



# AUSTRALIAN CLIMATE **POLICY SURVEY 2018**



**Carbon  
Market  
Institute**





## ABOUT THE 2018 SURVEY

The Carbon Market Institute's Australian Climate Policy Survey provides a critical means of capturing the views of Australian business and industry to inform government and the wider community on climate and energy policy, on corporate action in the climate change arena and the economic and commercial implications of a low-carbon pathway.

The 2018 survey is the fourth in a series, thus allowing CMI to track the evolution of business views and practices. A resounding message from this survey has been the call for effective and comprehensive policy to drive the significant emissions reductions required to meet Australia's Paris Agreement targets. This call has resonated even louder in the 2018 survey with an overwhelming 92% of respondents indicating that Australia's current climate and energy policy is insufficient to meet the required targets. In the lead-up to the 2019 federal election, all sides of government should take heed of this message.

The survey was conducted over a three week period in October 2018 and received significant senior-level responses demonstrating the importance of the topic to the business community. We thank all respondents for taking the time to participate. The findings will shape our discussions with policy makers, business and investment stakeholders, media and opinion makers both domestically and internationally.

The information contained herein reflects a broad market perspective and should not be attributed to the position of any single individual or organisation.

**272** RESPONDENTS FROM AUSTRALIAN BUSINESS

**62%** HOLD C-SUITE & SENIOR MANAGEMENT ROLES

**33%** REPORT EMISSIONS UNDER THE NGER SCHEME



EXECUTIVE  
SUMMARY

As Australia approaches the next federal election, the Carbon Market Institute's (CMI) national climate policy survey reveals insights from the Australian business community that highlight how climate and energy policy must evolve to meet our Paris Agreement targets and to future-proof the Australian economy. Australian business recognise that the global emissions trajectory is heading in one direction and want policies that help them manage their climate risk and opportunity in this transition.

Australia ratified the Paris Agreement in November 2016 with a National Determined Contribution (NDC) target of 26-28% emissions reductions below 2005 levels by 2030. It is clear through the CMI Australian Climate Policy Survey 2018 that Australian business and industry want this ambition increased to an economy-wide, net zero target by 2050 and have policies in place that will enable Australia to meet its current and future Paris Agreement targets.

The survey results demonstrate that respondents want the Coalition's current Direct Action policy suite to evolve to provide an effective market-based approach to emissions reductions. Transitioning the Safeguard Mechanism to a baseline and credit scheme through amendments to the current legislation is seen by a majority of survey respondents as an option to build on existing legislation.

Maintaining and enhancing the domestic offset scheme under the Emissions Reduction Fund (ERF) has majority support of survey respondents, however respondents wanted to see the funding for domestic abatement shift from public funding to a private market. Regarding energy policy, survey responses indicated that an Emissions Trading Scheme (ETS) would be the optimal policy to reduce emissions in the electricity sector. The majority of respondents believe the electricity sector should reduce emissions by more than its proportional emissions profile in the economy.

The development of international market linkages to optimise our position as international climate policy and markets evolve was strongly supported.

Survey results show that the recognition of climate change issues in Australian business and industry is increasingly happening at the executive and board level and that climate-related financial disclosure is becoming central to good governance and business practice.

Future-proofing business and the Australian economy emerges as a central theme drawn out across the survey, either through business preparing for increased climate ambition and policy evolution; engagement in carbon markets and using a carbon price; and assessing and managing risks and opportunities of a low carbon future.

KEY  
FINDINGS

The key findings outline business views on policy and market expectations with regards to the Paris Agreement commitments, the Emissions Reduction Fund, the Safeguard Mechanism, the energy sector, carbon pricing and corporate climate risk and disclosure.

92%

AGREE THAT CURRENT CLIMATE & ENERGY POLICIES ARE INSUFFICIENT TO MEET OUR PARIS TARGETS

82%

AGREE THAT AUSTRALIA SHOULD SET AN ECONOMY WIDE ZERO-NET EMISSIONS TARGET FOR 2050

82%

AGREE THAT SAFEGUARD BASELINES MUST BE SET TO REDUCE OVER TIME, IN LINE WITH AUSTRALIA'S 2030 EMISSIONS REDUCTION TARGET TRAJECTORY.

79%

AGREE THAT THE SAFEGUARD MECHANISM COULD TRANSITION TO A BASELINE AND CREDIT SCHEME.

84%

AGREE THAT AUSTRALIA SHOULD ACTIVELY PARTICIPATE IN ESTABLISHING INTERNATIONAL LINKAGE OF CARBON MARKETS.

64%

AGREE MORE FUNDS SHOULD BE ALLOCATED TO THE ERF; 45% SAY FUNDING SHOULD BE CONTINUED UNTIL THE ERF TRANSITIONS TO A PRIVATE MARKET.

68%

AGREE THAT THE ELECTRICITY SECTOR SHOULD REDUCE EMISSIONS BY MORE THAN THE SECTOR'S PROFILE IN THE ECONOMY.

