



CLIMATE
TASMANIA

Independence, knowledge and commitment to climate action

Policy Update

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International

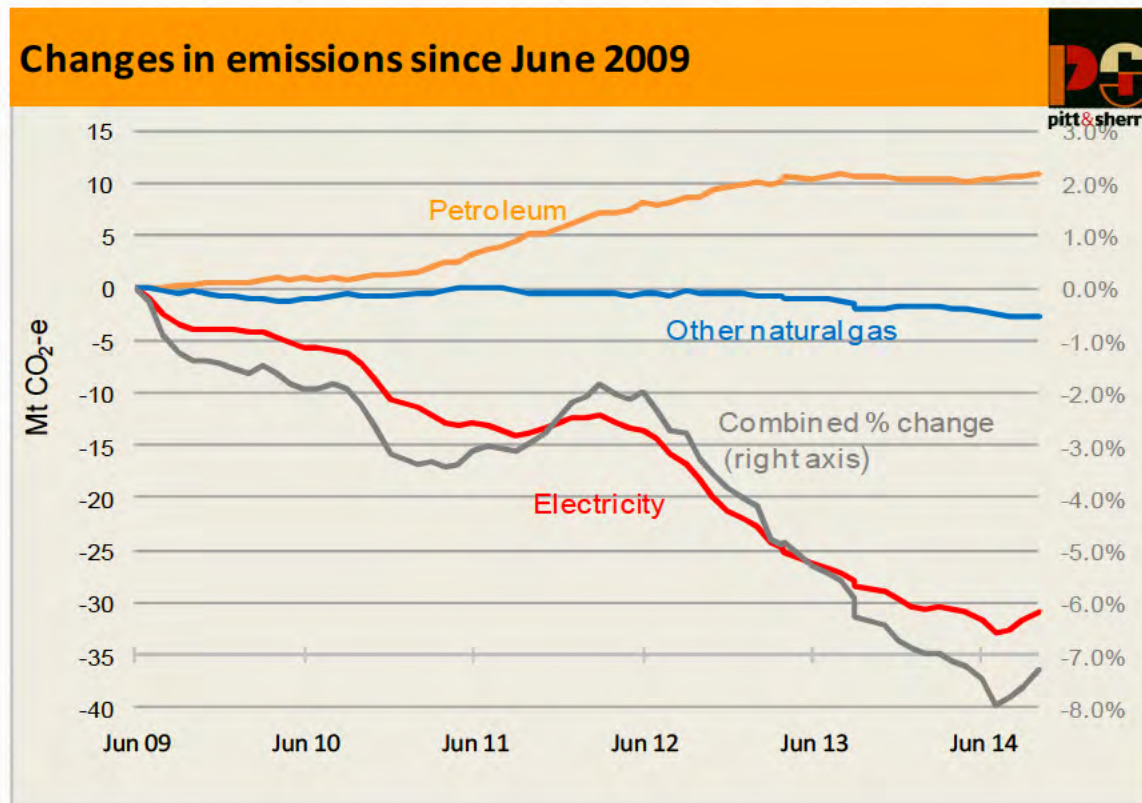
- Major focus is COP21 in Paris in Nov/Dec
- Objective is to achieve a 'binding and universal' agreement from all nations to limit emissions
- Country's abatement offers, or 'intended nationally-determined contributions', should be tabled by today
 - ...but most, including Australia, will fail to do so before September
 - AG's aim is to do so by 'mid-2015'
 - EU's target is -40% by 2030 cf 1990
- The international community has taken heart from the US-China agreement...
 - which puts more pressure on laggards like Australia, Canada, India

Post-2020 targets

- The Australian Government has just released a second consultation paper seeking input on post-2020 targets
 - Contains just 5 pages of text
 - No guidance on what targets might be envisaged
- It notes that the target will include considerations of:
 - Our ‘national circumstances’ (named as a growing economy, growing population, heavy reliance on coal, iron ore and fossil fuels)
 - And ‘the scope and nature of other countries targets’
- It does suggest that our target will “represent Australia’s fair share of the global effort needed to respond to climate change”
 - This should open the door to a rational debate about what this means...
 - Submissions close 24 April

