

**AIGN Comments on *Climate Change Bill 2022*
and *Climate Change (Consequential
Amendments) Bill 2022 (August, 2022)***

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1 BACKGROUND

AIGN welcomes the opportunity to provide a submission to the Standing Committee on the Environment and Energy the Committee) on the *Climate Change Bill 2022* (the bill).

AIGN is a network of industry associations and individual businesses which contribute to climate change policy discussion and see value in joint industry dialogue on climate change to promote sustainable industry development.

AIGN stands apart as a unique community of highly experienced professionals, which bring together their collective knowledge and expertise to promote the development of sensible international, national, and local climate policy.

In reading this submission, the Committee should note AIGN's broad range of members and resultant diversity of views on greenhouse and energy policy.

This submission accords with the views of our members in general. However, at times, there are differences in the positions of individual members on specific issues. It is therefore important that the Committee considers AIGN's feedback alongside any responses made to the discussion paper by our members.

2 INTRODUCTION

AIGN's position on climate change policy is underpinned by our principles, which have been the basis of AIGN's contributions to the climate change policy discussion for well over a decade.

AIGN continues to advocate for a strategic, bipartisan national approach to address climate change to provide the institutional stability to encourage long-term investment in abatement.

2.1 AIGN Policy Principles

Australia should continue to 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 continue engaging the international community to pursue global action to reduce greenhouse gas emissions leading to identified and beneficial environmental outcomes which:

- allows for differentiated national approaches
- promotes international cooperation
- minimises the costs and distributes the burden equitably across the international community
- is comprehensive in its coverage of countries, greenhouse gases, sources, and sinks
- recognises the economic and social circumstances and aspirations of all societies, and
- is underpinned by streamlined, efficient and effective administrative, reporting and compliance arrangements.

In this global context, Australia should continue developing its 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, and
- is consistent and effectively co-ordinated across all jurisdictions throughout Australia.

Australia's future greenhouse policy measures should:

- be consistent with the strategic national approach
- be trade and investment neutral, in a way that does not expose Australian industry to costs its competitors do not face
- not discriminate against new entrants to Australian industry nor disadvantage 'early movers' in Australian industry who have previously implemented greenhouse gas abatement measures
- take account of the differing sectoral circumstances
- be based as far as is practicable on market measures
- address all greenhouse gases
- address all emission sources and sinks, and
- balance, in a cost-effective way, abatement and adaptation strategies – both of which should be based on sound science and risk management.

3 BILL OBJECTIVES

The bill proposes to establish a national framework for adaptation and mitigation utilising, as much as possible, existing policy instruments and bodies as well as Australia's

commitments under the Paris Agreement, particularly the commitment of increasing ambition inherent in the submission of five-yearly emissions reduction commitments.

AIGN supports the objectives of the bill: to legislate Australia's emissions reduction targets (43% off 2005 levels by 2030 and net-zero by 2050); provide annual progress statements; and establish accountability by expanding the review and advisory functions of the Climate Change Authority. We note the Government's need to balance the certainty provided with legislated targets against the need for an operating environment that makes space for private sector innovation in delivering abatement.

AIGN supports the principle of efficiency inherent in the approach. It is sensible to use existing policy architecture as much as possible to achieve the objectives of the bill, noting that some adjustments and supplements to the policy suite may be necessary to achieve the intended outcomes. New complimentary policy can effectively support the existing policy suite where gaps are identified, particularly for the non-covered sectors of the economy.

It is important that Australia's domestic policy framework continues to facilitate our national interest in capitalising on our abundant natural resources, supporting manufacturing, driving efficiencies and innovations, and recognising the importance of maintaining competitiveness for the many trade-exposed industries.

Australia's climate change policies in a post-pandemic environment need to complement the Government's socio-economic policies to sustain a prosperous economy.

Institutional stability through an enduring policy framework including a transparent and consistent approach to setting emissions reduction goals is important and can improve investor certainty.

4 INTERNATIONAL COMMITMENTS

AIGN acknowledges the importance of the climate bill as a framing legislation for delivering Australia's commitments under the Paris Agreement.

The bill relies on the Paris Agreement process of five-yearly Nationally Determined Contributions, marked by increasing ambition, as a path to meeting the legislated targets.

Linking Australia's domestic emissions reduction trajectory with its international commitments is a rational approach. AIGN encourages the Government to continue to provide further clarity over the minutiae of this process, including timelines for when and how new interim targets will be announced.

