



MINERALS COUNCIL OF AUSTRALIA

SUBMISSION

UPDATING THE CLIMATE CHANGE AUTHORITY'S
ADVICE ON MEETING AUSTRALIA'S
PARIS AGREEMENT COMMITMENTS

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EXECUTIVE SUMMARY

The Minerals Council of Australia (MCA) agrees that sustained global action is required to reduce the risks of human-induced climate change and to help meet Australia's emissions reduction pledges under the Paris Agreement.

Australia's target under the Paris Agreement is to reduce national emissions by 26 to 28 per cent below 2005 levels by 2030, and contribute to the goal of achieving net zero emissions by the second half of this century. The MCA supports this approach.

To facilitate Australia's transformation to a lower emissions economy in a technology neutral manner, policy makers should continue to advocate policies and mechanisms that:

- Support the technology neutral development of all low emission energy sources
- Provide for least cost abatement of greenhouse gas emissions
- Maintain the international competitiveness of Australian industry
- Minimise adverse social and economic impacts on households
- Provide industry with policy certainty to make long term investments
- Encourage substantial investment in a broad range of low emissions technologies and adaptation measures.

The Australian minerals industry is a major part of the Australian economy. Resource exports were worth a record \$273 billion in 2018-19, equivalent to 58 per cent of all exports. Over the past decade, exports have doubled, with \$250 billion of investment in the minerals industry delivering substantial growth in minerals production and jobs in that period, while the sector generated \$212 billion in company tax and royalties for Australia in that time.

Some 240,000 people are directly employed by the Australian resources sector, with a total of 1.1 million direct and indirect jobs in the mining and mining equipment, technology and services (METS) sectors.

MCA's position on energy and climate change is set out in more detail on its website.¹

Climate Change Authority's review

The Climate Change Authority in its previous work has recognised the interplay of economic efficiency, environmental effectiveness, equity, impact on households, business, workers and communities, and consistency with Australia's foreign policy and trade objectives in its policy settings.

Consideration of the linkages between all of these factors is the right approach. The authority should:

- Advocate for genuine technology and energy policy neutrality to help drive least-cost carbon abatement. This means providing a level playing field for all low emission energy sources including renewables, hydrogen, carbon capture, utilisation and storage (CCUS), nuclear power and other options.
- Recognise Australia's record of meeting and exceeding its mitigation commitments under the Kyoto Protocol (2008 to 2020) and the lessons this provides in setting future targets, including a better understanding of the least-cost abatement options available across the economy.
- Support continuation of the Emissions Reduction Fund (ERF) and the Safeguard Mechanism as flexible approaches that contribute to driving lowest cost abatement across the economy.
- Highlight the importance of a national approach to climate policy, because state-based targets have the potential to lead to inefficient outcomes and higher costs.
- Reinforce the importance of the 1994 UNFCCC framework as the global legal vehicle for dealing with the reduction of greenhouse gas emissions and mitigation and adaptation to

¹ <https://minerals.org.au/energy-and-climate-change>

climate change. The framework, agreed by 197 sovereign countries, provides the means to identify changes in climate, the management (including measurement) by sovereign nations of their national emissions, and a platform for various legal agreements on increasing ambition, notably the Kyoto Protocol and the most recent Paris Agreement.

- Aim to ensure all sectors and entities contribute fairly to national mitigation outcomes and avoid imposing a disproportionate incidence of the transition costs on a small number of sectors and entities. Sectors not covered under the Safeguard Mechanism should be incentivised to contribute equitably.
- Encourage the Australian Government, under Article 6.2 of the Paris Agreement, to undertake bilateral emission reduction agreements in our immediate region. These could focus on Blue Carbon projects or reducing deforestation, which would allow greater flexibility in how Australia meets its commitments to 2030 and beyond while potentially providing the additional environmental benefit of reducing deforestation in regional countries.
- Support Australia's national system of innovation to help accelerate developments, demonstrations and deployment of a broad portfolio of promising Low Emission Technologies.

ISSUES

Australia's mining sector

The Australian minerals industry is a major contributor to investment, high-wage jobs, exports and government revenues in Australia.

Resource exports were worth a record \$273 billion in 2018-19. They represented 58 per cent of all exports and contributed to a trade surplus of \$49.9 billion, driven by commodities including iron ore (\$77 billion), coal (\$69 billion), aluminium (\$15.6 billion) and copper (\$9.9 billion).

Over the past decade, exports have doubled, with \$250 billion of investment in the mining industry delivering substantial growth in minerals production and jobs in that period and generating \$212 billion in company tax and royalties for Australia over the same period.

There are 240,000 people directly employed by the Australian resources sector and 1.1 million direct and indirect jobs in the mining and mining equipment, technology and services (METS) sectors. The direct mining workforce includes about 3.7 per cent Indigenous employees and 4 per cent apprentice and trainee employees – which is double the national average.

