



Australian Industry **Greenhouse** Network

annual report 2010-2011



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Chair's report

The exceptional domestic policy and political environment in which AIGN and broader industry have worked over 2010–2011 has provided challenging circumstances in which to operate and engage in the climate change policy debate.

The uncertainty arising from the shelving of the Carbon Pollution Reduction Scheme in 2010 led to a vacuum in the policy discussion. In addition, the negotiations that followed the August Federal election and the subsequent arrangements to form a minority government have had a unique impact on the nature of policy development in Australia.

Throughout this time AIGN has remained firm in its rigorous and principled approach to climate change policy. The opportunity to reconsider these principles and test their continuing relevance over the course of 12 months has been a testament to the considered way AIGN established these principles in 2002.

The strength of AIGN is in the range of views around the table and the ability to learn from others' experiences. There are few such forums in which the range of economic activity and community reach is represented — and the quality of the discussion and contribution from members is reflected in the work AIGN produces. I thank all AIGN members for the thoughtfulness they bring to meetings, their preparedness to test their ideas and to consider the ideas of others. I strongly encourage all members to take advantage of the forum AIGN provides to share their views and experience.

The value members receive from their involvement in AIGN can be largely attributed to the work of the secretariat — Michael Hitchens as CEO, Emma Watts as Senior Policy Advisor, Lynda McIntosh as Administration Officer, and Louise Monge as Research Assistant. I would like to thank each of them on behalf of all AIGN members.

AIGN has benefitted from many years of sound management and I thank my colleagues on the

Board of AIGN for their service. I pay particular tribute to long-standing board member Belinda Robinson who resigned from the board in May 2011. Ms Robinson was a board member for nearly six years, two of which she held the position of Chair.

Members may reflect that the coming year will be the culmination of many years of discussion and debate. While experience shows us that any outcome is possible, as the legislation proceeds through Parliament it appears that the broad policy debate we have engaged in over the last few years is most likely to transition, at least partially, to an implementation phase. Industry will have a short period of time to ready itself for compliance under the fixed price years and it will be important to engage closely with officials and government to respond quickly to necessary corrections and reviews of the scheme.

However, we should not forget that the reviews of the policy that have been written into the legislation will quickly be upon us and we will find ourselves participating in a debate about the major policy settings for a number of years yet. The new phase will therefore be a mix of policy debate and implementation.

I am confident that throughout this new phase AIGN will continue to drive thoughtful and effective advice to the membership and the broader community. I encourage all AIGN members to participate fully in the discussions that AIGN facilitates. By doing so, AIGN will continue to be an important participant in the debate and each member will benefit from engaging with other people's views.

Miles Prosser, Chair

Year in review

Following the brief hiatus associated with the Australian Government's decision in April 2010 to defer introducing an emissions price, climate change policy returned to the forefront of public discussion with the election of the new government in August 2010.

The development of an Australian emissions tax-trading hybrid scheme has been tumultuous and this has contributed to a demanding year for the AIGN secretariat and members.

The creation of the Multi-Party Committee on Climate Change (MPCCC) as the government's vehicle for re-designing an emissions pricing scheme to begin on 1 July 2012 presented particular challenges for members arguing for a better outcome than that envisaged under the Carbon Pollution Reduction Scheme (CPRS). Unfortunately, the process and the outcomes have been guided more by politics than good public policy.

The Renewable Energy Target (RET) scheme was altered yet again because, in combination with state and territory policies, the burgeoning costs of the subsidies for renewables was uncontrolled. The impact of the RET on electricity prices remains a growing threat to Australian industries' trade competitiveness.

The focus of the United Nations Framework Convention on Climate Change (UNFCCC) international negotiations in Cancun in December 2010 was to rescue credibility in the process following the debacle in Copenhagen the year before. While there was some success, it is clear that a comprehensive and coordinated global agreement to reduce emissions is several years away.

In addition to the primary focus on carbon pricing and the RET, there has been a number of other domestic issues and events requiring AIGN's attention including 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 shelving of the CPRS and the Federal election in August led to a quiet start to the second half of 2010. This gave AIGN the opportunity to compare policy options for emission abatement in a less contested policy atmosphere. AIGN took the opportunity to consider alternative approaches to carbon pricing, including the Carmody and McKibbin propositions, and to closely examine the schemes in the European Union (EU) and California.

