



4 December 2013

Climate Change Authority
GPO Box 1944
Melbourne VIC 3001

Lodged online: consultation.climatechangeauthority.gov.au/

Targets and Progress Review Draft Report

The Energy Supply Association of Australia (esaa) welcomes the opportunity to make a submission to the Climate Change Authority's (CCA) draft report into reducing Australia's greenhouse gas emissions – Targets and Progress review.

The esaa is the peak industry body for the stationary energy sector in Australia and represents the policy positions of the Chief Executives of 36 electricity and downstream natural gas businesses. These businesses own and operate some \$120 billion in assets, employ more than 51,000 people and contribute \$16.5 billion directly to the nation's Gross Domestic Product.

As Australia's largest source of emissions, the electricity and gas businesses that make up the sector are interested in any framework for determining Australia's emissions trajectory over the longer term and the implications for the sector's role in reducing emissions. The esaa has been actively engaged in the development of policies to reduce Australia's emission over the past several years. We also made a submission to the CCA's original Caps and Targets Review Issues Paper.

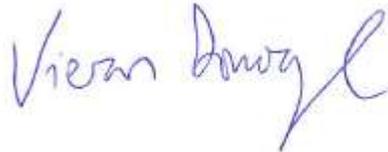
There are two key issues the esaa wishes to comment on relating to the CCA's draft report. The first is around the long-term signal that emissions targets and trajectories beyond 2020 can provide to the energy industry. As a capital-intensive industry with long-lived assets, long-term investment signals are required to enable an orderly and efficient shift to lower emissions technologies. The esaa contends that such targets will continue to be valuable irrespective of the proposed repeal of the carbon price. The process the Authority has undertaken to assess carbon budgets and trajectories is detailed and useful to the industry. The Authority's proposed trajectory range appears to be a useful process to signal to the industry where Australia's emissions targets may be heading beyond 2020. Ultimately this must be backed up by a stable policy environment designed to deliver those targets.

Second, the Authority's scenarios for meeting a stronger 2020 emissions target are predicated on purchasing international permits to meet these targets. Achieving a target beyond the minimum five per cent reduction on 2000 levels solely through domestic abatement over such a short period would be significantly more expensive. Should the Government be minded to increase the target – though as the Authority's draft report notes, it is unclear that the conditions for a 15 or 25 per cent target have been met – the most-cost effective way of meeting the new target is to purchase international emissions permits. There are multiple mechanisms that could allow international permits to play a role, although we note that direct purchase by the

Government is likely to be the most cost-effective method. Therefore, we consider the Authority's draft recommendation "that the Government keep access to genuine international emissions reductions available where this is a cost-effective way of helping to meet its emissions reduction goals" to be a sensible approach.

Any questions about our submission should be addressed to [REDACTED]
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Yours sincerely



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