International climate landscape

Australia expects to overachieve on its second Kyoto Protocol commitment period target (2013 to 2020), as it did on its first commitment period target (2008 to 2012). Australia moved quickly to sign and ratify both the Convention and the Paris Agreement, as well as signing (and subsequent ratification) of the Kyoto Protocol. Australia is a respected negotiator within the UNFCCC and has been compliant with its obligations since 1994.

This record should give all Australians high confidence that Australia will dependably deliver on its 2030 pledges under the Paris Agreement.

Australia is a leader in monitoring, verification and review approaches, which has been integral to ensuring the integrity of national emission inventories globally. Australia has also provided financial assistance to developing countries through the Green Climate Fund and the Kyoto Protocol's Adaptation Fund.

Sub-national climate action

Sub-national governments should seek to contribute to and complement national settings to enhance the operation of the Paris Agreement. State targets not aligned to national frameworks risk increasing the cost for all Australians of reducing emissions and may not achieve their intended emissions reductions outcomes.

National Electricity Market (NEM)

Australia's ability to deliver on its international emissions reduction commitments requires a stable and competitive energy policy. The MCA represents members who use 14 per cent of the electricity in the National Electricity Market; much of that demand being large-scale volume needed 24/7.

Pressures on the existing generation fleet are increasing. Recent experience has shown that withdrawing large-scale capacity lifts wholesale power prices and reduces reliability without contributing to systematic emissions reductions.

The pathway to lower emissions while maintaining reliability and cost-competitiveness, as increasing levels of intermittent generation capacity is integrated into the electricity grid, requires that:

- The generation mix is able to deliver the required reliability as a transition in generation type takes place.
- Upgrades at existing plants should be considered in the market where upgrades represent a low-cost energy solution, supporting reliability and system security while pursuing emissions reductions and longer-term clean energy solutions.
- Australia must pursue genuine technology neutrality, which means placing all low emission energy sources on the same level playing field.

Domestic Climate Policy Landscape

While further policy development is needed to provide long-term certainty consistent with the affordability/reliability/emissions reduction trilemma, the MCA considers the current domestic policy approach has elements that can provide a clear way to meet Australia's 2030 emissions reduction target.

The Emission Reduction Fund and the Safeguard Mechanism provide a scalable approach to ensure that the 2030 Paris target can be met. However, inherent natural variability will impact upon facility baselines provided under the Safeguard Mechanism. The CCA should consider how this could be addressed without negatively affecting the international competitiveness of Australian industry.

The ERF and Safeguard Mechanism would benefit from increasing the number of emission abatement activities eligible to create Australian Carbon Credit Units. Carbon capture and storage offers one such approach, among others.

The CCA could consider support to access bilateral offsets under Article 6.2 of the Paris Agreement. International offsets provide the opportunity to access low cost verified carbon abatement while also delivering important environmental benefits such as addressing regional deforestation and would be consistent with the United Nations Sustainable Development Guidelines.

Technology pathways

The IPCC's recent report on 1.5 degree warming observes that all required global emissions reductions can be met through combinations of new and existing technologies and practices, including renewables, hydrogen, CCUS and nuclear power.

Renewable energy, an industry into which the minerals sector provides an array of materials, has grown significantly in market share over recent years. Nevertheless, the development of a range of technologies must be accelerated to reach the goals of the Paris Agreement.

The IPCC's 5th Assessment Report indicates that without CCUS, the economic cost of achieving the 2°C goal increases by a mean estimate of 138 per cent. Similarly, if nuclear is not considered as a mitigation tool then economic costs increase by a further 7 per cent.

The International Energy Agency (IEA) estimate that the cumulative global CO₂ storage requirement between now and 2060 in its 2 Degree Scenario (2DS) is around 140,000 MtCO₂, or about 700 times the cumulative amount of CO₂ that has been captured since 1972.^{2,3} The US Department of Energy is investing around US\$200M per year in CCUS R&D since 2016, while in Australia most support programs have lapsed.

The IPCC assesses nuclear energy as a mature low-emission source of baseload power and considers that it could make an increasing contribution to low carbon energy supply. The IEA also considers it to be a critical element in limiting greenhouse gas emissions. The IEA predict that to deliver on its 2DS, the global capacity of nuclear must supply about 17 per cent of global electricity generation in 2050.⁴

Indeed, at a global level, without access to the critical technologies of CCUS and nuclear the IPCC indicates that it may even be impossible to limit global warming to below 2°C relative to pre-industrial levels.

² <https://www.iea.org/media/topics/ccs/5KeysUnlockCCS.PDF> (2018)

³ <https://www.globalccsinstitute.com/why-ccs/what-is-ccs/> (2018)

⁴ IEA, [Taking a fresh look at the future of nuclear power](#), (2015)