This will enable stakeholders to provide informed input and feedback in a timely manner.

4.1 International competitiveness

Many countries are moving to implement measures to meet their climate change targets, and the policy landscape is relatively mutable in this regard. However, despite significant progress towards the Paris climate goals, Australia's trade competitors remain on an uneven footing with respect to limiting emissions. This was explored in a competitiveness [study](#) (2016) completed by the Centre for International Economics. A refresh of this report or a similar independent report, authored for example by the Productivity Commission, would be a useful way to quantify potential sectoral impacts to international competitiveness.

5 TAILORED POLICY FRAMEWORK

This bill is an important step towards delivering policy certainty for industry and the community more broadly in Australia's transition to a net zero economy.

5.1 Building on a strong base

Using current climate policies to achieve Australia's new targets is sensible starting position. It will require a rational and judicious approach to ensure success.

The institutional framework for supporting climate policy has been developed over time and includes experienced advisers within the Department of Climate Change, Energy, the Environment and Water, the Department of Agriculture, Fisheries and Forestry, the Department of Industry, Science, Energy and Resources and the Department of Foreign Affairs and Trade, as well as the specialist capabilities of the Clean Energy Regulator, the Climate Change Authority, the Clean Energy Finance Corporation and the Australian Renewable Energy Agency.

Much of the framework is expected to remain useful or require only modest changes to align with new policy goals, however a methodical approach to this work is recommended to ensure results are as intended. AIGN encourages the Government to continue to review institutional arrangements and consult with stakeholders on how to improve for efficiency and relevance, yielding higher values for public monies.

Industry, and government agencies, have invested significant resources in building systems and capabilities to implement existing policies. Where new policy instruments are added, consideration should be given to

administrative and operational workloads and whether it should be counterbalanced by removing or refining other instruments that are no longer fit for purpose.

5.2 Economy-wide transition

AIGN is of the view that to achieve Australia's ambition of net zero as soon as possible, all sectors of the economy must contribute to Australia's emissions reduction effort.

This may necessitate complementary policy in many parts of the economy that are not yet covered by the climate change policy suite.

The cornerstone of Australia's climate change policy suite is its world class National Greenhouse and Energy Reporting scheme. This scheme combines essential elements of stability and flexibility in its design and management.

In the context of this bill, it is evident that the Emissions Reduction Fund, the Safeguard Mechanism, and other complementary policies, will need to evolve into mechanisms capable of incentivising cost-effective large scale and rapid mitigation outcomes.

Changes to the safeguard mechanism over time to expose entities to both an 'upside' and a 'downside' incentive to reduce emissions by enabling crediting for below-baseline abatement alongside obligations to purchase allowances for any emissions above baselines. The success of this approach will be dependent on the detailed policy design. There are many interacting elements and the design of one will impact others.

It is evident that there is a strong commitment to 'get the design right' and embed a policy framework for the long-term through a rigorous consultative approach with industry and other stakeholders.

6 ENGAGEMENT WITH INDUSTRY

As Australia considers its long-term ambition, it is timely to reflect on how the policy landscape will adapt to meet medium and long-term emissions reduction goals.

AIGN encourages the Government to continue to consult extensively on policy and in considering timing of these events be aware of the resource demand on stakeholders in the review and implementation of the numerous policies in its climate policy suite.

The design and implementation phases are crucial to 'getting the settings right' and embedding the policy for the long term.

Additionally, there are significant commercial arrangements that corporations may need to 'put in place' once any compliance changes are made. These may include mechanisms to address compliance costs, the purchasing and surrendering of ACCUs, and treatment of carbon costs in goods and services. These business negotiations require time to enable a smooth transition.

7 TRANSPARENCY ARRANGEMENTS

AIGN supports the climate bill provisions for yearly reports on progress to Parliament, as well as expanding the functions and resources of the Climate Change Authority to advisory and review capacities in relation to Australia's targets and our progress towards them. The Authority is a respected body that has established a good rapport with stakeholders, particularly through its wide-ranging and considered approach to consultation. AIGN looks forward to continued engagement with the Authority on matters relating to the bill in the coming years.

8 AIGN MEMBERSHIP AND CONTACT DETAILS

Thank you for the opportunity to provide input. Susie Smith (Chief Executive) is available to provide further information regarding this submission.

AIGN association members

			
			

The Australian Industry Greenhouse Network is comprised of a broad cross-section of Australian industry associations and businesses.

AIGN corporate members

					
					
					