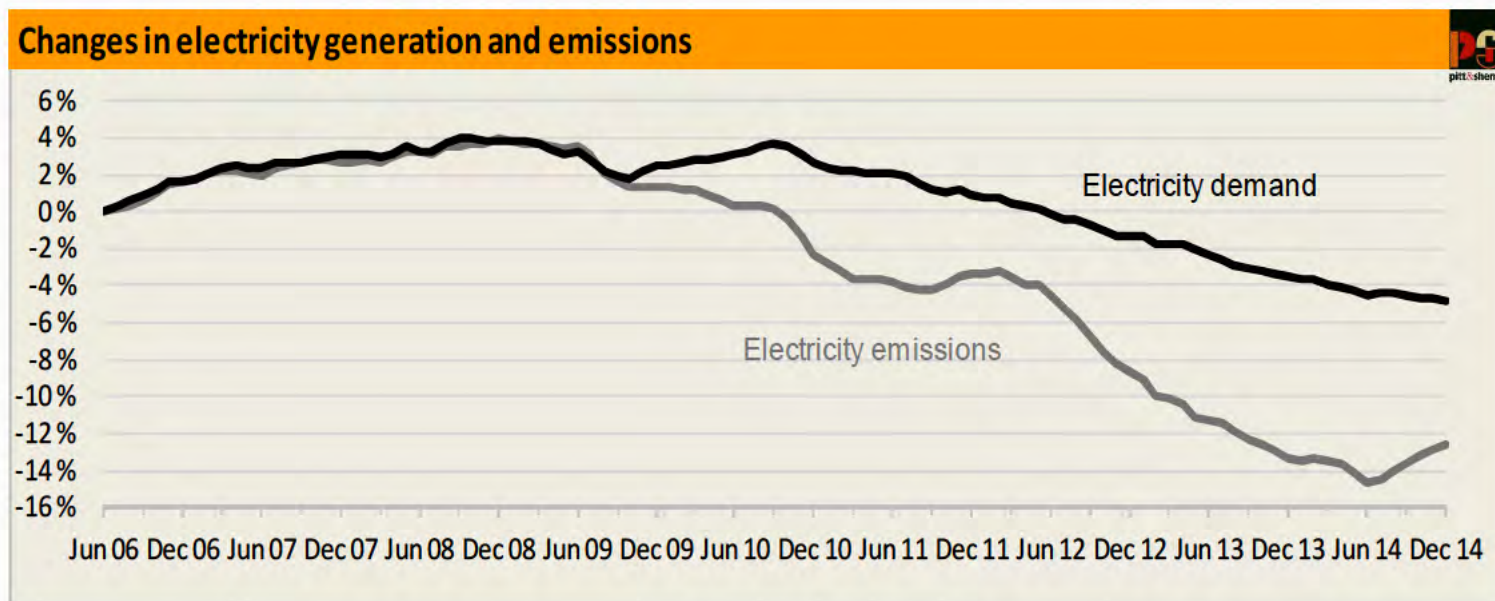
Australia – energy emissions trends

- Very different stories between fuels...but a sharp reversal of the long term trend of declining emissions since 1 July...



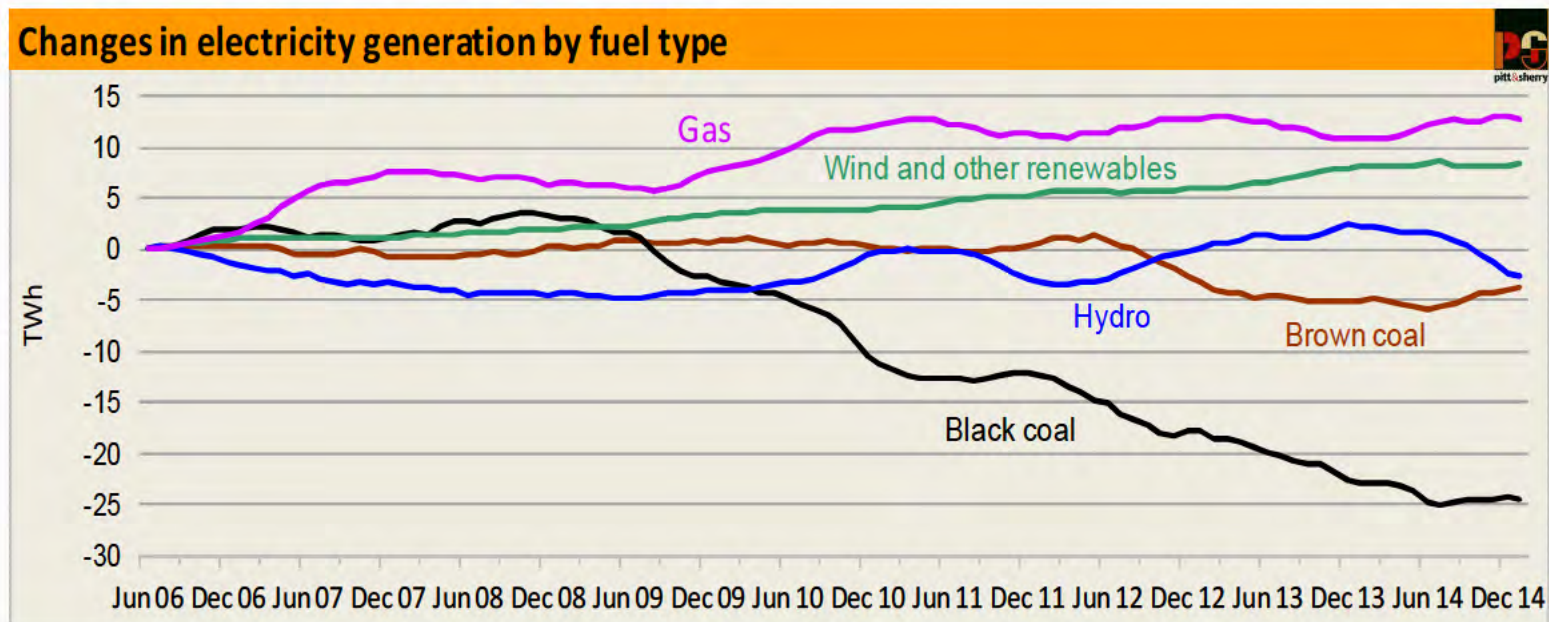
Australia – electricity emissions trends