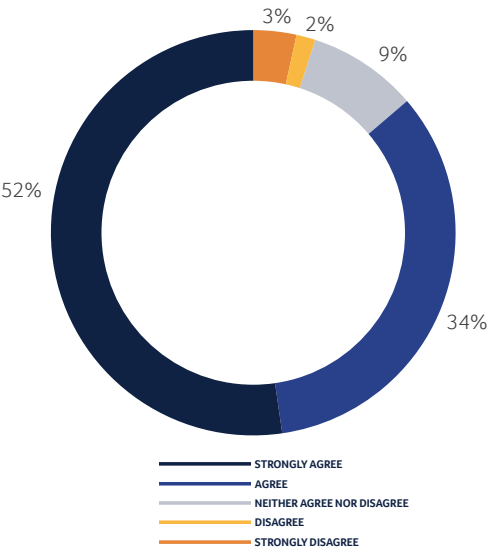
64%

OF LARGE GREENHOUSE GAS EMITTING COMPANIES ARE FACTORING IN A CARBON PRICE.

SECTION 1  
CLIMATE & ENERGY POLICY

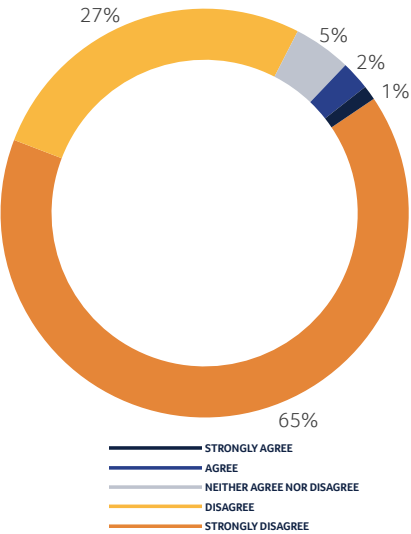
Australian business and industry overwhelmingly agree that current climate and energy policies are inadequate and will not drive Australia’s emissions reductions required under our Paris Agreement commitments. There was also significant recognition that Australia’s current 2030 commitments will increase over time, and strong agreement that Australia should set a 2050 economy-wide net-zero target. A majority of respondents did not think an

increase in ambition above current targets will have significant impact on economic growth. Establishing international linkage of carbon markets is endorsed to support domestic emissions reduction efforts. However survey responses were not definitive about the effect of Australia’s exposure to other carbon markets, particularly key trading partners such as China and South Korea.



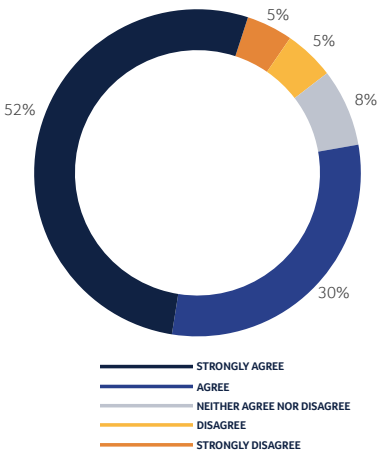
86% OF RESPONDENTS BELIEVE AUSTRALIA'S CURRENT EMISSIONS REDUCTION COMMITMENTS WILL INCREASE OVER TIME.

Q6 AUSTRALIA'S CURRENT TARGET OF 26-28% WILL BE EXPECTED TO INCREASE OVER TIME.



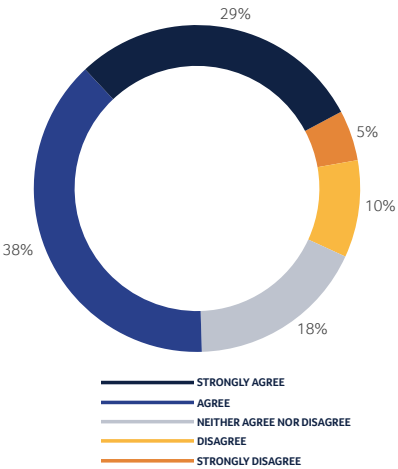
92% OF RESPONDENTS AGREE THAT AUSTRALIA'S CURRENT CLIMATE AND ENERGY POLICIES ARE INSUFFICIENT TO DRIVE EMISSIONS REDUCTIONS TO MEET THE PARIS AGREEMENT.

Q7 AUSTRALIA'S CURRENT CLIMATE AND ENERGY POLICIES ARE SUFFICIENT TO DRIVE EMISSIONS REDUCTIONS TO MEET OUR PARIS TARGETS.



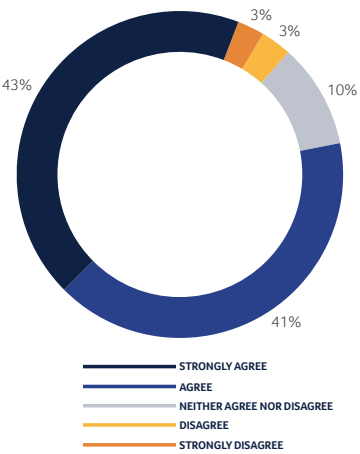
82% OF RESPONDENTS BELIEVE THAT AUSTRALIA SHOULD SET AN ECONOMY-WIDE ZERO-NET EMISSIONS TARGET FOR 2050.

Q8 AUSTRALIA SHOULD SET AN ECONOMY-WIDE ZERO-NET EMISSIONS TARGET FOR 2050.



