

Australia's current climate change policies are insufficient to meet our Paris targets

According to a national climate policy survey report released on Tuesday 20 November by the Carbon Market Institute, 92% of Australian business and industry respondents believe that national climate and energy policies are insufficient and won't drive the emissions reductions needed to meet our Paris Agreement targets.

The Institute's survey findings reveal that in the lead up to the next federal election, Australian business is calling for a clear signal from Canberra on how climate and energy policy will evolve to not only meet our international targets, but to future-proof the national economy. A total of 272 senior and executive-level individuals from across business sectors completed the Institute's 2018 Australian Climate Policy Survey. The findings show that:

- **92%** agree that current climate and energy policies are insufficient and won't drive the emissions reductions needed to meet our Paris targets.
- **82%** agree that Australia should set an economy-wide zero net emissions target for 2050.
- **82%** believe that Safeguard Mechanism baselines should be set to reduce over time in line with the trajectory of Australia's 2030 emissions reduction target.
- **84%** agree that Australia should actively participate in establishing international linkage of carbon markets.
- **64%** of respondents from large greenhouse gas emitting companies are factoring a carbon price in investment and/or operational decisions.

The Carbon Market Institute's Chief Executive Officer, Peter Castellás, says business expectations on policy makers to define a long-term pathway for Australia's emissions reduction targets are intensifying. "Our annual survey highlights that a staggeringly high proportion of respondents from industry think that Australia's current climate and energy policies won't drive the emissions reductions required to meet our Paris targets", says Castellás.

"The survey tells us that there is considerable misalignment between business expectations and current government policies when it comes to effective climate action. Business want to see greater ambition and a defined pathway leading to a zero net emissions economy," says Castellás

"Australian business recognises that global emissions are on a downward trajectory and need policies that help them manage their climate risk and opportunity in this major transition. Business is unequivocal that policies need to evolve if we are to meet our target", says Castellás.

"It is clear that business, including large-emitting companies, want a market mechanism that prices carbon, involves emissions trading and is linked to international markets", says Castellás.

"Putting a price on carbon should be an essential part of the policy suite moving forward", says Castellás.

"In the run home to the federal election, these survey results provide an insight that should be recognised and responded to by all sides of politics as they prepare their election platform to address climate change", says Castellás.

Safeguard Mechanism & Energy Policy

Under the Safeguard Mechanism, high emitting facilities representing approximately 50% of Australia's emissions have been allocated emissions baselines. There is a strong view from 82% of survey respondents that these baselines should decline in line with the trajectory of Australia's 2030 emissions reduction target.



“Despite the Government’s 2017 climate policy review and subsequent consultation on amendments to the Safeguard Mechanism, the expectation that the Government will outline how emissions baselines for covered facilities will decline, remains unaddressed”, says Castellás.

“The survey found strong support for the Government to consider maintaining the current Safeguard Mechanism policy architecture and evolving it into a baseline and credit scheme, a form of emissions trading. Trading in carbon is already taking place under the Safeguard Mechanism, and now business is saying clearly that they want to expand this existing carbon market to provide certainty for industry, as well as providing an incentive to drive down emissions nationally”, says Castellás.

In the absence of clearly defined energy policy, 60% of survey responses indicated that an Emission Trading Scheme (ETS) would be the optimal policy to reduce emissions in the electricity sector and that a majority of respondents believe the electricity sector should reduce emissions by more than its proportional emissions profile in the economy.

Emissions Reduction Fund

“Maintaining and enhancing the domestic offset scheme under the Emissions Reduction Fund (ERF) has support from 64% of survey respondents, however respondents want to see funding for domestic abatement shift from the current public funding model to a private market”, says Castellás.

“To grow Australia’s world class domestic offset sector the Government needs to invest more in R&D to reinvigorate ERF method development and innovation. We need policies that send a clear long-term price signal, so we can stimulate private sector investment and leverage the significant untapped potential for emissions reduction projects across our economy”, says Castellás.

Carbon Pricing and Climate Risk

“We need national policy that sets a carbon price to help companies manage the transition to a low-carbon economy. The survey found 64% of Australian companies with significant greenhouse gas emissions are already incorporating an internal carbon price into their investment and/or operational decisions, and of those 45% are setting a carbon price in excess of \$20”, says Castellás.

Survey respondents indicated that 77% of responding organisations recognise the material and financial risks posed by climate change at board and executive management levels and that the majority of these organisations have started to detail these risks in public reporting.

International Policy & Market Developments

Positioning Australia’s climate policy in a way that optimises our participation in the global economy is critical. With the 2018 United Nations Climate Change Conference (COP24) taking place this December in Poland, business is keen to see Australia participating in discussions at the international level and understanding how new carbon markets will develop and impact our domestic economy.

“Details will emerge at COP24 regarding the rules of the Paris Agreement, including Article 6 – the provision for establishing a global market mechanism and bilateral trading opportunities – and it will become even more critical that outcomes from these negotiations are considered in future domestic policy decisions”, says Castellás.

“Given the level of climate action from Australia’s closest trading partners, it’s not surprising that 84% of survey respondents agree that Australia should actively participate in establishing international linkage of carbon markets”, says Castellás.

“With our Emissions Intensive Trade-Exposed economy, and a deep capability to potentially supply a global market with our carbon credits, we need to optimise our position as international climate policy and markets develop”, says Castellás.

ENDS

CMI’s 2018 Australian Climate Policy Survey seeks to represent current business views on Australia’s climate policy landscape including our Paris Agreement commitments, the Emissions Reduction Fund and Safeguard Mechanism, carbon pricing and corporate climate risk and disclosure.



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The Carbon Market Institute is at the centre of climate change policy and business in Australia. Independent and non-partisan, we bring business, policy makers and thought leaders together to drive the evolution of carbon markets towards a significant and positive impact on climate change.

Engaging leaders, shaping policy and driving action, we're helping business to seize opportunities in the transition to a low carbon economy.