Time was also taken to review the AIGN Policy Principles that have guided members since 2002. This led to the development of a summary document that concisely explained the policy principles in a way that was accessible to a wide audience.

AIGN invites Australian Government officials to address the meetings on a regular basis. This is critical to AIGN's effective contribution to policy discussions — and has been particularly important as the emissions pricing policy debate has progressed. AIGN is grateful to those officials who have been generous and considered in their participation in network meetings.

July AIGN heard from the RET regulator on amendments to the RET legislation and prospective regulations. It also considered AIGN's position on the review into the expansion of the Victorian feed-in-tariff scheme.

August AIGN continued its practice of holding an annual meeting in Perth. Inpex Ltd generously hosted this, and members were once again pleased to hear from officials from the Government of Western Australia. In addition, the newly formed Australian Carbon Trust briefed the meeting on the future directions and goals of the trust.

September The first post-Federal election meeting provided the opportunity to consider Australian domestic climate change policy in the context of a minority government. The Department of Climate Change and Energy Efficiency (DCCEE) also addressed the meeting on the UNFCCC negotiations. The practice of receiving member presentations continued with Wesfarmers sharing its approach to climate change policy to the network.

October Members heard from a representative of the CSIRO Climate Change Adaptation Flagship. In the context of renewed domestic policy activity the group was also briefed by DCCEE on the climate change landscape over the forthcoming 12 months. A member presentation was contributed by CSR.

November An AIGN-commissioned consultant's report from the Centre for International Economics (the CIE) on methodological issues associated with comparing national emission prices and measures across countries was considered. The report made a valuable contribution to the work of the Productivity Commission on this topic.

The meeting also discussed the newly established MPCCC and the Business Roundtable established to consult on work to establish a carbon price in Australia. The Department of Resources, Energy and Tourism (DRET) provided an update on their activities.

2011 The new year brought a renewed focus on the activities of the MPCCC, and the associated work around carbon pricing in Australia — including that being undertaken by Professor Garnaut.

January The meeting included a brief on outcomes from the UNFCCC negotiations in Cancun, and presentations from the DCCEE on the Carbon Farming Initiative.

February ACIL Tasman and Meta Economics provided presentations on AIGN-commissioned work relating to the RET and allocation of emission permits to trade exposed industries. This was in addition to Exxon Mobil's member presentation. Representatives from the *Garnaut Climate Change Review Update 2011* team addressed the meeting on the progress of the update. There was also significant internal discussion of the parallel policy development processes that were being undertaken.

March The AIGN-BCA Carbon Pricing Forum dominated the meeting and was followed by an internal discussion of the outcomes of the day in addition to domestic policy developments.

April Members heard from the DCCEE on the release of the National Inventory, an update on the NGERs measurement determination and the 2010 National Emissions Projections. Representatives from the Australian National Audit Office (ANAO) discussed the ANAO Performance Audit of NGERs and listened to members' views on the scheme.

May The meeting featured a company presentation from Toyota and member discussion of the Business Roundtable Working Group process and AIGN submissions to the group.

June The final meeting of the reporting year focussed on the energy policy processes running concurrently with emission pricing policy development. This included presentations from the Australian Energy Market Commission on the Investment Reference Group report to the Commonwealth Minister for Resources and Energy. DRET representatives also briefed members on the *Energy White Paper* and the Energy Security Review.





Seminars and workshops

AIGN–BCA Carbon Pricing Forum

To assist the MPCCC in its consideration of design features for an emissions pricing scheme, AIGN and the Business Council of Australia (BCA) hosted a Carbon Pricing Forum in Parliament House in Canberra on 23 March 2011.

The forum fostered a constructive conversation among Australian industry representatives about the issues influencing the implementation of a carbon price in Australia. The agenda for the day was designed with the Terms of Reference of the MPCCC in mind and was a positive contribution from Australian industry to the committee's deliberations.