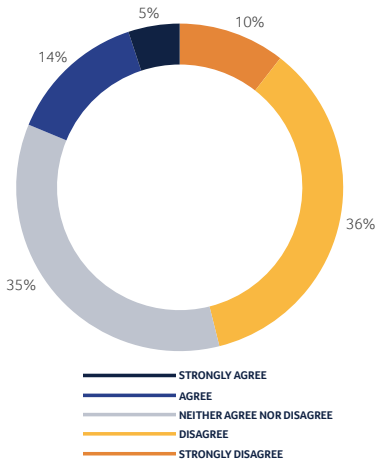
67% OF RESPONDENTS THINK THAT INCREASING AMBITION ABOVE CURRENT TARGETS WILL NOT HAVE SIGNIFICANT NEGATIVE IMPACTS ON ECONOMIC GROWTH.

Q9 INCREASING AMBITION ABOVE CURRENT TARGETS WILL NOT HAVE SIGNIFICANT NEGATIVE IMPACTS ON ECONOMIC GROWTH. (EG. 45% REDUCTION ON 2005 LEVELS BY 2030).



84% OF RESPONDENTS AGREE THAT AUSTRALIA SHOULD ACTIVELY PARTICIPATE IN ESTABLISHING INTERNATIONAL LINKAGE OF CARBON MARKETS.

Q10 AUSTRALIA SHOULD ACTIVELY PARTICIPATE IN ESTABLISHING INTERNATIONAL LINKAGE OF CARBON MARKETS.



46% OF RESPONDENTS BELIEVE EITEs WILL BE IMPACTED BY A CARBON PRICE IMPLEMENTED BY TRADING PARTNERS, WHILST 19% BELIEVE THAT THEY WILL NOT.

Q11 EMISSIONS-INTENSIVE TRADE-EXPOSED INDUSTRIES (EITEs) WILL NOT BE IMPACTED BY A CARBON PRICE BEING IMPLEMENTED IN KEY TRADING PARTNERS SUCH AS CHINA AND SOUTH KOREA.



## THE EMISSIONS REDUCTION FUND

The ERF is central to the Government’s Direct Action Plan to cut emissions to 5% below 2000 by 2020 and further, to 26 to 28% below 2005 levels by 2030.

Following the seventh ERF auction in June 2018, the Clean Energy Regulator had committed a total of \$2.3 billion to 429 contracts covering 461 projects, which will deliver more than 192 million tonnes of abatement at an average price of \$11.97 per tonne.

Around \$249 million of the \$2.55 billion allocated to the ERF remains available for future purchases.

**192+**  
MILLION TONNES OF ABATEMENT CONTRACTED AT AUCTION

**\$11.97**  
WEIGHTED AVERAGE PRICE PER TONNE OF ERF ABATEMENT

**429**  
LONG-TERM ERF CONTRACTS IN PLACE TO DELIVER ABATEMENT

**35.9**  
MILLION TONNES OF ABATEMENT DELIVERED UNDER CONTRACT



SECTION 2  
EMISSIONS REDUCTION FUND

Australian business and industry believe generally that more funds should be allocated to the ERF with 45% saying that this funding should be continued until the ERF transitions to a private market. There was agreement among survey respondents that current ERF methodologies are not sufficient to cover carbon abatement and emissions avoidance opportunities and that more government

research and development funding should be invested into developing new methodologies to ensure the growth and supply of Australian Carbon Credit Units (ACCUs). Australian business would also like more market information on supply and demand of ACCUs and international units.

Q12 WITH RELATION TO THE ERF:

MORE FUNDS SHOULD BE ALLOCATED TO THE ERF UNTIL IT TRANSITIONS FROM PUBLIC SECTOR FUNDING TO A PRIVATE MARKET.



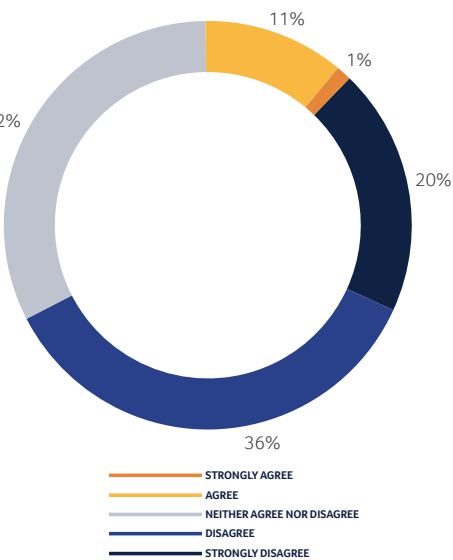
NO MORE FUNDS SHOULD BE ALLOCATED.



MORE FUNDING SHOULD BE ALLOCATED TO THE ERF.

