil <i>Director, Policy, Environment & Community Affairs</i> BP Australia	Elected: October 2016
Margie Thomson BAgEcon, MEcon <i>Chief Executive</i> Cement Industry Federation Ltd	Elected: March 2017
John Torkington BAppSci <i>Manager, Climate Change Team</i> Chevron Australia Pty Ltd	Appointed: May 2007 Re-elected: October 2007 Re-elected: October 2009 Re-elected: October 2011 Re-elected: October 2013 Re-elected: October 2015
Graham Winkelman PhD Materials Eng <i>Practice Lead Climate Change</i> BHP Billiton Ltd	Elected: January 2017
Susie Smith BSc, MAICD <i>General Manager, Carbon & Sustainability</i> Santos Limited	Appointed: October 2012 Re-elected: October 2014 Re-elected: October 2016 Resigned: December 2016

8. Membership

Membership fees in 2016-17 were:



- Association membership: \$21,000 (excluding GST)
- Corporate membership: \$10,500 (excluding GST).

The Board approved a small membership fee increase for 2017-18:

- Association membership: \$21,400 (excluding GST)
- Corporate membership: \$10,700 (excluding GST).

In accordance with the AIGN constitutional requirements (Clause 11), members are required to provide notice of membership resignation prior to the commencement of the next financial year. Clause 11 of AIGN's constitution states that:

A member may at any time, by giving notice in writing to the Secretary, resign as a member. The resignation will be effective three (3) months from the date of receipt of the notice by the Secretary. A member so resigning shall be liable for payment of the subscription fee for the financial year in which the resignation becomes effective. When the resignation of a member becomes effective, that member's name must be removed from the register.

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
Engie Australia
ExxonMobil Australia
Glencore Pty Ltd
Incitec Pivot Ltd
Origin Energy Ltd
Rio Tinto Australia Ltd
Santos Ltd
Shell Australia Ltd
Wilmar Sugar Australia Limited
Woodside Petroleum Ltd

9. Financials

The financial statements that accompany this report confirm AIGN's continued sound financial position as at 30 June 2017.