This half-day forum covered the major issues in the carbon pricing debate — carbon price design; comparable effort and 'trade exposed' policy; and energy security. Speakers included representatives from industry and experts in their field, including:

- the Hon Greg Combet AM MP, Minister for Climate Change and Energy Efficiency
- Rod Sims, Director, Port Jackson Partners, *A long-term investment framework: what are the design features industry is looking for — both new industry and for transitioning existing industry to lower emissions?*

- Dr Andy Stoeckel, Centre for Applied Macroeconomic Analysis, ANU, *The microeconomics of trade competition, both import competing and exports. How does the broad range of government policy impact on the trade competitiveness of firms and how is Australia travelling? The issue of carbon pricing and trade exposure in an imperfect world*
- Gary Banks, Chairman, Productivity Commission, *Emissions reduction policies and carbon prices in key economies: The Commission's approach*
- Dr David Pearce, Executive Director, CIE, *Effective carbon pricing issues*
- Paul Hyslop, Chief Executive Officer, ACIL Tasman, *Electricity generator issues and implications for consumers.*

Presentations from the forum are available on the AIGN website.



International meetings and policy

United Nations Climate Change Conference (COP 16 and CMP6), Cancun

AIGN has attended the UNFCCC international negotiations for many years and the CEO, Michael Hitchens, continued this practice in December 2010.

Hosted by the Government of Mexico, the UNFCCC, Cancun was presided over by Ms Patricia Espinosa, Secretary of Foreign Affairs of the United Mexican States. The conference was comprised of:

- the 16th session of the Conference of the Parties (COP 16)
- the sixth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP6)
- the 33rd session of the Subsidiary Body for Implementation (SBI 33) and the Subsidiary Body for Scientific and Technological Advice (SBSTA 33)
- the 15th session of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP 15)
- the 13th session of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA 13).

The conference resulted in the adoption of the Cancun Agreements. Cancun adopted some of the Copenhagen Accord language into the UNFCCC and set in train a program of work for Durban in 2011.

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.

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.

It is not AIGN's habit to issue press releases on matters being debated, however, it does release statements to coincide with the release of consultant reports. In addition, as a result of the Carbon Pricing Forum in March, AIGN undertook more engagement with the media than had been the practice in the recent past.

In interacting with the media the CEO is guided by the Board endorsed media policy.

Key issues, consultation and submissions

The shelving of the CPRS in April 2010 created a space in the policy debate at the beginning of the second half of the year. This gave AIGN an opportunity to review its own policy positions.

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 — specifically the work of the MPCCC, the Garnaut Review Update and the Productivity Commission — as well as commissioning consultants to analyse aspects of domestic carbon pricing policy.

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

Carbon pricing

Policy discussion with respect to emissions trading and a price on carbon reached a standstill following the shelving of the CPRS legislation in April 2010.

The lack of bi-partisan agreement on climate policy was highlighted throughout the August Federal election period and in the discussions to form a minority government.

The agreements with Independents and the Greens to form government have significantly influenced the policy process during the first half of 2011. The agreements initiated the process to establish the MPCCC, the *Garnaut Climate Change Review Update 2011* and the Productivity Commission Inquiry into Carbon Emission Policies in Key Economies.

AIGN contributed numerous submissions to the formal consultations available over the course of these parallel processes. This included participating in the Productivity Commission workshop to inform its report, and a comprehensive submission to the Industry Transitional Assistance Working Group that was established to provide industry feedback to the government on the introduction of a carbon price and appropriate transitional assistance arrangements for trade-exposed industries.

Where formal opportunities for stakeholder consultation did not exist, AIGN ensured that the views of the network were shared with the members of these processes, including the MPCCC, the Garnaut Review and the Business Roundtable.

Specifically, AIGN contributed a series of seven letters to members of the MPCCC in response to key milestones in the carbon pricing policy discussion. At the same time AIGN also communicated directly with members of the Business Roundtable — a group that included a number of AIGN member organisations.

AIGN also participated in Technical Working Group workshops on point of liability, refinery oils and natural gas fuels in April 2011.

Energy Efficiency Opportunities program — second cycle

The 2004 Energy White Paper *Securing Australia's Energy Future* proposed to introduce a measure that would require companies using more than 0.5 petajoules of energy a year to undertake a mandatory energy efficiency opportunity assessment every five years. This was given effect with the Australian Government's *Energy Efficiency Opportunities (EEO) Act* from 1 July 2006.

While there had been some cautiousness on the part of industry to energy efficiency programs, EEOA is among the package of measures and policies the government adopted in response to the White Paper to which, as a package, industry lent its support.