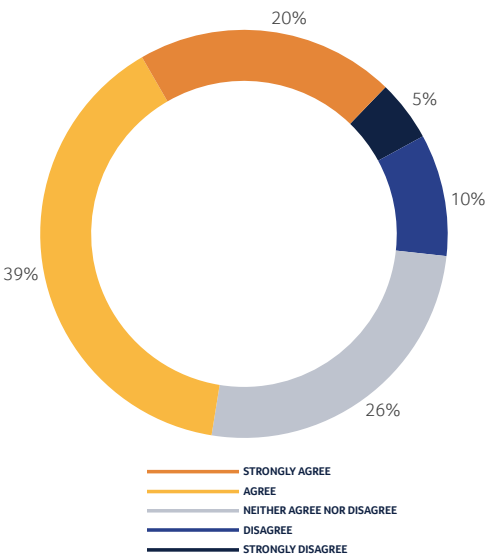


64% AGREE MORE FUNDS SHOULD BE ALLOCATED TO THE ERF; 45% SAY FUNDING SHOULD BE CONTINUED UNTIL THE ERF TRANSITIONS TO A PRIVATE MARKET.



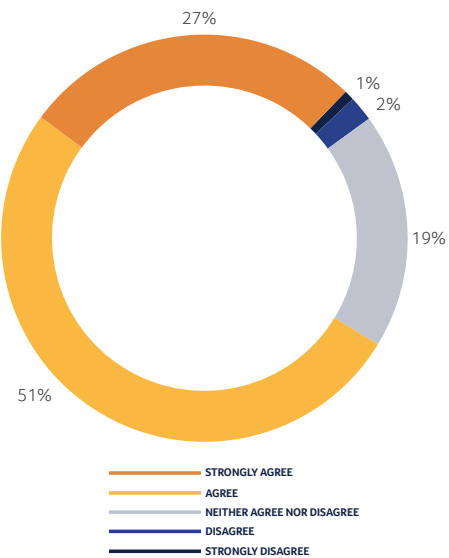
56% OF RESPONDENTS AGREE THAT THE CURRENT APPROVED ERF METHODOLOGIES ARE INSUFFICIENT.

Q13 THE CURRENT LIST OF APPROVED ERF METHODOLOGIES ARE SUFFICIENT TO COVER MOST VIABLE CARBON ABATEMENT AND EMISSIONS AVOIDANCE OPPORTUNITIES.



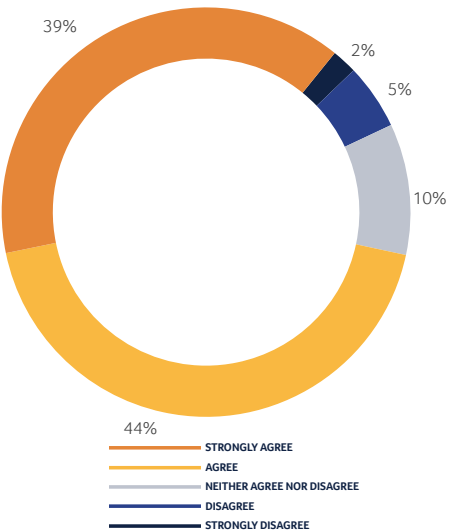
59% OF RESPONDENTS STATE THAT MORE FUNDS SHOULD BE INVESTED ON METHODOLOGY R&D.

Q14 TO ENSURE GROWTH AND SUPPLY OF AUSTRALIAN CARBON CREDIT UNITS (ACCUs), MORE GOVERNMENT FUNDS NEED TO BE INVESTED IN THE R&D OF NEW ERF/CARBON FARMING METHODOLOGIES.



78% OF RESPONDENTS WANT TO SEE MORE MARKET INFORMATION REGARDING SUPPLY AND DEMAND OF ACCUs AND INTERNATIONAL UNITS.

Q15 MORE MARKET INFORMATION NEEDS TO BE AVAILABLE ON SUPPLY AND DEMAND OF ACCUS AND INTERNATIONAL UNITS.



82% OF RESPONDENTS SAID THAT A MARKET MECHANISM PUTTING STRONGER COMPLIANCE ON LARGE EMITTERS TO PURCHASE ACCUs IS REQUIRED.

Q16 A MARKET MECHANISM THAT PUTS A STRONGER COMPLIANCE OBLIGATION ON LARGE EMITTERS TO PURCHASE ACCUs IS REQUIRED TO DRIVE INVESTMENT INTO NEW DOMESTIC CARBON PROJECTS.



# THE SAFEGUARD MECHANISM

The Safeguard Mechanism ensures that emissions reductions purchased through the ERF are not offset by significant increases in emissions above business-as-usual levels elsewhere in the economy.

The Safeguard Mechanism requires Australia’s largest emitters to keep emissions below allocated baseline levels. Baselines are currently set at either historical high-points, or are calculated, subject to a set of criteria, where historical information is not available or not reflective of future emissions.

In the first compliance period for the Safeguard Mechanism (1 July 2016 to 30 June 2017), 16 facilities exceeded their baseline and collectively surrendered 448,097 ACCUs in response to their emissions liability.

