

16 October 2015

The Hon Jay Weatherill
Premier of South Australia
Parliament House
Adelaide 5000

Via email: DSD RenewablesSA@sa.gov.au

Dear Premier

Towards South Australia's Low Carbon Future: Securing Economic Benefits

The Australian Industry Greenhouse Network (AIGN) welcomes the opportunity to comment on the strategy document released by the South Australian Government, *South Australia's Low Carbon Future: Securing Economic Benefits*. AIGN appreciates the intended strategic positioning of the South Australian Government to convert its reliance on the generation of electricity from renewable sources into a competitive advantage in a possible environment where a price may apply to a range of emissions.

Background

AIGN represents peak industry associations and corporations with a strong interest in climate change policy. Its approach to this subject is guided by a set of principles, a copy of which is attached. Collectively, entities represented by AIGN are responsible for some 60% of Australia's annual emissions of greenhouse gases.

The link between economic prosperity and activities that generate greenhouse gases dictates that improved environmental outcomes must be achieved at the lowest possible cost to the community. To do otherwise will harm social conditions; in particular in those economies that are more vulnerable to the impacts of climate change.

South Australia's economy, like much of Australia's economy more broadly, is led by a range of industries that have developed due to the availability of, and access to, competitively priced energy and resources. Indeed, our natural resources advantage underpins our prosperity. Australia's energy endowment and energy industries should continue to provide competitive advantage to the economy.

Australian industry has been making investments in reducing emissions. As the consultancy firm Trading Nations Consulting commented in a recent report, the end result has been that, "Australia has performed better than most other developed economies in constraining emissions growth since 1990. Its modest increase in total emissions of 2.4% from 1990 to 2012 compares favourably with Canada (+42%), Japan (+8.6%) and the United States (+2.7%) (page 6, *Climate Policy & Australia's Resources Trade*)"¹.

Policy Approach to Reducing Emissions

¹ *Climate Policy & Australia's Resource Trade*, Trading Nation Consulting, March 2015.

AIGN advocates a policy environment that delivers least-cost, environmentally effective and equitable outcomes for Australia. It is important that policies applying in this area are stable, predictable and avoid complexity to help minimise investment uncertainty. Further, such policies should not expose Australian export- and import-competing industries to costs not faced by these industries in other countries. One of AIGN's key policy principles is support for a market mechanism in reducing emissions as market forces are the most efficient in determining where the lowest cost abatement can be sourced.

AIGN recognises the legitimate concern of the South Australian Government to put in place measures that improve its competitive standing. However, as discussed in a meeting in May with the South Australian Minister for Climate Change, the Hon Ian Hunter, climate change mitigation requires a global solution; climate change policy and its implementation should be determined at a national level to avoid the costly duplication and inefficient impost on the economy that may arise from a competing set of national and state-based mitigation policies. For these reasons, Australia must avoid the policy environment of a near decade ago where the Productivity Commission identified in excess of 200 "overlapping and costly policy measures at Federal and State level".

The COAG endorsement of the COAG Principles for Jurisdictions to Review & Streamline their Existing Climate Change Mitigation Measures in November 2008, was an overdue initiative, welcomed by industry at the time and still remaining relevant today. The COAG Complementarity Principles should underpin any review of a jurisdiction's existing climate change mitigation measures.

AIGN urges the South Australian Government to take a strong lead in maintaining this streamlining principle within their state and to avoid implementation of additional measures across jurisdictions with little regard for coordination, national consistency or efficiency, and contrary to stated cross-jurisdictional intentions. Only policies able to transparently demonstrate their value through a rigorous analysis that identifies continuing market failure, should be considered for retention.

Specific Comments on Low Carbon Investment Plan

AIGN has reviewed in depth the proposed strategy and policies for attracting increased investment in low carbon generation within South Australia. AIGN appreciates that the majority of suggested measures are "light touch" in nature and application and relate to those areas of policy where it makes sense for the South Australian Government to have policy responsibilities such as State based regulation applying to the siting of wind farms.

