



12 March 2015

Climate Change Authority
Level 10
90 Collins St
Melbourne VIC 3001

Lodged (by email): submissions@climatechangeauthority.gov.au

Australia's future emissions reduction goals

The Energy Supply Association of Australia (esaa) welcomes the opportunity to make a submission to the Climate Change Authority's (CCA) special review into Australia's future emissions reduction goals.

The esaa is the peak industry body for the stationary energy sector in Australia and represents the policy positions of the Chief Executives of 37 electricity and downstream natural gas businesses. These businesses own and operate some \$120 billion in assets, employ more than 59,000 people and contribute \$24.1 billion directly to the nation's Gross Domestic Product.

The esaa has been actively engaged in the development of policies to reduce Australia's emissions. As Australia's largest source of emissions, the electricity and gas businesses that make up the sector have a keen interest in the development of any framework for determining Australia's emissions trajectory over the longer term and the implications this has for the energy sector and its role in reducing emissions. The stationary energy sector is a capital-intensive industry with long-lived assets. Planning, permitting and construction of new power stations can take up to seven years, while network assets are also developed over a multi-year horizon. As such, long-term investment signals are required to enable an orderly and efficient shift to lower emissions technologies.

With this in mind, the following criteria are important for future targets in the form of national commitments:

- The milestone date should allow sufficient time for policy to be oriented towards the new goal and for businesses to plan their future investment decisions. In the case of the energy industry, emissions targets should be set at least as far out as 2030.
- Guidance on the expected trajectory to the milestone date, is useful for setting expectations. This is particularly the case where the enabling policies are closely linked to the targets, as this may impact the price of relevant policy instruments.
- Guidance on the longer-term trajectory beyond the target date is also important even if it is not a set commitment.

A valuable tool in meeting these criteria is the emissions trajectories the CCA set out in its previous caps and targets report.

Such trajectories can provide a stronger indication of future emissions pathways and may form an important role in informing future investment decisions in the energy supply sector. The esaa notes that there are many factors that could influence future emissions targets and Australia's capability to reach these targets. This approach will continue to be valuable regardless of what policies are in place to reach this target.

In considering future emissions reduction goals, the esaa also considers that the role of international abatement should be accounted for. International units may provide a cost effective way for Australia to reduce its net emissions in the short-term in advance of more costly, long-term solutions for domestic emission reductions.

Ultimately though, any target must be backed up by a stable policy environment designed to deliver those targets. It is important that there is a clear process set out for how the current and future governments intend for Australia to determine and meet any future targets. A bipartisan approach to reducing emissions would form an integral part of this process. The fact that Australia's 2020 target has achieved bipartisan support has provided an important degree of stability despite the constantly changing policy environment.

Any questions about our submission should be addressed to Kieran Donoghue, by email to kieran.donoghue@esaa.com.au or by telephone on (03) 9205 3116.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Matthew Warren', written in a cursive style.

Matthew Warren
Chief Executive Officer