



Future Business Council

*Submission to Climate Change Authority on draft
report on Australia's Climate Policy Options*

February 2016

Submission: Climate Change Authority's draft report on Australia's climate policy options

Submissions

Climate Change Authority

Melbourne VIC 3001

Submitted via email: submissions@climatechangeauthrity.gov.au

About the Future Business Council

The Future Business Council represents the next generation of business in Australia and is setting the vision for the next 50 years. We advocate reforms that will make Australia a more innovative, sustainable and resilient economy, and a global hub for future business. We welcome the opportunity to provide a submission on Climate Change Authority's draft report (referred to as the draft report from here forth) on Australia's climate policy options.

Submission

The Future Business Council supports the principles identified in the draft report namely that policy solutions should be:

1. Least cost
2. Measurable as *absolute emissions*
3. Allow for flexibility to scale up efforts
4. Fair and *equitable*

In response to Q1 (page-13), the Future Business Council would recommend that besides the above principles it should particularly aim to achieve maximum emissions reduction from the source responsible for the majority of emissions within the Australian economy, namely the coal industry. The policy suite should have provisions for transitioning Australia from a fossil fuel intensive economy to a cleaner, innovative and more sustainable and decarbonised economy, whilst taking into consideration the latest science of climate change.

The Future Business Council would also suggest that the Authority consider options that not only will seek to limit global warming to a maximum of 2 degrees Celsius but also put in greater effort to limit global warming to 1.5 degrees Celsius, especially in context the recent Paris negotiations in December 2015. While analysing policy options the Future Business Council would urge the Authority to consider the cost of delayed and slow action on the economy. We would recommend that the Authority takes into consideration their own analysis from the final report on Targets and Progress Review (February 2014), suggesting that policies should operate with the aim of limiting Australia's national emissions from 2013 to 2050 to a carbon budget of 10,100 MtCO_{2e}.

While the Authority recognises the need to address international competitiveness as a principle, it has not shortlisted this as a key principle for recommending policy options, however will use the other principles as lens to assess competitiveness. The Future Business Council recommends that the international competitiveness principle be re-

considered, especially in the context of rapid increases in global demand for sustainable products and services.

Australia's top trading partners have committed to strong action on climate change which gives them the competitive edge to create a policy environment to innovate and develop sustainable technologies and services that provide opportunities for international export.

Weak targets and a lack of action to reduce Australia's emissions will harm the competitiveness of the next generation of business.

International demand for renewable energy products, carbon trading and market design services, and climate resilient infrastructure is growing strongly. However opportunities for Australia to capitalise on this demand have been hampered by erratic policy implementation despite the know how and capabilities of local industry. An example of missed opportunities was highlighted in the [Future Business Council's report The Next Boom](#). The solar industry in Australia is among the most advanced in the world, many of the world's best researchers and solar innovators been trained at the University of New South Wales, some of who just recently set a new record by achieving a solar conversion efficiency rate of 40 per cent. Despite the abundance of solar energy in Australia and local demand, the lack of policy certainty, particularly regarding the Renewable Energy Target, has cost Australia the opportunity to build an internationally competitive export industry for our solar know how. Strong targets for both renewable energy and carbon emissions reductions are needed to improve industry competitiveness.

Analysis conducted by the Future Business Council, in the [Next Boom](#) clearly shows that drivers such as changing consumer preference, government regulation and environmental necessity is steering an upward trend for demand of sustainable products and services – especially in response to climate change impacts such as droughts, bushfires, floods and extreme heatwaves.

While this is a response mechanism, it also offers an opportunity to steer innovation and research, that can see Australia leading the next boom through the right policy settings – and climate change policies are central in driving business competitiveness not just in the clean energy sector but also in other sectors such as financial products (climate bonds), insurance, agriculture (climate resilient crops), energy efficient buildings and climate resilient cities.

Stable climate change policies provide an important market signal and help set future demand and supply signals for innovative and solution focused technologies and services.

While assessing various policy options in the draft report, the Future Business Council will refrain from commenting on the specifics of policy design elements but does strongly recommend that Australia's climate polices should achieve absolute emissions reductions through introducing a market based mechanism with a complementary set of policies that will boost transition to a decarbonised economy, investment, and science and research.

Benefits of this would include:

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- Effective and efficient mechanisms to drive economic development
- Boost Australian innovation and entrepreneurship
- Create new jobs and industry
- Provide a competitive advantage as global demand for climate resilient products and services grows

When properly designed, market mechanisms can foster rapid, cost-effective business innovation and incentivise positive business practices. Placing a price on negative externalities enable businesses to factor the cost into their operations and leading to efficient product development as well products that deliver efficiency.

The Future Business Council would recommend that the market design be simple, fair, equitable, efficient and subject to independent oversight to give stakeholder confidence and remove regulatory uncertainty. This will support the creation of new jobs, generate expertise and products that can compete in international markets and help businesses to innovate.

Contact

If the Authority seeks any further detail or requires any further clarification on the content of this submission please feel free to contact Tom Quinn at tom.quinn@futurebusinesscouncil.com or Astha Batra, astha.batra@futurebusinesscouncil.com.