- Electricity related emissions (our largest emissions source) started rising, after a steady fall from 2008, essentially the day the carbon tax was repealed...despite an unprecedented and continued fall in electricity demand (since 2010)



Australia – electricity emissions trends

- Recent trends show a flattening off of wind, a drop in hydro; gas and black coal flat-to-rising, and brown coal (the most emissions intensive source) rising strongly....



Australia – policy trends

- Abolition of **carbon pricing** – as seen, this has proven particularly damaging to our largest emissions source – electricity generation, as fuel substitution is easy and quasi-immediate
- The national **Renewable Energy Target** is under very serious attack, with the Government trying to abolish it, and now negotiating to reduce it as far as possible
- The Government is trying to effectively close down the \$10billion **Clean Energy Finance Corporation**...which it failed to do via the Senate...by setting unrealistic financial return criteria:



**CLEAN ENERGY
FINANCE CORPORATION**

The Hon. J. B. Hockey MP
Treasurer

Sen. the Hon. Mathias Cormann
Minister for Finance

27 February 2015

Dear Ministers

Mathias + Joe

Thank you for your correspondence of 17 February 2015 conveying the Ministerial Direction in the form of the *Clean Energy Finance Corporation (Investment Mandate) Direction 2015* ("2015 Investment Mandate").

We appreciate that you have considered our comments on the earlier draft. We note that the 2015 Investment Mandate requires the CEFC to maintain its existing level of portfolio risk while targeting a significantly higher investment return over the medium term. Achieving these increased returns would require CEFC to consistently out-perform the market by a large margin.

Within the narrow field of investment allowable under the CEFC Act, achieving such increased returns without increasing risk, is highly challenging, and in my experience, outside the scope of normal market opportunities. In this respect, the 2015 Investment Mandate requires the CEFC to seek out additional investments that are outside market norms, in addition to carrying on its existing investment activities.

I want to reiterate that the CEFC Board shares the objective of protecting and minimising risk exposure in the investment of public funds.

The stated object of the CEFC Act under Section 3 is "to facilitate increased flows of finance into the clean energy sector". The new 2015 Investment Mandate creates a tension between the object of the Act and the achievement of the increased returns. In fulfilling its responsibilities, the CEFC will continue to pursue its investment function, applying commercial rigour, to invest responsibly and manage risk prudently, utilising a robust, commercial risk management approach.

The attached paper highlights the challenge presented by the 2015 Investment Mandate. This paper is supported by independent analysis from Dr Steve Bishop and Professor Bob Officer which explains the observed correlation between investment risk and return. This independent analysis confirms that in order to achieve the increased returns specified under the 2015 Investment Mandate without increasing risk exposure would require the CEFC to find a body of investments that demonstrate a risk-return profile inconsistent with traditional

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“The Board will continue to pursue its duties under the CEFC Act.... I want to assure you that we will seek to take all reasonable steps to comply with the 2015 Investment Mandate, even if, as all the evidence suggests, **it will prove highly challenging to significantly increase the rate of return** of the portfolio whilst maintaining the current portfolio credit risk profile”

- Jillian Broadbent, CEO

Australia – ‘war on red tape’

- This phrase is being used to justify:
 - Deferring new **energy performance standards** for buildings (last updated in 2010) until at least 2019
 - Preventing any new appliance, equipment or product performance standards or labels
 - Removing any regulatory measure where it judges the costs are too high...when the in-house review process is not allowed to consider the benefits, only costs
 - Cancelling the highly successful **Energy Efficiency Opportunities** program
 - Not pursuing the **National Strategy on Energy Efficiency**
 - Concentrating infrastructure spending on new roads, not low emission modes like **rail and public transport**