**154**  
RESPONSIBLE EMITTERS WITH ONE OR MORE COVERED FACILITIES

**203**  
FACILITIES COVERED BY THE SAFEGUARD MECHANISM

**16**  
SAFEGUARD COVERED FACILITIES SURRENDERED ACCUs TO MANAGE EMISSIONS ABOVE THEIR BASELINE IN COMPLIANCE YEAR 1

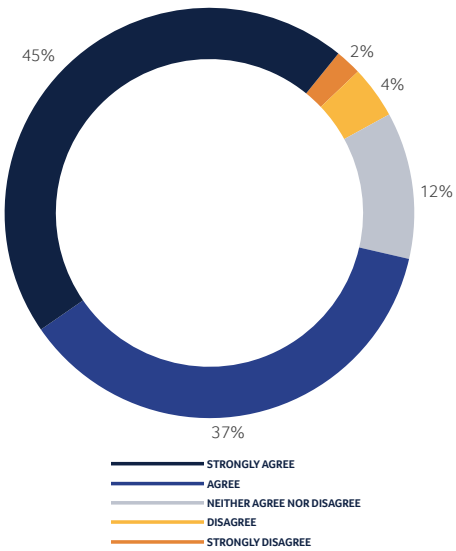
**448,097**  
ACCUs SURRENDERED BY LIABLE ENTITIES IN COMPLIANCE YEAR 1



SECTION 3  
SAFEGUARD MECHANISM

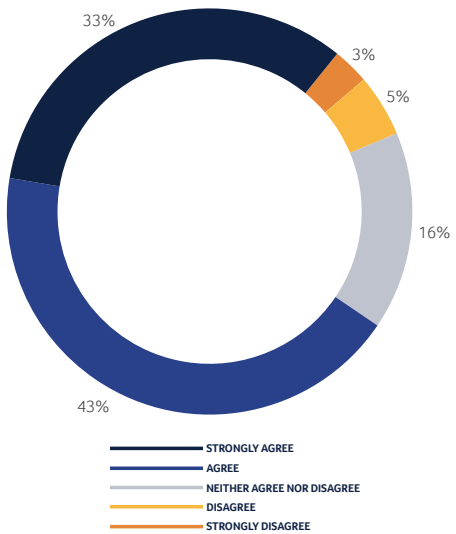
Respondents strongly agreed that the Safeguard Mechanism has the potential to evolve and to drive much stronger emissions reductions and could be a key element in achieving Australia’s international emissions reductions targets. If the Safeguard Mechanism is to be the primary policy covering large emitters, Australian business wants to see the reduction of baselines over time in line with the trajectory of Australia’s 2030 emissions

reduction target. The majority of respondents also believe that the threshold (currently 100,000 tCO<sub>2</sub>-e) should be lowered to increase coverage of entities under the mechanism. Respondents also overwhelmingly indicated that the Safeguard could transition to a baseline and credit scheme through amendments to current legislation and that international units should be allowed in order to achieve compliance.



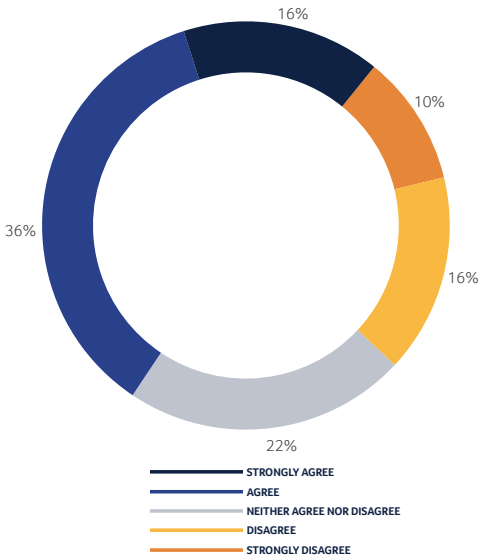
**82%** OF RESPONDENTS AGREE THAT SAFEGUARD BASELINES MUST BE SET TO REDUCE OVER TIME, IN LINE WITH AUSTRALIA'S 2030 EMISSIONS REDUCTION TARGET TRAJECTORY.

**Q17** BASELINES ALLOCATED UNDER THE SAFEGUARD MECHANISM SHOULD BE SET TO REDUCE OVER TIME IN LINE WITH THE TRAJECTORY OF AUSTRALIA'S 2030 EMISSIONS REDUCTION TARGET.



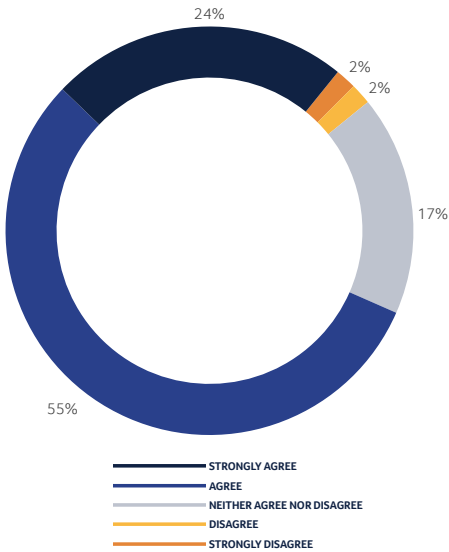
**76%** OF RESPONDENTS BELIEVE THE SAFEGUARD THRESHOLD SHOULD EXPAND TO COVER OTHER ENTITIES.

**Q18** THE GOVERNMENT SHOULD CONSIDER LOWERING THE THRESHOLD TO EXPAND THE NUMBER OF ENTITIES COVERED UNDER THE SAFEGUARD MECHANISM (I.E. TO INCLUDE LOWER EMITTING COMPANIES OR FACILITIES).