Most, if not all, AIGN member companies will fall under the provisions of the EEO program. AIGN and its members were involved in the development of this program from the outset, and AIGN's involvement has continued in discussions on the compliance and verification processes. As the program entered its second cycle, AIGN provided comment on the discussion paper, *Proposed changes to the Energy Efficiency Opportunities program assessment and reporting requirements with clarification on the second cycle*.

In commenting, AIGN noted that the network and members are broadly supportive of the objective to improve the identification and implementation of cost effective energy efficiency opportunities by businesses, but we are very concerned that the program has lost sight of this objective in a maze of costly compliance. The EEO is a voluntary program and needs to be simplified to attract medium and small business, where the benefits of energy efficiency are least understood.

AIGN made comments on broad aspects of the scheme raised in the discussion paper — noting in particular support for the alignment of the EEO program with NGERs so that companies need only make one submission of data through one portal. AIGN's submission concluded that many of the proposed changes were too prescriptive and that the EEO is moving too far towards how it is conducted rather than focusing on the outcomes it is seeking to achieve.

Victorian review into the expansion of feed-in tariffs to include low-emissions technologies

Prior to the change of government in Victoria, the Victorian Government undertook a review into the expansion of feed-in tariffs to include low-emissions technologies.

In its submission AIGN urged the Victorian Government to carefully review the rationale for the feed-in tariff schemes it currently has before considering any extensions to these schemes. In AIGN's view, the only sound basis for government policy is likely to be to address competition imbalances between households and electricity retailers — this is the underpinning of the standard feed-in tariff scheme.

AIGN put the view that there is no case for expansion on climate change or energy policy grounds. Premium feed-in tariff schemes, particularly when coupled with other subsidies, such as the RET scheme, are high cost and lead to a range of unintended consequences, that inevitably require further costly government intervention.

AIGN notes the Victorian Government will introduce a new Transitional Feed-in Tariff (TFIT) for properties installing rooftop solar panels to replace the current Premium Feed-in Tariff (PFIT), which has reached its statutory capacity of 100 megawatts. This transitional scheme will be in place while a review into feed-in tariffs is carried out by the Victorian Competition and Efficiency Commission (VCEC).

Continuing issues

Renewable Energy Target

In February 2010, the government announced further changes 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 RET scheme was separated into two parts — the Small-scale Renewable Energy Scheme (SRES) and the Large-scale Renewable Energy Target (LRET). Combined, the new LRET and SRES are expected to deliver significantly more renewable energy than the original 45,000 gigawatt-hour target for 2020 at a substantially higher cost to electricity consumers.

AIGN and its members continue to respond to those processes that are targeted at the implementation of the scheme and monitor those elements that affect emission intensive trade exposed (EITE) industries.

Greenhouse and energy reporting

The AIGN has maintained strong support for the implementation of a nationally consistent, mandatory greenhouse gas and energy reporting system. AIGN member companies are universally captured by the *National Greenhouse and Energy Reporting Act 2007* and actively participated in this program — working with government officials on contentious issues, refining previously held positions and working to develop common understandings.

In the early days of implementation of NGERs there have been technical, operational and policy hurdles to overcome. Through the AIGN NGERs Implementation Working Group, AIGN worked to refine issues that emerged from the first reporting period before the first reports were due, and to share experiences and lessons learned from this process. This work will be on-going.

It has been the experience of AIGN members that officials have welcomed constructive feedback on their initial experiences, however have not had the resources available to respond fully to industry's concerns. It is hoped that the provision of funds in the 2011–2012 Federal budget towards NGERs will substantively address the logistical implementation of the NGERs program.





AIGN also observes that in a crowded legislative program it has been difficult to make any important, but uncontroversial, legislative changes to the NGERs legislation that would improve the operation of the scheme. While understanding the competing priorities for government, it is important that opportunities to make appropriate amendments to the legislation are found. With the passage of the Clean Energy Bills it is hoped that these issues may be addressed.

DCCEE UNFCCC consultations

Periodically — typically before UNFCCC international meetings — the International Division of DCCEE 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.

Task Group on Energy Efficiency—AIGN response

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 of experts from industry and non-government organisations.

