

POSITIONING VICTORIA FOR LEADERSHIP

Discussion Starter by Erwin Jackson

Background/Context

The Victorian Government has played a significant role in progressing climate change policy in Australia in recent years. Victoria has played a leadership role nationally in implementing the Victorian Renewable Energy Target, undertaking innovative energy efficiency programs, supporting the development of fossil fuel with carbon capture and storage technologies and working with other State and Territory governments on a state-based emission trading regime. The challenge for the Victorian Government is how to maintain its leadership role nationally and position the State for the clean energy and low emission economy of the 21st century. This is the opportunity presented by the development and implementation of the Government's commitment to a Climate Change Bill (the Bill).

The Government is committed to 60% reduction target by 2050 and “playing a leadership role in the global process of mitigation and adaptation” (Government of Victoria, 2008). The stated intention of this Bill is to:

- prepare businesses and households for the impact of emissions trading;
- promote innovation and improve resource efficiency;
- assist Victorians reduce their environmental impact, and;
- minimize the disruption to industry, protect vulnerable communities and ensure a smooth transition to a low carbon economy.

Leadership and the smooth transition: preparing Victoria for low carbon economy

Avoiding dangerous climate change of more than a 2°C increase in global temperature (above preindustrial levels) will require decisive global action. It is also in Australia's national interest to be at the forefront of global efforts to reduce emissions (Hatfield Dodds, Jackson, Adams, et al., 2007; Garnaut, 2008). There are four major rationales for Victoria taking a leadership position in reducing national emissions:

(1) **Prudent risk management:**

It is much more difficult and costly to accelerate emissions reductions than to decelerate them in response to improved climate science or changing international circumstances. Incremental tightening of long term emission targets risks the premature retirement of long lived emissions intensive capital assets, such as traditional coal fired power stations.

(2) **Leadership and leadership benefits:**

A clear Victorian commitment to decisive emission reductions would help build the confidence and willingness of others to take comparable actions, and provide greater credibility and leverage in mobilizing Australian (and therefore international) action to reduce emissions. An associated benefit is that Victoria may find it easier to pursue other policy objectives, such as how Victoria will be treated in the distribution of the multi-billion revenue stream the Commonwealth will generate from emission trading, if it is clear that the State is not seeking to delay effective action to reduce emissions.

(3) Positioning for the clean energy economy:

Beginning the journey to very deep cuts in emissions would also have a number of additional advantages such as building new industries and technologies, and expanding the benefits of participating new markets in low emission technologies and emissions offsets. In 2006, around 20% of global investment in power generation was in renewable energy, should Victoria be positioned as a technology taker or technology maker?

As international and community pressure continues to grow, the national commitment to reduce emissions by 60% by 2050 is unlikely to stand the test of time. Preparing Victoria for a low carbon economy therefore requires the Government in preparation of the Bill to signal that it is prepared, in the context of effective national response, to reduce emissions more than 60% by 2050. Indeed, should Victoria today be joining countries such as New Zealand in signaling its commitment to become carbon neutral over the coming decades? Critically, given that achieving a 60% reduction by 2050 will require significant structural changes to the way Victoria produces and uses energy, the Bill should clearly state, in the context of effective a national action, the Government's commitment to turn rising emission levels around by 2012 and achieve substantial reductions by 2020.

Possible ways forward

Core elements needed in the Climate Change Bill

(1) Driving innovation:

The Commonwealth's Renewable Energy Target (RET) will see large scale deployment of renewable energy technology across Australia and Victoria. Victoria's Climate Change Bill needs to include additional low emission technology initiatives that will not be supported by the RET that fit with Victorian circumstances. In particular, strong gross feed-in-tariffs for solar PV, fossil fuels with carbon capture and storage, and large-scale solar generation would drive innovation and technology deployment in Victoria. Leveraging State policies at a national level will also allow for a consistent national approach, is likely to reduce the long-term costs of meeting stringent emission constraints, and will position the State as an exporter in clean energy know how.

(2) Energy affordability:

Recent studies have shown that, on average, cost impacts associated with higher energy prices appear manageable with appropriate policy settings (CSIRO, ABARE, Energy Futures Forum, 2006; Hatfield-Dodds, Jackson, Adams, et al., 2007). The amount that householders spend on electricity and energy may decrease even with carbon pricing and significant emission reductions. However, the impacts on low income households from higher energy prices will need special attention (Garnaut, 2008; The Climate Institute, 2008). How should the Bill establish clear principles for government expenditure, particularly in the areas such as transport infrastructure and community housing, that ensure that low income communities are not locked into high energy prices. For example, failure to fund public transport infrastructure and world's best practice efficiency in community housing would lock in higher energy costs and increase the burden on low income families as energy prices increase.

(3) Government leadership:

Governments have significant purchasing power and the Bill should mandate world's (not Australian) best practice and technology procurement across all levels of government.

(4) Governance:

Transparency and accountability will be critical to building community confidence in the Government's response to climate change and ensuring the political sustainability of policies and measures. An independent Climate Change Board, which annually reports to the Parliament on the effectiveness of the current targets and adaptive measures, progress towards the targets, the impact of ongoing policies and measures, and recommendations on additional mitigation and adaptation measures should be established. The Government would be required to table a response to this independent report in Parliament.

(5) Adaptation:

Victoria has been developing an adaptation strategy for a number of years but the Bill needs to ensure that decision making liabilities are clear, incentives for local governments to be proactive in their adaptation response are provided and clear legislative foundations for courts in determining whether climate change needs to be considered in approving or rejecting approvals for contentious developments are established. For example, along with an Environment Impact Statement should the Bill require a Public Safety Impact Statement for developments impacted by climate change (e.g. residential developments in high risk fire zones and close to sea level)?

Critical questions for Victoria

- (1) Should the Victorian Climate Change Bill signal the intention of the Government to drive greater reductions than 60% by 2050 (or become carbon neutral by 2050)?
- (2) In the context of nationally coordinated action, what 2020 emission reduction target should Victoria set?
- (3) Should Victoria be positioned as a technology taker or technology maker? Can the introduction of State-specific technology initiatives drive nationally consistent complimentary measures to emissions trading?
- (4) What principles should the Bill establish for government expenditure to ensure that low income communities are not locked into higher energy prices?
- (5) Should the Bill establish an independent Climate Change Board to ensure transparency and accountability?
- (6) Should the Bill require a Public Safety Impact Statement for developments impacted by climate change (e.g. residential developments in high risk fire zones and close to sea level)?

**By Erwin Jackson
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This discussion starter has been prepared by Erwin Jackson to stimulate ideas and debate at the Victorian Climate Change Summit. It is not a statement or policy paper by the Victorian Government.



References:

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