



19 February 2016

Submissions
Climate Change Authority
GPO Box 1944
Melbourne VIC 3001

Via email: submissions@climatechangeauthority.gov.au

DRAFT REPORT ON AUSTRALIA'S CLIMATE POLICY OPTIONS

The Australian Pipelines and Gas Association (APGA) welcomes the opportunity to provide comment on the Climate Change Authority's (CCA) Draft Report on Australia's Climate Policy Options. Overall, APGA considers the CCA has conducted detailed and thorough analysis of Australia's climate policy options.

APGA has long held the position that Australia's climate policy should provide a level playing field for all emissions reduction opportunities and should focus on delivering the lowest cost opportunities. This view is particularly relevant to the first question posed by the CCA in the draft report:

- 1. The Authority proposes assessing policies primarily on their cost effectiveness, environmental effectiveness and equity. Are these principles appropriate? Are there any other principles that should be applied, and if so, why?**

The principles of cost effectiveness, environmental effectiveness and equity are excellent principles on which to assess climate policy options.

In particular, APGA agrees with the Authority's statement on page 11 that:

To keep direct implementation costs low, policies need to cause the lowest-cost emissions reduction opportunities (typically measured in terms of cost per tonne of avoided emissions) to be identified and acted upon.

There have been numerous policies, from both Federal and State Governments, which have not achieved this outcome over the last decade and more. APGA supports an assessment of the 'cost per tonne of avoided emissions' metric for all existing and future climate change policy options.

APGA also strongly agrees with the need for horizontal equity across the economy. It is important that climate change policy establishes a level playing field, imposing costs (or incentives) equally. Failure to do so can lead to outcomes where the lowest-cost emissions reduction opportunities are not



pursued. Climate change policy has historically had a tendency to focus on particular sectors (eg households) or technologies (eg renewables) without demonstrating that the particular focus would deliver the lowest-cost emission reduction opportunity.

APGA supports the need to consider vertical equity but considers the paramount consideration of climate change policy must be to cause the lowest-cost emissions reduction opportunities. APGA prefers the first approach mentioned by the Authority on page 12, to design a suite of policies to be as cost effective as possible, and use compensation measures to address equity concerns. Low-income households are likely to be disproportionately affected by any climate change policy – it seems likely that policies that deliver the lowest overall cost are likely to deliver the lowest cost to such households also.

It is worth noting that policies that provide incentives to households to lower their emissions typically exclude low-income households also, as these households lack the discretionary funds to take advantage of the incentives. However, if such policies were to deliver the lowest cost emission reduction, they should still be considered.

APGA looks forward to the final report from the CCA.

If you require any further information, please contact me on (02) 6273 0577 or at sdavies@apga.org.au.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Steve Davies", is written in a cursive style.

STEVE DAVIES

National Policy Manager