



Environment

Local Government Association
of South Australia

Local Government Association of South Australia:

Response to the Special Review on Australia's Climate Policy Options

The voice of local government.

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The Local Government Association of South Australia (LGA) appreciates the opportunity to respond to the questions developed in response to the possibilities outlined in the Special Review of Australia's Climate Policy Options.

The LGA and councils are committed to maintaining a close working relationship with the Federal Government with regard to developing future climate policies that will both reduce CO₂ emissions in line with international obligations, while maximising opportunities for the local government sector.

Question 1:

The Authority proposes to assess 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?

Response:

Section 2.1.1 refers to keeping costs as low as possible. Many renewable/ low energy technologies will require an initial financial outlay that will be recouped over time and this should be considered in determining what policy is most cost effective.

Section 2.3 refers to equity of individuals and firms. The LGA would also suggest consideration of equity at **sectoral and regional** levels.

There are significant issues throughout Australia with regard to transitioning of sectors (private, government and industry) from a conventional to a low carbon modus operandi (SA is a good example of this). Policies should recognise support is required to assist in the transition.

Also, one policy may not fit all, as each State and Territory has differing impacts that they are currently facing.

Technological Equity:

Access to technology should be another important factor. There is a widespread gap between innovation and diffusion- especially to small regional councils/ low socio-economic areas.

Intergenerational Equity:

There is an ethical obligation here to consider the rights of future generations and the impacts of today's policies on them.

Question 2:

What lessons can be learned from Australia and overseas on the effectiveness of mandatory carbon pricing, and its interaction with other climate policies?

Response:

The lesson learned in Australia is that the quasi tax/ ETS system put in place in 2012 and revoked by the incumbent government worked to reduce emissions, and didn't have a huge impact on the economy or communities.

The LGA supports a market based mechanism; whether it is purely an ETS (setting a cap on emissions and trading in permits) or an ETS with taxation elements (the price of emitting determines the levels of emissions).

There are many international examples that show that either (or a mixture of both) works well.

Question 3:

How does mandatory carbon pricing perform against the principles of cost effectiveness, environmental effectiveness and equity? Which type of pricing scheme is likely to be more effective and why?

Response:

See answer to question 2. Elements of either can be used to tailor an approach that fits the current situation in Australia.

See answer to question 1: Other aspects of 'low cost' and 'equity' needs to be included in determining this tailored approach.

Question 4:

What lessons can be learned from Australia and overseas on the effectiveness of voluntary carbon pricing, and its interaction with other climate policies?

Response:

Voluntary carbon pricing works well for some sectors and not so well for others. Worldwide, the voluntary carbon offset market is very small compared with the regulated market.

The CDM could form part of a future flexible mechanism, targeted at sectors where incentives exist to pursue voluntary reductions.

The LGA are of the firm view that any purely voluntarily based mechanism (such as the ERF) is not a suitable primary policy for meeting agreed reductions targets.

Question 5:

How does voluntary carbon pricing perform against the principles of cost effectiveness, environmental effectiveness and equity?

Response:

Voluntary carbon pricing is part of a market based mechanism in many countries but is not used by any one country as the primary policy to reduce carbon emissions (apart from Australia).

Refer to answer to question 1- intergenerational/ technological and social aspects also need to be considered (in addition to the principles outlined in the report).

Voluntary carbon pricing performs poorly when considering intergenerational and technological equity, but opportunities for voluntary carbon pricing should be explored as part of a wider mechanism.

Question 6:

What lessons can be learned from Australia and overseas on the effectiveness of renewable energy targets and energy efficiency targets, and their interaction with other climate policies?

Response:

The RET works nationally to reduce carbon emissions. The reduction in the RET resulted in an increase in emissions and energy prices stayed the same.

In South Australia, renewable energy generation and usage targets have been achieved and exceeded without energy costs being significantly higher (if at all) than any other State or Territory.

Question 7:

How do renewable energy targets and energy efficiency targets perform against the principles of cost effectiveness, environmental effectiveness and equity?

Response:

Again, see comments on question 1. Many renewable/ low energy technologies will require an initial financial outlay that will be recouped over time- this should be considered in determining what policy is most cost effective.