**52%** OF RESPONDENTS THINK AUSTRALIA SHOULD ALLOW INTERNATIONAL UNITS UNDER THE SAFEGUARD FOR COMPLIANCE PURPOSES

**Q19** AUSTRALIA SHOULD ALLOW INTERNATIONAL UNITS FOR COMPLIANCE PURPOSES UNDER THE SAFEGUARD MECHANISM.



**79%** AGREE THAT THE SAFEGUARD MECHANISM COULD TRANSITION TO A BASELINE AND CREDIT SCHEME

**Q20** THROUGH AMENDMENTS TO THE CURRENT LEGISLATION, THE SAFEGUARD MECHANISM COULD TRANSITION INTO A BASELINE AND CREDIT SCHEME (WHICH WOULD, FOR EXAMPLE, ALLOW THE CREATION OF PERMITS BY BUSINESSES THAT REDUCE EMISSIONS BELOW THEIR BASELINE AND REQUIRE THE PURCHASE OF PERMITS FOR EMISSIONS ABOVE THEIR BASELINE).



SECTION 4

THE ELECTRICITY SECTOR

The electricity sector currently accounts for 34% of Australia’s greenhouse gas emissions profile. The Renewable Energy Target (RET) is legislated to 2030 but the target does not increase from 2020 to 2030. There was strong recognition from survey respondents that the electricity sector should do more heavy

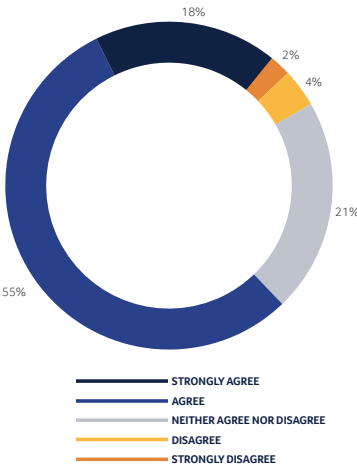
lifting to reduce emissions greater than its proportional share of emissions in the economy. Survey respondents did not support the National Energy Guarantee as a means of reducing emissions from the sector with the majority backing an ETS covering the sector.



68% OF RESPONDENTS FEEL THAT THE ELECTRICITY SECTOR SHOULD REDUCE EMISSIONS BY MORE THAN THE SECTOR'S PROFILE IN THE ECONOMY.



Q21 TO CONTRIBUTE TO AUSTRALIA'S EMISSIONS REDUCTION CHALLENGE, THE ELECTRICITY SECTOR SHOULD REDUCE EMISSIONS:



73% OF RESPONDENTS BELIEVE AN ELECTRICITY-WIDE BASELINE, LEGISLATED UNDER THE SAFEGUARD MECHANISM COULD BE USED AS A POLICY LEVER TO DRIVE EMISSIONS REDUCTION IN THE SECTOR.

Q22 THE ELECTRICITY SECTOR-WIDE BASELINE, LEGISLATED UNDER THE SAFEGUARD MECHANISM, COULD BE USED AS A POLICY LEVER TO DRIVE EMISSIONS REDUCTION IN THE SECTOR.



60% OF RESPONDENTS BELIEVE AN EMISSIONS TRADING SCHEME IS THE BEST POLICY OPTION FOR THE ELECTRICITY SECTOR.



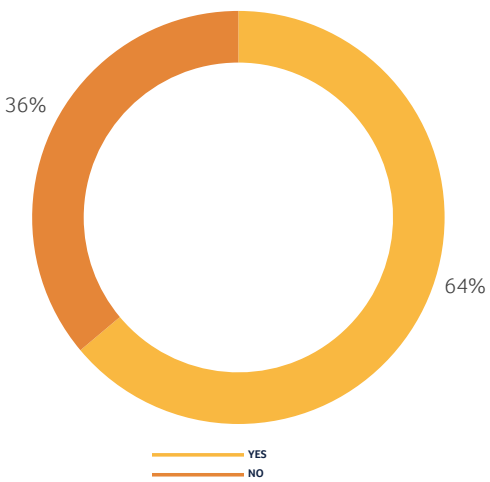
Q23 WHICH IS THE BEST POLICY OPTION TO REDUCE EMISSIONS FROM THE ELECTRICITY SECTOR?



SECTION 5  
CARBON PRICING

Internal carbon pricing has emerged as an important tool to help companies manage climate risks and identify opportunities in the low-carbon economy transition. The majority of significant greenhouse emitters that responded to the survey stated that

they are factoring in a carbon price in their investment and operational decisions. However there is a broad range of carbon prices being used with the majority of internal carbon prices being used ranging between \$10 - \$30 per tonne.



**64%** OF LARGE GREENHOUSE GAS EMITTING COMPANIES ARE FACTORING IN A CARBON PRICE.

**Q24** IF YOU WORK FOR A COMPANY WITH SIGNIFICANT GREENHOUSE GAS PRODUCING ACTIVITIES, IS YOUR COMPANY FACTORING IN A CARBON PRICE IN INVESTMENT AND/OR OPERATIONAL DECISIONS?



