



**Australian Government**  
**Climate Change Authority**

**UPDATING THE AUTHORITY'S PREVIOUS ADVICE ON  
MEETING THE PARIS AGREEMENT**

**CONSULTATION PAPER**

**JULY 2019**



Published by the Climate Change Authority

[www.climatechangeauthority.gov.au](http://www.climatechangeauthority.gov.au)

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## 1. THE CLIMATE CHANGE AUTHORITY IS SEEKING SUBMISSIONS ON THE POLICY TOOLKIT REQUIRED TO MEET THE PARIS AGREEMENT

The Climate Change Authority is an independent statutory agency, established to provide expert, evidence-based advice on Australia's climate change policy.

The Authority has previously provided advice to Government on the policy toolkit required to meet Australia's emissions reduction commitments under the Paris Agreement. The Authority is now reviewing and updating this advice, taking in to account developments in Australia and around the world in terms of the economics and science of climate change. These include new assessments of progress towards the Paris Agreement goals and implications for global temperature outcomes, and of the effectiveness and potential of different approaches to reducing emissions. The Authority is aiming to provide this advice by the end of 2019.

This consultation paper is seeking submissions to inform this work. The paper sets out:

- Australia's emissions reduction commitments under the Paris Agreement
- A summary of the Authority's previous advice to Government on the policy toolkit required to meet the Paris Agreement
- Factors that have changed since that advice was given
- Key areas of investigation in reviewing and updating its advice
- The scope of this work

### **Box 1 How to make a submission**

To inform its update of advice to Government on the policy toolkit needed to meet Australia's emissions reduction commitments under the Paris Agreement, the Authority is inviting submissions from organisations and individuals. Those interested in making a submission should not feel constrained by the issues or questions in this paper.

Submissions can be emailed to [submissions@climatechangeauthority.gov.au](mailto:submissions@climatechangeauthority.gov.au) until 23 August 2019. A coversheet for submissions can be found on the Authority's website at: [www.climatechangeauthority.gov.au/consultations](http://www.climatechangeauthority.gov.au/consultations).

The Authority will also undertake targeted consultation with stakeholders to complement the written submissions. Please contact the Authority if you would like to be involved in these consultations and meetings.

## 2. AUSTRALIA'S COMMITMENTS UNDER THE PARIS AGREEMENT

Under the 2015 Paris Agreement, Australia along with 194 other signatories agreed to limit global warming to well below 2°C and to pursue efforts to limit the temperature increase to 1.5°C. In pursuit of

this goal, countries agreed that global emissions need to peak as soon as possible, and rapidly reduce to reach net zero between 2050 and 2100.

Australia has made a specific commitment under the Paris Agreement to reduce its greenhouse gas emissions by between 26 and 28 per cent below 2005 levels by 2030. And will need to submit a more ambitious post-2030 goal in 2025 as part of the “review, refine and ratchet” mechanism under the Agreement. Australia, along with many other countries has also committed to developing a long-term emissions reduction strategy.

There is now a stronger understanding that most countries, including Australia, need to do more if the world is to meet the Paris Agreement temperature goals (UNEP 2018, IEA 2018). This means that the advice provided by the Authority should help to position Australia to not only meet its 2030 emissions target, but also to meet targets with enhanced ambition that put Australia clearly and firmly on the path to net zero emissions.

### 3. THE AUTHORITY'S PREVIOUS ADVICE TO GOVERNMENT ON THE POLICY TOOLKIT

The Authority has previously provided advice to Government on the policy toolkit required to meet Australia's emissions reduction commitments under the Paris Agreement. This advice was provided in various reports including reports on the National Greenhouse and Energy Reporting scheme and safeguard mechanism (2018); reducing emissions on the land (*Reaping the Rewards*) (2018); the Emissions Reduction Fund (2017); the electricity sector (*Towards the Next Generation*) (2017); and a policy toolkit to meet the Paris Agreement emissions reduction target (2016). These are all available at <http://climatechangeauthority.gov.au/publications>.