In terms of intergenerational equality, see comments in answer to question 6. Energy can be produced from renewable sources without significant cost hikes.

It makes sense that we should therefore maximise the amount of electricity generated from renewable sources to reduce the burden on future generations. We have the technology to do this, so why not use it?

Question 8:

What lessons can be learned from Australia and overseas on the effectiveness of regulation, and its interaction with other policies?

Response:

Policies should ensure that local and statutory bodies understand the known and predicted impacts of climate change. Regulations must be concurrent with existing scientific evidence. If there isn't sufficient information, then emphasis should be given on collating that information.

The LGA does not accept that regulations hinder the development of compliance options or innovation. There should be a minimum benchmark based on current evidence and that benchmark should be legislated/ regulated.

Question 9:

How could various types of regulation perform against the principle of cost effectiveness, environmental effectiveness and equity?

Response:

Based on previous comments (re the criteria set, see comments for question 8), minimum standards based on current evidence should be mandated.

Question 10:

What lessons can be learned from Australia and overseas on the effectiveness of information programs and innovation and support, and their interaction with climate policies?

Response:

Research undertaken in SA clearly demonstrates that a) different sectors of society and b) different disciplines that are impacted by climate change need information and support tailored to the impacts that will be felt in their sphere of understanding and influence. Interaction must be carefully targeted if buy in for future action is to be achieved.

Question 11:

How do information programs and innovation support perform against the principle of cost effectiveness, environmental effectiveness and equity?

Response:

Not very well currently. A tailored approach is required to get any useful feedback from the majority of stakeholders. Community values (related to intergenerational equity) is a main consideration in getting community buy-in for climate action.

Question 12:

What policies do you consider best suited to which sectors and why?

Response:

Scope for emissions reduction, existence of non-price barriers and existing win-win activities with regard to existing policies, should be explored as a stepping stone to developing aspects of other policy options and the impacts that those policies would have on individual sectors.

Energy generation, transport, agriculture and waste stand out as sectors where a stepped and informed transition would be the best way to go.

Question 13:

Are there sectors that are better suited to voluntary pricing in the short term and mandatory policies in the long term, and why?

Response:

Agriculture and large scale Industry.

The move towards policy instruments such as voluntary agreements and trading, and concerns that taxes should not adversely affect the competitiveness of domestic industries/ primary industries, has meant that governments are increasingly involving industry partners when developing or revising emission mitigation policies for each specific sector.

Evidence suggests these sectors have the capacity to make the most win-win changes to their operations in the short term, which will better prepare them for any future mandatory long term policy implications.

Again- a stepped process is supported by the LGA.

Question 14:

Which international competitiveness impacts are most important to designing Australia's climate policy toolkit, and why?

Response:

Contrary to the arguments raised that increased input costs for Australian industry will result in an international economic disadvantage. If a transition to a low carbon economy is strategically directed, it could (in fact) upgrade the competitive advantage of Australia's industry rather than degrade it.

Early transition (as set out in the South Australian Climate Change Strategy) is the key to economic stability.

Question 15:

What is the current risk of carbon leakage, in light of the recent Paris climate conference and associated national commitments?

Response:

Coal exports to India and China. The binding targets of those countries are set based on levels that were much higher to begin with, so even if these countries were to meet their targets, it would result in more CO₂ being emitted than if Australia didn't export coal to these countries in the first place.

Australia has immense potential to export its knowledge and innovation in renewables (as set out in the South Australian Climate Change Strategy) that could plug the gap in cost revenue from coal exports and avoid the need for these countries to grow their economies based on fossil fuels.

Question 16:

Which sectors are most likely to face the adverse impacts on their international competitiveness for climate policy and why?

Response:

Mining, (gas, oil, brown and black coal) agriculture, forestry and primary industries and primary production.

Some sectors are highly export oriented and their growth may be limited by their ability to pass the increased cost to customers overseas.

Related to the response to question 14 (transition from traditional to low carbon economic activities), these industries should be supported in implementation of win-win activities and in diversifying their portfolios.

Question 17:

How do you think these impacts should be addressed?

Response:

Early transition and diversification. Tailored approach utilising a mix of policy tools to meet CO₂ reduction targets.

For further clarification on any of the comments made in this submission, please refer to:

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