AIGN responded to the initial 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.

The task group's response was released in October 2010 — with a series of consultation workshops to inform the government response to the report being held during January–February 2011. AIGN

contributed a written submission to this process that argued that AIGN found the supporting task force analysis of Australia's performance on energy efficiency unconvincing. In particular, there is no evidence to support the arbitrary 30 per cent energy intensity — not energy efficiency — improvement target by 2020.

AIGN recommended that the government's response to the task group report be guided by the economic definition of energy efficiency. In doing so, the government would avoid the conclusion that Australia is performing poorly. It would also avoid an underlying sense that the report regards energy consumption as a 'bad', rather than the 'good' that it is.

The Australian Government had not responded to the task group report by the end of the reporting period.

Energy White Paper

The Australian Government agreed to the development of a white paper on energy issues in September 2008. The DRET developed six issues papers on key focus areas, and conducted stakeholder sessions in which AIGN and its members participated.

Responses to these discussion papers and stakeholder forums, as well as input from commissioned consultant's 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 — however this work has been shelved.

Work on the White Paper resumed in the wake of the Prime Minister's Task Group of Energy Efficiency — with officials addressing the network in June 2011. It is expected that a draft Energy White Paper will be released over the next 12 months for public comment and finalised during 2012. This will conclude the Energy White Paper process that commenced in 2008.

AIGN will maintain a watching brief over the process.

AIGN-commissioned consultant's reports

Comparing effective carbon prices — methodological issues: CIE

In the context of the explicit inclusion of carbon price comparisons in the terms of reference of the MPCCC and the subsequent tasking of the Productivity

Commission to undertake these comparisons, AIGN commissioned work from the respected Centre for International Economics which highlighted the complexity of estimating effective carbon prices in different countries and across industry sectors. The report formed part of AIGN's contribution to the policy development process.

A key message from the report is that estimation of effective carbon prices is not a trivial exercise and is highly dependent on the policy question that is intended to be addressed.

Two policy questions are at the forefront of the discussion:

- The question of Australia's potential commitments under any future international agreement and whether, at 5% below 2000 emissions in 2020, Australia's current pledge is comparable to those of the EU (20% below 1990) and the USA (17% below 2005)?
- The question of how large the disadvantage is for Australian import and export competing industries arising from existing and proposed policies, including the cost of the RET and related subsidies, and a new proposed carbon price?

In relation to the question of competitive disadvantage for Australian industry, the CIE report emphasised that the estimation of effective carbon prices needs to be sector specific.

This means that the countries chosen need to be industry relevant and are countries that Australia competes with in that industry; that for each country, care needs to be taken to identify the exact policies that impact on the industry being studied; and that the range of policies that mitigate that impact also need to be assessed.

Comparing ETS Allocation Arrangements: Permit allocation in Australia, California and the EU — focusing on EITE activities: Meta Economics

AIGN commissioned Meta Economics to compare the approach to permit allocation and assistance to EITE activities within Australia under the proposals of the CPRS with approaches announced under the emissions trading schemes developed by the EU and California. Phase III of the EU ETS will commence from 1 January 2013, and the California Cap and Trade Program (CTP) will take effect from 1 January 2012.

The report noted that these systems contain features designed to ensure that imposition of a carbon price within their jurisdiction does not exacerbate global greenhouse gas emissions by driving activity to locations where production will result in higher emissions output. All use free permit allocation to offset carbon cost exposures in an attempt to mitigate the threat of emission leakage. However, the quantum of permits allocated for free under these arrangements can vary considerably due to differences in production baselines, benchmarks and assistance rates. Key areas of differentiation include:

- differences in scheme coverage
- scope of concessional treatment
- benchmark setting
- updating of baselines
- phase down rates.

Cost of federal renewable energy targets to consumers — Comparison of costs under past and present policy settings: ACIL Tasman

The AIGN commissioned ACIL Tasman to undertake an analysis of the increased electricity costs consumers will face, or would have faced, in 2011 and 2012 under various designs of the Federal renewable energy target policy.

ACIL Tasman used the *RECMARK* model to analyse certificate prices and thereby direct costs to consumers from various designs of the renewable energy target policy and their *PowerMark* model to analyse reductions in wholesale electricity prices attributable to this policy (which reduce the total cost faced by consumers).

