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To: Climate Change Authority

Paul Burke
Fellow

Crawford School of Public Policy
Australian National University

T: +61 2 6125 6566
E: paul.j.burke@anu.edu.au

Canberra ACT 2601 Australia

SUBMISSION TO:

**REVIEW OF THE CARBON FARMING INITIATIVE LEGISLATION AND THE
EMISSIONS REDUCTION FUND**

I am an economist at the Australian National University's Crawford School of Public Policy. My research fields include environmental economics and energy economics.

In 2015-16 I examined the operation of Australia's Emissions Reduction Fund (ERF). I concluded that the scheme is susceptible to funding projects that would have happened anyway ("anyway projects"). An example is projects to upgrade the lighting of supermarkets, a fairly standard business decision in a market-based economy such as Australia's. The likely non-additionality of some ERF projects compromises the scheme's ability to reduce emissions. There are many other downsides of the scheme, including (a) its budgetary implications and (b) emissions leakage.

It is unfortunate that the Carbon Farming Initiative was expanded to an economy-wide scheme in the form of the Emissions Reduction Fund. This is because there is no need to use an offsets-based approach for sectors of the economy for which facility-level emissions data are available through the National Greenhouse and Energy Reporting (NGER) Scheme. There are smarter policy options for reducing emissions from these facilities, such as carbon pricing and/or regulations. The ERF has taken the additionality challenges inherent to offsets-based approaches, and spread them across the economy.

I have attached my 2016 article on the operation of the ERF. The below reference list also includes relevant web articles.

I would be happy to be contacted to provide further information to the Review.

Sincerely,

Paul Burke

References

Burke, P.J. 2016a. 'Undermined by adverse selection: Australia's Direct Action abatement subsidies', *Economic Papers* 35(3): 216–229. Open access link: <http://econpapers.repec.org/paper/eencepwp/1605.htm>.

Burke, P.J. 2016b. 'Direct Action not giving us bang for our buck on climate change', *The Conversation*, <https://theconversation.com/direct-action-not-giving-us-bang-for-our-buck-on-climate-change-59308>.

Jotzo, F and Burke, P.J. 2014. 'Direct Action subsidies: Wrong way, go back', *Inside Story*, <http://insidestory.org.au/direct-action-subsidies-wrong-way-go-back>.