Australia – Emissions Reduction Fund

- The “the centrepiece of the Government’s Direct Action Plan” is essentially a grants scheme
 - With competitive bidding for award of grants and payments in arrears for delivered/verified savings
 - Applicants may face ‘make good’ provisions if their projects underperform
 - Perceptions of contractual risk and low expected price outcomes (less than \$10/t) are reducing its attractiveness for most emitters
- In my experience, the Dept of Env is working very hard to come up with credible methods for verifying savings, but:
- The scheme has a **fundamental design flaw**, in that it pays polluters for projects that reduce emissions, but fails to discipline increases in emissions by them or others

Australia – Emissions Reduction Fund

- The Government has just released a consultation paper on the ‘safeguard mechanism’, designed to address this
 - It only applies to “...facilities with direct emissions > 100,000 tonnes CO₂-e” (~140 emitters, ~50% of emissions)
 - Facilities not to exceed baselines which represent “...the highest level of reported emissions...over 2009-10 to 2013-14”
 - Special carve-out for the electricity sector; legacy waste excluded; special rules for oil, gas and mining based on ‘inherent emissions variability’
 - **“A flexible approach to compliance will be adopted”**
 - Could ultimately lead to fines, but only if the CER exercises its ‘discretion’, as a ‘last resort’, to ‘seek a court order’ (ie, sue the company)
 - “...the Govt will budget no revenue from the...mechanism”
 - Designed to start from July 2016, more than 14 months after the first projects are scheduled to be awarded
 - Overall, Climate Institute estimates the safeguard mechanism will allow Australia’s emissions to rise by ~30%, and notes that the consultation paper references an IEA scenario that assumes no new abatement over the next 25 years, and at least 3.6 degrees of warming (over pre-industrial)
 - Submissions close 27 April

State/Territory Action

- ACT Govt is clearly leading the way, with legislated -40% target over 1990 levels by 2020 (zero net emissions by 2060)
 - More importantly it is a) rolling out abatement programs and b) verifying progress towards their targets
- Exemplar State at the moment is (ironically) NSW
 - Energy Efficiency Action Plan, expanded ESS targets, BASIX review, etc
- New Vic Govt has committed to retain and expand (after review) the VEET
 - Some prospect that it may (re)adopt its traditional leadership role...
- 1 million solar roofs announcement in Qld...
- ACT, Vic, NSW and SA all have mandatory energy savings schemes
- Nothing to report in Tasmania...TCCO is largely defunded (but still there in name)
 - Tas Govt plans to produce a new climate strategy document, but only after the energy strategy process is complete



Local Government Action

- While patchy, there are many councils - some very large ones as well as smaller - that are offering genuine leadership
- City of Melbourne has a zero emissions target by 2020 (but is currently on track for +60% on 2010 emissions...)
- City of Sydney has set a -70% emissions target by 2030 cf 2006 (for the whole LGA) and is rolling out a series of Master Plans to ensure the target is met
- Numerous Vic councils and some in NSW are mandating above-minimum energy and water (or sustainability) performance requirements for new developments/major renovations
 - Some require NABERS Commitment Agreements for new commercial buildings, to ensure above-minimum performance outcomes
- City of Moreland and Sunshine Coast (inter alia) are doing EV trials
- Many are investing directly in large-scale renewable energy projects
- Tas Councils are lagging...and could try harder
 - Eg, HCC had (in 2008) a zero net emissions target for 2020 (for its own operations only, not the city), but now its website states that it has a -17% target by 2020 over 2010 levels (apparently only own emissions)
 - It reduced its own emissions by 75% from 2000 to 2010



**CITY OF SYDNEY
ENERGY EFFICIENCY
MASTER PLAN**

IMPROVING ENERGY PRODUCTIVITY

2015–2030

FEBRUARY 2015

Summary

- There is some prospect of international pressure being brought to bear by COP₂₁
 - But Australia can be expected to play its time-honoured role of undermining a strong agreement, while offering as little as possible
- Australia's climate policy framework – which was never particularly strong – is being consciously dismantled
- Despite this, there is some abatement momentum from:
 - Past rapid increases in electricity prices (and current and future increases in gas prices)
 - The cumulative impact of RE and EE policies (while they last...)
 - General community wariness post-GFC, including about national policy instability
 - But markets are fickle – petroleum prices are now low, and electricity prices flat or falling – weaker climate policies are already seeing a return to emissions growth
- There are some great examples of leadership at State and local level...not enough, but still something to build on