This analysis shows that while the total cost of the renewable energy target policy increased due to the 2009 change from the Mandatory Renewable Energy Target to the 'expanded' Renewable Energy Target (eRET), the policy change that took effect on 1 January 2011 to establish the parallel LRET and SRES is likely to have a far greater cost impact on consumers.

Compared to costs under the eRET, total costs to consumers are likely to increase almost four-fold in 2011 from \$331 million to \$1.26 billion due to the change to the LRET/SRES policy. In 2012 costs are likely to increase over three-fold from \$444 million to \$1.36 billion due to the new policy.

AIGN 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.

AIGN's climate change policy principles (see page 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:

- 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 industries to costs not faced by these industries in other countries
- compensate those, including low income earners and non-trade industry, that carry a disproportionate share of the cost burden
- effectively address market failures 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
- 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.

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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 the UNFCCC 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 annual general meeting in October 2010, association director Mr Brendan Pearson (MCA) completed his two-year term and did not seek re-election. An additional association vacancy existed on the board following the resignation of Mrs Robyn Bain (CIF) in June 2010. Nominations for association vacancies were received from Ms Margie Thomson (Cement Industry Federation) and Mr Peter Gniel (Plastics and Chemicals Industries Association). As the number of nominated candidates for association representation on the board was equal to the number of vacant association positions, Ms Thomson and Mr Gniel were duly elected to these positions.

In relation to corporate vacancies on the board, Mr Martin Jones (CSR) stepped down from his position following completion of his two-year term. Mr Jones nominated for re-election to this vacancy and a nomination was also received from Mr Michael Waite (Inpex Corporation). Following a secret ballot of corporate members present at the annual general meeting, which was overseen by the CEO, Mr Michael Hitchens, Mr Jones was re-elected to the corporate vacancy on the board.

Board membership has been stable during the reporting year with only one resignation: that of Ms Belinda Robinson who resigned in May 2011 following her resignation from the position of CEO of the Australian Petroleum Production and Exploration Association. Ms Robinson had provided many years service to AIGN including nearly six years as a board member, including two years as AIGN's chair.

AIGN Board Membership 1 July 2010 to 30 June 2011

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 2010–2011 have been communicated to members through its network meetings and email communications.

Name	Period
Gniel, Peter BA Director Government Relations and Director Trade and Economic Policy Plastics and Chemicals Industries Association	Elected: October 2010
Jones, Martin BE (Chem) General Manager Government Relations CSR Limited	Appointed: June 2008 Re-elected: October 2008 October 2010
Pearson, Brendan Nelson MPhil International Relations Director Corporate Affairs and Deputy to the Chief Executive Minerals Council of Australia	Appointed: March 2008 Re-elected: October 2008 Resigned: October 2010
Plunkett, David LLB General Counsel Qenos Pty Ltd	Elected: October 2009
Prosser, Miles BSc (Forestry) (Hons) Executive Director Australian Aluminium Council	Appointed: June 2009 Re-elected: October 2009
Roberts, Malcolm PhD Executive Director National Generators Forum	Elected: October 2009
Robinson, Belinda BA, MEnviron Law Chief Executive Australian Petroleum Production and Exploration Association	Appointed: August 2005 Re-elected: October 2005 October 2007 October 2009 Resigned: May 2011
Stanton, Richard BSc (Forestry) (Hons) MBA Chief Executive Officer Australian Plantation Products and Paper Industry Council	Elected: October 2009
Thomson, Margaret BAgEcon, MEcon Chief Executive Officer Cement Industry Federation	Elected: October 2010
Torkington, John BAppSc Senior Advisor, Climate Change Policy Chevron Australia Ltd	Appointed: May 2007 Re-elected: October 2007 October 2009

Administration

Staff arrangements

AIGN staffing arrangements remained stable during the year with no resignations or recruitments.

The secretariat consists of:

- 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, engaged on a consultancy basis
- Louise Monge, Research Assistant — casual — hours as required.

Operations

In early 2011, Senior Policy Advisor, Emma Watts took extended leave. During her absence, Research Assistant, Louise Monge increased her hours and undertook some of Ms Watts's duties with the CEO covering the remainder. This arrangement worked well with very little disruption to AIGN's activities. It also gave Ms Monge the opportunity to increase her experience and expertise in policy development.