- AIGN supports the proposed approach of establishing a predictable, transparent and stable policy framework around regulatory and approvals processes that promote investment in renewable sources of energy. However such policies should be technology neutral; for example, access to crown lands should be as easy/difficult for wind farm proponents as for solar installations and biomass energy plantations.
- AIGN support steps that encourage investment in low cost abatement, such as providing increased information and assistance with project facilitation, as well as investigating options around new technology developments such as battery storage and electric cars.
- It should also be noted that when it comes to renewable energy, climate change policy and energy policy objectives will not always be perfectly compatible. Energy productivity and/or security goals as they relate to renewable energy might not be the same as with non-renewable energy.
- AIGN also notes that whilst the proposed suite of measures is not likely to incur a significant call on the State Government's limited budget, it may incur some form of indirect cost- such as through the

proposed reverse auction tender. It will be important to ensure that emission-intensive, trade-exposed (EITE) industries are not exposed to additional costs that cannot be passed on from such policy initiatives.

- With the legislation at the Commonwealth now in place for the Emission Reduction Fund (ERF), there is no case for a state-level target for either renewables or emission reductions. A state target is contrary to developing measures that are nationally consistent and complementary, and would potentially result in actions that are not least-cost. This could lead to adverse impacts on the competitiveness of South Australian industry.

It is AIGN's view that the State and Territory Governments should focus on support for both a coordinated national response to climate change, and adaptation measures that reflect the unique nature of their jurisdictions. The South Australian Government could also focus on reducing emissions from their operations and the operations of their statutory bodies. Other areas of focus as enablers of change could include developing local skills and the support of the demand side response at the household and SME level through education and, in the former case, through investments in research and development and infrastructure.

AIGN considers that rather than market intervention, Governments at both national and state levels can best support investment in industrial business efficiency by providing a stable, nationally integrated, industrial energy and climate change policy environment in which policy risks are minimised.

CONCLUSION

AIGN endorses the consultative approach adopted by the South Australian Government in developing a low carbon investment plan. Consideration of implementing new policies should only apply in an environment of demonstrated market failure or where there is strong evidence that a national approach is not working or has not been attempted.

Any consideration of new policy measures should be developed transparently to engender broad community input support, and AIGN would look forward to the opportunity for consultation.

Yours sincerely

Alex Gosman
CEO AIGN

Encl. AIGN Principles



The Australian Industry Greenhouse Network's position on climate change is informed by the following principles.

Australia should make an equitable contribution, in accordance with its differentiated responsibilities and respective capability, to global action to reduce greenhouse gas emissions and to adapt to impacts of climate change.

Further, Australia should engage the international community in pursuing identified and beneficial environmental outcomes through greenhouse gas emissions reduction action, which:

- allows for differentiated national approaches;
- promotes international cooperation;
- minimises the costs and distributes the burden equitably across the international community;
- is comprehensive in its coverage of countries, greenhouse gases, sources and sinks;
- recognises the economic and social circumstances and aspirations of all societies; and
- is underpinned by streamlined, efficient and effective administrative, reporting and compliance arrangements.

In this global context, Australia should develop a strategic national approach to responding to climate change, that:

- is consistent with the principles of sustainable development;
- is consistent with other national policies, including those on economic growth, population growth, international trade, energy supply and demand, and environmental and social responsibility;
- takes a long-term perspective;
- maintains the competitiveness of Australian export- and import-competing industries;
- distributes the cost-burden equitably across the community;
- adopts a consultative approach to the development of new policies; and
- is consistent and effectively coordinated across all jurisdictions throughout Australia.

Australia's future greenhouse policy measures should:

- be consistent with the strategic national approach;
- be trade- and investment-neutral in a way that does not expose Australian industry to costs its competitors do not face;
- not discriminate against new entrants to Australian industry nor disadvantage 'early movers' in Australian industry who have previously implemented greenhouse gas abatement measures;
- take account of the differing sectoral circumstances;
- be based as far as is practicable on market measures;
- address all greenhouse gases;
- address all emission sources and sinks; and
- balance, in a cost-effective way, abatement and adaptation strategies, both of which should be based on sound science and risk management.

Australia's contribution to the global climate change effort as set out here reflects the principle in Article 3.1 of the United Nations Framework Convention on Climate Change. Differentiated responsibilities and respective capabilities could take account of such matters as a country's economic growth and structure, population growth, energy production and use etc.