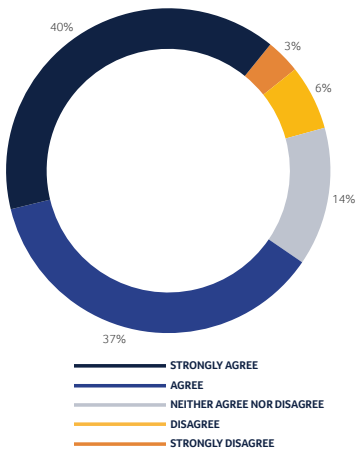
**45%** OF RESPONDENTS THAT ARE FACTORING IN A CARBON PRICE, ARE SETTING IT IN EXCESS OF \$20 AUD.

**Q25** IF YOU ARE FACTORING IN AN INTERNAL CARBON PRICE, AT WHAT LEVEL ARE YOU SETTING THE CARBON PRICE?

SECTION 6  
CLIMATE RISK

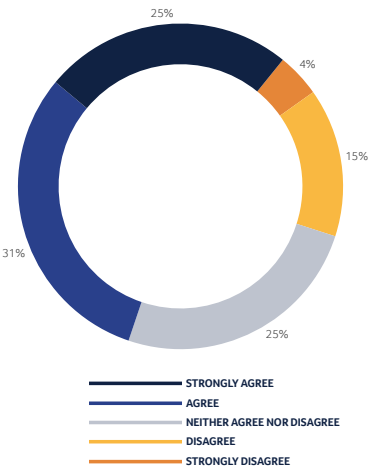
Disclosure practices on managing climate risks and identifying opportunities in the transition to a low-carbon economy are evolving as organisations respond to market signals and a heightened investor focus on the associated financial impacts. The Task Force for Climate-related Financial Disclosures (TCFD) framework recommends companies use a voluntary framework to disclose the financial impact of climate-related risks and opportunities. Survey respondents indicated that many

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 detailed these risks in public communications and/or in general reporting. Whilst current disclosure on climate risk is largely voluntary, Australian business and industry think that Australia should adopt a national regulatory disclosure framework for climate-related financial reporting.



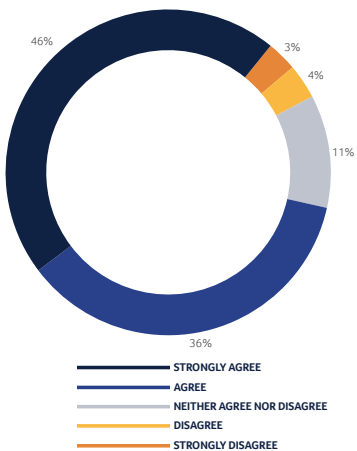
**77%** OF COMPANY BOARDS AND EXECUTIVES INTERNALLY RECOGNISE CLIMATE CHANGE RISKS.

**Q26** THERE IS RECOGNITION IN MY ORGANISATION AT BOARD AND EXECUTIVE MANAGEMENT LEVELS OF THE MATERIAL FINANCIAL AND STRATEGIC RISKS POSED BY CLIMATE CHANGE.



**56%** OF RESPONDENTS INDICATED THAT THEY HAD DETAILED THE RISKS/ OPPORTUNITIES IN PUBLIC COMMUNICATIONS AND/OR REPORTING.

**Q27** MY ORGANISATION HAS DETAILED THE RISKS/ OPPORTUNITIES FROM CLIMATE CHANGE IN PUBLIC COMMUNICATIONS AND/ OR MAINSTREAM REPORTING.