In providing its advice, the Authority decided a sectoral approach that built on existing policies provided the most efficient and achievable way forward. A summary of that advice is provided below:

- For the industrial sector (direct combustion, industrial processes and fugitives):
  - Enhance the safeguard mechanism:
    - : Remove access to further baseline increases.
    - : Decline safeguard baselines in line with Australia's economy-wide emissions reduction commitments under the Paris Agreement.
    - : Allow safeguard facilities to meet their safeguard obligations with Emissions Reduction Fund offsets and international credits and permits (provided the international units meet qualitative and quantitative eligibility restrictions).
    - : Lower thresholds to 25,000 t CO<sub>2</sub>-e to extend the coverage of the safeguard to more facilities. Recent analysis by the Authority suggests this would capture around an additional 250 facilities and a further 2 per cent of Australia's emissions.
- For the electricity-generation sector:
  - Implement an emissions intensity scheme or a low emissions target in the electricity sector to provide enhanced investor certainty, ensure reliability and drive net zero emissions by 2050.

- The National Energy Guarantee was also seen as a possible way forward in the sector.
- End the Renewable Energy Target in 2030 as legislated.
- For the transport sector:
  - Introduce emissions reduction standards for light vehicles.
  - Conduct a cost-benefit analysis to investigate emissions reduction standards for heavy vehicles.
  - Conduct further work into the best roles of public and private providers in delivering electric vehicle infrastructure.
- For the waste sector:
  - Harmonise and enhance regulation.
- For the agriculture and land sector:
  - Introduce measures to improve on-farm profitability, reduce greenhouse gas emissions on the land and deliver other environmental benefits at the same time.
  - Continue crediting land sector abatement under the Emissions Reduction Fund and transition from Government to private sector purchasing of these offsets.
- For the Emissions Reduction Fund:
  - Transition away from Government to private sector purchasing of offsets under the Emissions Reduction Fund.
- For energy efficiency
  - Harmonise Commonwealth and state energy efficiency schemes or implement a National Energy Savings scheme, and update and expand energy efficiency standards for appliances and buildings.
- For innovation:
  - Innovation support focused on research and development of low emissions technologies and products.

When evaluating climate policy, the Authority takes into account a number of principles and policy characteristics that it sees as desirable (Box 2). Inevitably, there will be trade-offs to be addressed among them. Nonetheless, the Authority considers that policies are more likely to be implementable, gain broad acceptance and ultimately be successful if they are designed with these criteria in mind.

## Box 2 Evaluating climate change policies

In keeping with its legislation, the Authority must have regard to the following principles when assessing the relative merits of emissions reduction policies:

- economic efficiency
- environmental effectiveness
- equity
- in the public interest
- take account of the impact on households, business, workers and communities
- support the development of an effective global response to climate change
- be consistent with Australia's foreign policy and trade objectives.

The Authority has also identified the following desirable characteristics of emissions reduction policies for use in evaluating policy options:

- credibility—to provide an incentive for businesses to invest and innovate and to ensure emissions reductions are real
- durability and simplicity—to reduce the costs to government associated with implementing policies and the costs to businesses of adjusting to new policies
- scalability—to enable Australia to adjust its emissions reduction commitment over time, in response to changes in technology, the economy and the action of international competitors
- coherency with other policies—Australia needs a policy toolkit with broad coverage to reduce the overall costs of emissions reductions and maximise opportunities created
- flexibility—include a range of compliance options to reduce the cost of emissions reductions, such as allowing access to international units subject to quantitative and qualitative limits.