The appointment of Hardwicks Accountants to oversee AIGN's accounting activities has worked well. The Administration Officer has increased her hours to undertake basic bookkeeping work with Hardwicks reviewing all financial matters on a three-monthly basis and preparing quarterly reports for review by the Board. End of year financial statements are also prepared by Hardwicks for the auditor, RSM Bird Cameron.

AIGN continues to occupy offices in Kingston. Part of the office has been tenanted for the past 10 months but this arrangement ceased in August 2011. Efforts will be made to secure another tenant and the lease will be renewed for at least the coming three years.

The organisation's occupational health and safety issues were given particular attention during the year with a complete revision of AIGN's OH&S manual to ensure it meets all statutory requirements in the ACT and is appropriate for the network's working and physical environment. Staff and Board members had the opportunity to contribute to the revision and the secretariat particularly appreciates the assistance provided by board member, John Torkington. The manual will be regularly reviewed in future. No accidents or incidents were recorded during the reporting year.

Membership

Following the Federal Election in 2010, the Australian Government recommitted to and brought forward its plans to introduce a greenhouse gas emissions price from 1 July 2012. This led to a re-invigorated policy debate and regular participation in AIGN activities by the majority of members.

Interest in corporate membership has been particularly strong, with two new corporate members joining in 2010–2011 — International Power Australia and Conoco Phillips Australia. One association member, the Australian Trucking Association, ceased its membership during the year.

Membership fees in 2010–2011 were:

- association membership: \$21,476.40 including GST
- corporate membership: \$10,738.20 including GST.

The Board agreed to increase membership fees for 2011–2012 by 2.75 per cent.

AIGN Members at 1 July 2011

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
- 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
- ConocoPhillips Australia
- CSR Ltd
- ExxonMobil Australia
- Hydro Aluminium Kurri Kurri Pty Ltd
- Incitec Pivot Ltd
- Inpex Browse Ltd
- International Power Australia
- Leighton Holdings Ltd
- Origin Energy Ltd
- Qenos Pty Ltd
- Rio Tinto Australia Ltd
- Santos Ltd
- Shell Australia Ltd
- Stanwell Corporation Ltd (previously 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 that 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.

AIGN briefing papers and commissioned reports

Given the complexity of the policy environment, AIGN has been preparing and commissioning 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.

Federal election analysis

AIGN concerns itself with the politics of the day only as far as competing parties present views on policy and as it impacts on the policy agenda.

The unique circumstances that existed in the last half of 2010 with respect to changes in government leadership and the Federal election — and the influence that had on public policy development — led to a series of briefing papers which considered the political and constitutional scenarios that would affect the development of climate change policy. These briefs included a customary pre-election brief, a series of election week summaries, minority government briefs on the position of the Independent members and a later analysis of the progress of climate change policy in the political context.

AIGN working groups

AIGN supports an NGERS Implementation Group that considers practical issues regarding the implementation of NGERS, including the OSCAR system. The group has been particularly active under the leadership of Cameron Schuster and has established a constructive process of engagement with the department, including bi-annual meetings.

Financials

Financial outcome 2010–2011



The financial statements that accompany this report confirm AIGN's continued sound financial position at 30 June 2011.

The organisation finished the year with a surplus of \$34,285. The budgeted outcome approved by the Board in June 2010 predicted an end of year outcome of a deficit of approximately \$18,000. This better than expected result was due mainly to rent received from our tenant, Wheaton Consulting, the recruitment of a new corporate member and the placement of retained earnings in more beneficial bank accounts which resulted in an increase of approximately \$9000 in bank interest.

AIGN's balance sheet at 30 June 2011 shows a figure of \$350,846 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 provide funding for consultancy work that is expected to be required in the coming year to investigate and address the government's implementation of a carbon tax and expected greenhouse gas pricing 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, approved by the Board in June 2011 for the 2011–2012 financial years, predicts an end of year deficit after depreciation and taxes of approximately \$71,000.

This prediction is based on AIGN's membership remaining stable and the assumption that a new tenant will be secured to occupy the vacant space within the secretariat office.

In view of the substantial retained earnings held by the organisation at the commencement of the year, the Board considered this deficit to be acceptable.

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