

Climate Change Authority
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By email: enquiries@climatechangeauthority.gov.au

Dear Sir/Madam,

Response to the Climate Change Authority's (CCA) Caps and Target Review

I welcome the opportunity to provide feedback on the Caps and Targets Review.

The objective of the CCA should be clear cut - to reduce greenhouse gas emissions at the lowest cost. The message from the CCA is this is exactly what it is doing, but this is simply not true. The current strategy to reduce greenhouse gas emissions is flawed, economically inefficient, lacks adequate monitoring, and is deficient in reporting.

National greenhouse gas emissions need to be measured in multiple ways, including the following:

- Emissions (total)
- Emissions (per capita)
- Emissions (per unit of GDP)
- Emissions (per unit of energy consumed)

The CCA seems to focus almost entirely on the first measure - in terms of setting targets, monitoring and measuring progress. This provides a superficial picture of what is really happening. You need all these measures (and probably others) to really understand what is going on. The first measure has primary importance in terms of stating overall greenhouse gas emissions, and will determine the overall impact on climate change. The second measure indicates how much we are becoming individually more greenhouse gas emission efficient. The third measure shows to what extent lower total emissions are simply due to reduced economic activity such as evidenced during the recent GFC. The fourth measure indicates how much our energy mix is moving to a less greenhouse gas emission mix.

The CCA seems to almost exclusively focus on the two common measuring points of 2020 and then 2050. There needs to be much more regular targets and measurement against those targets. Setting major 5 year targets and measuring points would be meaningful and should be a minimum requirement. Additionally, targets and measurement need to start from the commonly stated base year 2000. Simply having 2020 and 2050 targets lacks credibility, does not enable anyone to know what progress was or was not really being made, and limits meaningful and timely adjustments to the current strategy.

The CCA has not published sufficient detailed analysis and performance reporting of measures that the Government has taken from 2000 to the present day, and seems to have inadequate plans for analysing and performance reporting of measures (in a timely way) between now and 2020. What do we do – just wait for 2020 to roll around and then be told the implemented measures unfortunately failed to meet targets, and by the way, taxpayers paid a fortune?

The CCA has not published the sufficient analysis of all possible measures to reduce greenhouse gas emissions, providing an independent, considered, and intelligent comparison of the economic performance of each possible measure, with evidence that the current strategy is the most economically efficient. This is disappointing, considering the billions of dollars of taxpayer investment involved. The CCA states that its proposed ETS type system where some emitters pay a cost per ton of greenhouse gas emission is a market mechanism, and as such, by definition, is the most economically efficient way to reduce greenhouse gas emissions. An ETS type strategy is a lazy approach. It is a lot easier to be lazy, rather than doing the job thoroughly and actually devise the most economically efficient strategy to reduce greenhouse gas emissions. Eventually, all taxpayers will pay the cost, by paying far more than they need have to reduce greenhouse gas emissions.

It is relatively straightforward to calculate and present the reduction in greenhouse gas emissions per dollar spent for the each greenhouse gas emission reduction strategy. The best strategy is the

one with the greatest reduction in greenhouse gas emissions per dollar spent. Some examples will demonstrate:

- What is the greenhouse gas reduction per dollar spent on 'pink bats' (which the Government stated was the most cost efficient means to reduce greenhouse gas emissions at the time)?
- What is the greenhouse gas reduction per dollar spent on 'household solar panels'?
- What is the greenhouse gas reduction per dollar spent on 'commercial wind farms'?
- What is the greenhouse gas reduction per dollar spent on 'commercial solar farms'?
- 'What is the greenhouse gas reduction per dollar spent on 'commercial large scale CSIRO BLUEGEN ceramic fuel cells'?
- What is the greenhouse gas reduction per dollar spent on replacing 'brown coal power stations' with 'gas turbine power stations'?
- What is the greenhouse gas reduction per dollar spent using 'the current carbon tax revenue' raised this financial year?

Where is the analysis that the CCA should have undertaken and published on all these (and other) alternatives? From what I have been able to research, household solar energy is about 3 times less economically efficient than commercial wind farm, and 10 times less economically efficient than replacing brown coal with gas turbine power stations. Simply redirecting household solar panel dollars to replacing brown coal power stations with gas turbine power stations could provide up to ten times the greenhouse gas reduction for the same cost. Government household solar panel subsidies are economically ridiculous – the Government could and should take a leadership role and facilitate means where people can redirect their dollars into the economically most efficient greenhouse gas reduction strategies. In fact, some eminent engineers state that Australia be better off (economically) simply replacing all brown coal power stations with gas turbine power stations, and forget everything else – as this is likely to actually more than meet 2020 targets at a small fraction of the dollars the government plans to spend on greenhouse gas reduction. Where is the CCA analysis and publications about such studies by eminent engineers?

The CCA claims that about half the revenue raised by the Carbon Tax will be used to provide assistance to individuals, companies, and other organisations. This means that half the revenue raised will be used in a way that will do absolutely nothing to reduce greenhouse gas emissions. How can halving the economic efficiency of reducing greenhouse gas emissions be supported and defended by the CCA? If none of the revenue raised by the Carbon Tax was used for compensation, the economic efficiency of the current strategy would double. A significant additional benefit would be that the Government would not be 'locked-into' providing compensation without compensating revenue (should the carbon price be 'floated' with the planned introduction of the full ETS scheme and the E.U. carbon price remain around its current level). The current compensation funding strategy is bad, and the CCA should recommend that the revenue raised by the carbon tax be fully used to reduce greenhouse gas emissions in the most economically efficient way. This would mean not using it for compensation (which does absolutely nothing to reduce greenhouse gas emissions). Given half the revenue was no longer needed for compensation, the carbon tax could be halved from its current \$23 per ton of CO₂.

Compensation would then need to be considerably lower (halved), and could be delivered in an overall revenue neutral way, so the Government would not need to find an additional revenue source to provide compensation. Compensation would become a 'redistribution' exercise, by way of adjustments to welfare benefits, tax offsets, tax rates, etc. Perhaps, then we could see that 'tax bracket' creep was used to quietly fund carbon tax compensation. It is disappointing that politics has driven the bad decision to use the carbon tax revenue for compensation.

One cannot help but wonder whether it would be more efficient and effective to set a reasonable and affordable price on all greenhouse gas emissions (which was revised annually) together with a levy on taxpayers (which was revised annually) and focusing on using all the raised revenue to reduce greenhouse gas emissions in the economically most efficient way.

Yours sincerely,
D. G. Young