## 4. FACTORS THAT HAVE CHANGED SINCE THE AUTHORITY'S PREVIOUS ADVICE

Since the Authority last provided its advice to Government on the policy toolkit required to meet the Paris Agreement, a number of developments have occurred in Australia and around the world including:

- Changes in the costs of abatement technologies and industry action on climate change
- Advances in climate science and improvements in our understanding of climate change impacts and the emissions budget consistent with the Paris Agreement goals
- Growth in domestic and global emissions and changes in the rollout and impacts of climate change policies.

Given these changes the Authority is revisiting its previous advice to Government and is aiming to provide updated advice by the end of 2019.

The Authority also recently released stocktakes of industry, Australian and international action on climate change to inform this work.

## 5. KEY AREAS OF INVESTIGATION

The Authority is seeking feedback on the following issues in particular:

### Previous recommendations

- What aspects of the Authority's previous recommendations remain valid and why?
  - What has changed since this advice was given and how should the advice be updated to account for those changes?

### Achieving a net zero emissions economy in the long-term

- How can the Government assist the positioning of the Australian economy to best take advantage of opportunities associated with the global transition to net zero emissions, while managing any risks?
  - And what are these opportunities and risks?
- Should particular regions or communities and emissions-intensive trade-exposed industries be assisted in the transition, and if so how?
- What is the role of prudential regulation and macroeconomic policy in assisting the Australian economy transition?

### Sectoral and economy-wide policies

- What are the current and projected costs of, and potential for, abatement across different sectors and how does that influence the choice and timing of policy across sectors?
- What are the barriers (regulatory and non-regulatory) to realising emissions reductions and are there any additional supporting policies, regulations or government actions that could drive emissions reductions in cost effective ways?
- How should sectoral policies be linked to ensure efficient economic outcomes and to minimise the cost of abatement across the economy?
- Should changes be made to the Emissions Reduction Fund to explicitly target multiple benefits (such as environmental outcomes) as well as abatement outcomes?
- How should the Government ensure that major infrastructure investments remain resilient to future climate change impacts and policies?

### Supporting innovation, finance and new industries

- What role should the Government play in enabling the development and uptake of low-emissions technologies and development of associated industries?

- What role is there for Government in developing an enabling environment to support increased flows of green finance?

#### International context

- What role should international units have in Australia's response to climate change, and how should risks around availability, cost and quality be managed?
- What role should carryover from earlier commitment periods play?
- Should the Government facilitate the import of international units or export of Australian Carbon Credit Units?

## 6. THE SCOPE OF THIS WORK

The focus of this work is updating the Authority's advice on policy measures to achieve the Australian Government's emissions reduction commitments under the Paris Agreement. The Authority through this work will not be making recommendations about the level of the Government's 2030 emissions reduction target. Also, the Authority in this work will not be directly addressing matters relating to climate adaptation. However, the Authority's advice will be cognisant of the need for policies that are robust in a changing climate and that complement, rather than hinder, climate adaptation responses.

## REFERENCES

**International Energy Agency 2018**, *World Energy Outlook 2018*, IEA, Paris.

**United Nations Environment Programme 2018**, *The Emissions Gap Report 2018*, United Nations Environment Programme, Nairobi.

### Relevant previous Climate Change Authority reports

**Review of the National Greenhouse and Energy Reporting legislation**, 2018, <http://climatechangeauthority.gov.au/review-national-greenhouse-and-energy-reporting-legislation-final-report>

**Reaping the Rewards: a research report**, 2018, <http://climatechangeauthority.gov.au/reaping-rewards-research-report>

**Towards the next generation: delivering affordable, secure and lower emissions power**, 2017, <http://climatechangeauthority.gov.au/towards-next-generation-delivering-affordable-secure-and-lower-emissions-power>

**Review of the Emissions Reduction Fund**, 2017, <http://climatechangeauthority.gov.au/review-emissions-reduction-fund>

**Towards a climate policy toolkit: Special Review of Australia's climate goals and policies**, 2016, <http://climatechangeauthority.gov.au/special-review/towards-climate-policy-toolkit-special-review-australias-climate-goals-and>