

16 October 2015

Climate Change Team
Department of Environment, Water and Natural Resources
GPO Box 1047
ADELAIDE SA 5001

Dear Sir/Madam

I write in response to your request for feedback on the Climate Change Strategy for South Australia.

Executive Summary

- Business SA accepts that the world needs to contain global warming to 2 degrees above industrial era levels to avoid unacceptable outcomes of climate change.
- While the State Government can influence the Federal Government in relation to emissions reductions, ultimately the legislative instruments required to achieve emissions reductions must be at a Federal level.
- Business SA has been a long-time supporter of renewable energy in South Australia. However, any moves to increase intermittent energy, particularly from wind, need to be examined alongside the existing need for base-load generation.
- Given there is already a national carbon neutral certification program, NCOS, there is no need for duplication at a State level.
- The State's Climate Change Strategy should consider practical levels of change which businesses at all levels can implement, not just heavy emitters whose emissions are more easily measured and controlled for through regulation.

Should you require any further information or have any questions, please contact Rick Cairney, Director of Policy, Business SA on (08) 8300 0060 or rickc@business-sa.com
Thank you.

Yours sincerely,

Rick Cairney
Director of Policy

Why this matter is important to South Australian businesses

As South Australia's Chamber of Commerce and Industry, Business SA is the peak business membership organisation in the State. Our members are affected by this matter in the following ways:

- Climate change is imposing an increasing cost of carbon upon the economy which might impact larger businesses more directly at present, but those costs are eventually passed back to small businesses as well as consumers.
- It is important that South Australia contributes constructively to the national climate change debate and that businesses only face national legislative measures to ensure necessary emissions reductions occur.
- Small business would like more understanding of options to reduce their own emissions contributions without having additional regulatory obligations imposed.
- Businesses ultimately pay for any Government subsidies which restrict the State Government's capacity to reduce business taxes more broadly.

Key Policy Points

1. While there is a relatively broad consensus on the impacts of climate change and the need to contain global warming to no more than 2 degrees above pre-industrial era levels beyond 2100, there is significant divergence regarding how this should be achieved.

From a business perspective, certainty around Australia's required contribution towards reducing global warming is paramount and Business SA encourages the State Government to work with other States and the Federal Government to ensure a consensus approach to emissions reductions. It is not helpful for South Australian business to be subject to separate State and Federal emissions reduction or climate change targets, particularly during a period of significant structural adjustment in the State's economy.

2. Business SA acknowledges the following excerpt from the joint State and Federal Government commissioned 2008 Garnaut Climate Change Review:

The climate change policy discussion has been bogged in delusion, in Australia and elsewhere. Mitigation targets are defined, and sometimes agreed internationally, without the difficult work being done, to make sure that the separate numbers add up to desired solutions, and to make sure that there are realistic paths to where we commit ourselves to go.

The most inappropriate response to the climate change challenge is to take measures and to reach international agreements that create an appearance of action, but which fail to solve or to move substantially towards a solution to the problem. Such an approach risks the integrity of our market economy and political processes to no good effect. It also weakens the political base for later efforts.

It is delusion for one country to develop its own views on the amount of mitigation that it is prepared to undertake without analysing whether that contribution fits into a global outcome that solves the problem. It is delusion for people in one or many

*countries to think that they can commit to reductions in emissions in order to solve the climate change problem, without having in mind steps that can actually be taken to implement that commitment.*¹

Professor Garnaut went on to state that:

*'Within Australia, the maintenance of full employment and an effective social safety net are the most important requirements for equity in the process of emissions reduction and adaptation to climate change'*²

Business SA draws the State Government's attention to these two excerpts because they underline the importance of not only ensuring that there are practical ways and means of achieving emissions reductions but further, that jobs must be a key consideration in any future policy changes.

It needs to be noted that the South Australian and national unemployment rate bottomed out in March 2008 at 4.4 percent and 4 percent respectively, just prior to the Garnaut review being published. Now that South Australia's unemployment rate is nearly double its 2008 level, it is even more critical that the State Government's Climate Change Strategy does not lead to unnecessary job losses, instead focusing on how to create jobs.

3. Since Atlinta's announcement to shut its Northern Power Stations in June 2015, there has been increased volatility in South Australia's wholesale electricity market leading to an almost doubling of energy prices for large manufacturers purchasing forward contracts. Depending on the mix of energy and network charges for a particular business, this has meant up to a 50 percent increase in the total bill.

Now that South Australia is more reliant on less conventional base-load generation, any moves to further increase intermittent energy, particularly wind, need to be appropriately considered alongside ensuring there is still an adequate and reliable level of base-load power.

Wind power provides 34 percent of South Australia's energy and at times can power the entire State however, it only contributes 9.9 percent to summer time peak demand due to its intermittent nature.³

Business SA supports growth in renewable energy but not at the expense of significantly raising electricity prices for consumers, particularly business, as a result of increasing volatility in the wholesale market on the back of limited competition to provide sufficient base-load generation.

While South Australia's ability to import base-load power from Victoria will be enhanced through the Heywood Interconnector upgrade which is due to be completed in 2016, it may not necessarily solve all our potential issues with not having sufficient competitively priced base-load power.

¹ 2008 Garnaut Climate Change Review, Professor Ross Garnaut, P XXViii

² 2008 Garnaut Climate Change Review, Professor Ross Garnaut, P XXXiii

³ AEMO, 2015 South Australia Electricity Report, P 24 and 33

4. Business SA recognises that specific sector climate change and emissions reduction agreements may have a place for certain sectors providing they remain voluntary. However, considering there are only two active agreements in place, we would question the demand from industry for these agreements to continue to remain available.

In an environment of limited Government resources, it is important that the State Government focus its efforts on practical measures to assist business to reduce emissions and adapt to climate change.

Business SA has provided in principle support for the Building Upgrade Finance legislation as one such measure which can help small business in commercial buildings reduce energy costs. Notwithstanding, we do not support legislation which forces climate change related costs upon small businesses.

5. While Business SA supports an increased focus on promoting local research and development to commercialise carbon reducing technologies, the State Government needs to carefully consider its role in the context of what the Federal Government is already working to achieve through either universities or cooperative research centres.

Furthermore, considering the Innovation Voucher Program is already in place through the Department of State Development to assist industry with research and development partners, the State Government must ensure that any specific assistance for carbon reducing technologies is streamlined with existing program offerings.

6. The Federal Government has a carbon neutral certification program in place, namely the National Carbon Offset Standard (NCOS). Business SA notes the rigorous measurement guidelines do effectively limit existing accredited businesses to major companies but this does not necessarily undermine the effectiveness of the standard. Importantly, the value of any carbon certification standard will only be as high as the relative credibility of such a standard's application being verifiable.

Business SA would caution the State Government trying to duplicate a carbon neutral certification program at a State level given the inherent complexity of verifying greenhouse gas emissions from individual sites and businesses.

Additional information: Please see the following link to Business SA's submission to the Federal Government on setting a post 2020 emissions reduction target

http://business-sa.com/assets/policy_percent20documents/150415_submission_percent20greenhouse_percent20gas_percent20emissions_percent20target.pdf