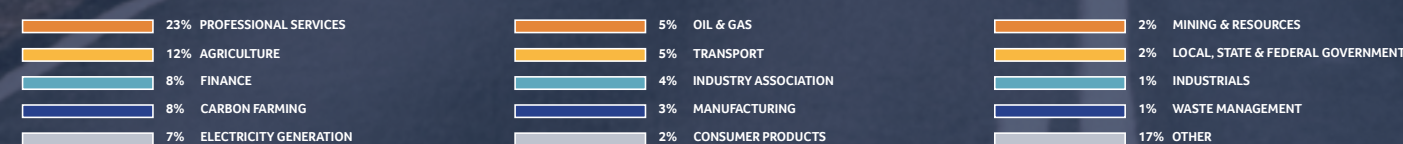
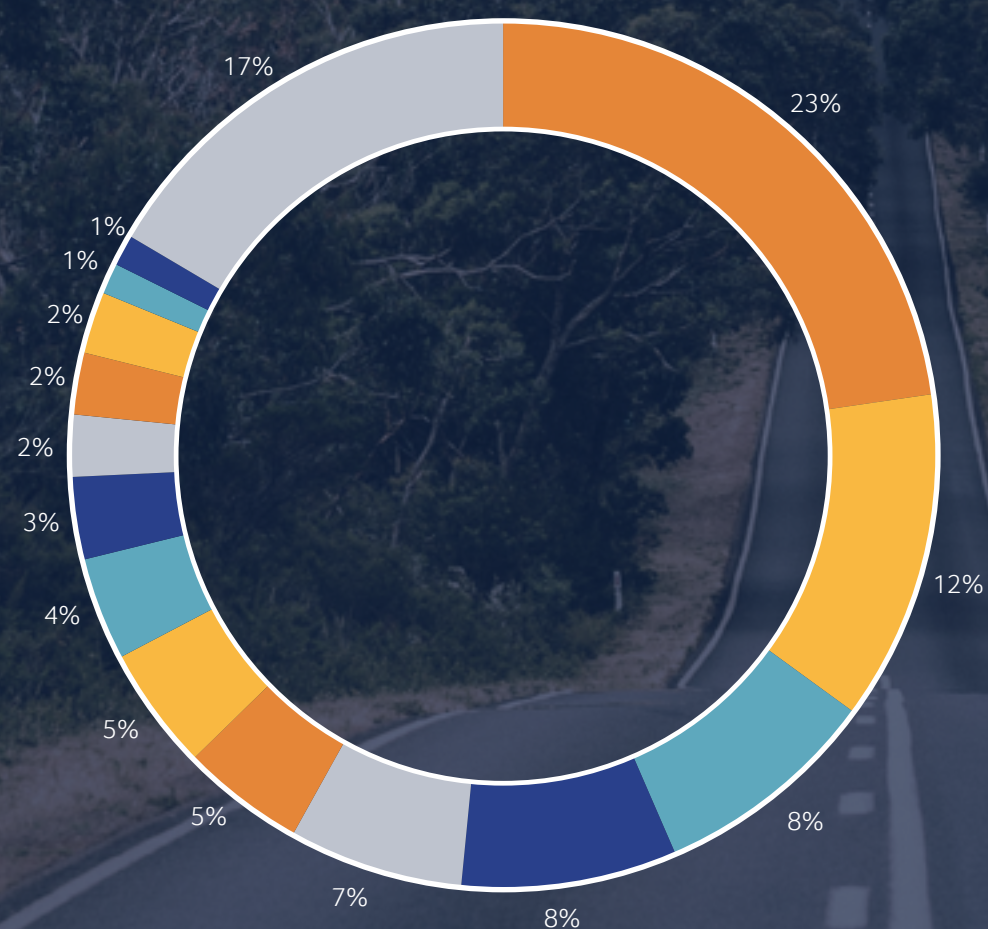


**82%** BELIEVE AUSTRALIA SHOULD ADOPT A NATIONAL REGULATORY DISCLOSURE FRAMEWORK FOR CLIMATE-RELATED FINANCIAL REPORTING.

**Q28** AUSTRALIA SHOULD ADOPT A NATIONAL REGULATORY DISCLOSURE FRAMEWORK FOR CLIMATE-RELATED FINANCIAL REPORTING.



**272 SENIOR-LEVEL INDIVIDUALS RESPONDED TO THE SURVEY WHICH CLOSED ON 26 OCTOBER 2018, WITH 62% HOLDING C-SUITE & SENIOR MANAGEMENT ROLES.**



**AMONGST THE RESPONDENTS, 33% INDICATED THEY WORKED FOR AN NGER REPORTING COMPANY, WITH 14% INDICATING THEIR COMPANY IS COVERED BY THE ERF SAFEGUARD MECHANISM.**

**33%**  
NATIONAL GREENHOUSE & ENERGY REPORTERS

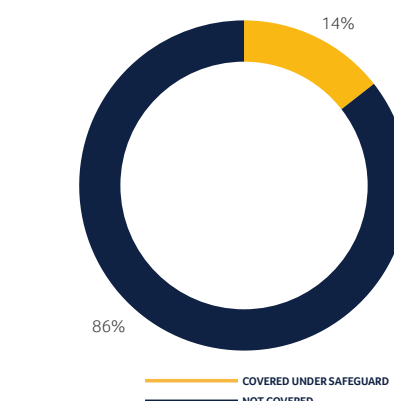
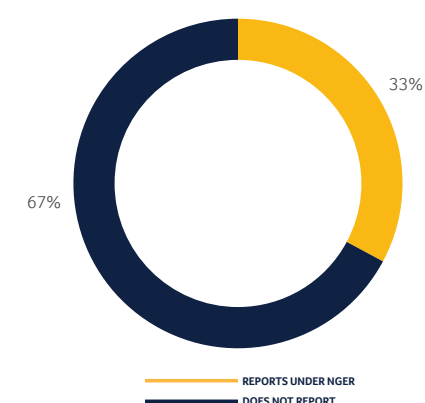
**14%**  
COVERED UNDER SAFEGUARD MECHANISM

## ABOUT SURVEY & SCOPE

The Carbon Market Institute has been carrying out an emissions reduction survey of Australian business and industry since 2014, tracking attitudes on policy issues and current trends in the business and climate change space.

The 2018 Australian Climate Policy survey was carried out in October as an electronic survey sent to a wide Australian database of senior executives working for, or with, companies or organisations with a large emissions profile, investors, carbon market experts and professional service providers. The survey consisted of key sections covering the Paris Agreement commitments, the Emissions Reduction Fund, the Safeguard Mechanism, the energy sector, carbon pricing and corporate climate risk and disclosure.

Respondents represent a broad cross-section of industries including agriculture, mining, manufacturing, transport and energy generation as well as experts from carbon project developers, and financial and professional services, as shown in the sector breakdown. Of these respondents, 62% were at the CEO, C-suite and Director level.







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