



Australian Climate Policy Survey 2020

About the 2020 Survey

Each year the Carbon Market Institute (CMI) surveys the attitudes of Australian business and industry to gauge views on climate and energy policy, corporate climate action and economic implications of international developments. The 2020 survey is the sixth in a series, allowing the CMI to track trends on business views and practices.

The survey demonstrates a high level of awareness of the need for action spurred on by a range of drivers including increasing investor pressure, consumer demands, growing climate costs, economic opportunities and long-term strategic planning.

The survey was carried out as an electronic survey and sent to a wide database of senior executives and employees working for businesses with a large emissions profile, investors, carbon project developers, carbon market experts and professional service providers. Just under half of respondents work for businesses that are not CMI members. The survey was conducted over a three-week period over October to November 2020 and received significant senior-level responses, demonstrating the importance of the topic to the business community. We thank all respondents for participating.

The survey data reflects a broad market perspective and should not be attributed to the position of any single individual or organisation. We received approximately the same number of responses in 2020 compared to 2019, at 230.

234 respondents from Australian business

85% hold c-suite & senior management roles

39% report emissions under the NGER scheme

Executive Summary

BACKGROUND

2020 was always to be a significant year for climate action with the Paris Agreement coming into operation. Countries were required to review or update their emissions reduction pathways, known as nationally determined contributions (NDCs) by COP26 originally planned for November 2020. Furthermore, in August 2019 at the Pacific Islands Forum, Australia joined with other Pacific leaders in the Kainaki II Declaration for Urgent Climate Action, recognising the importance of pursuing efforts to limit average global warming to 1.5°C, and calling for all countries to communicate mid-century long-term strategies by 2020.

In Australia, 2020 began with ongoing severe drought and the 'Black Summer' bushfire crisis, bringing home the reality of the climate crisis and costs the country is already experiencing. Globally, the COVID-19 pandemic caused significant disruption, including in Australia where the country is experiencing high unemployment and its first recession in 30 years. The bushfires saw a surge in community and corporate concern about climate action which, perhaps surprisingly, has been undimmed by the COVID crisis.

For many countries, the COVID-19 pandemic has provided an important stocktake moment, with several of the world's leading economies announcing green, more resilient and sustainable recovery plans. In our region, China set a net-zero carbon emissions by 2060 target. Soon after Japan and South Korea joined the United Kingdom, Europe, New Zealand and Pacific Islands with 2050 net-zero emissions targets.

U.S. President-elect Biden has committed to re-joining the Paris Agreement and set a 2050 net-zero emissions target. This means that 70% of Australia's trading partners are setting clear pathways to decarbonisation. Some of these trading partners have begun to consider carbon border tariff adjustments for carbon intensive imports. The Australian Government has committed to meeting the net zero goal "as soon as possible" at an unspecified point in the second half of the century.

Momentum for the decarbonisation of our economy is growing within the Australia business community. Industry bodies such as the National Farmers' Federation and the Business Council of Australia have joined a spiralling list of corporations and financial institutions adopting the 2050 net-zero target. There is increasing acknowledgement in other nations and the business and investor community that climate action is consistent with economic growth,

that alongside rising climate costs, there are opportunities and jobs in the transition to a net-zero emissions economy.

The Australian Government has set a 2030 emissions reduction target of between 26% and 28% below 2005 levels. As with some other nations this 2030 target is independently assessed to be aligned with pathways that would see average global warming above 3°C. Controversially, Australia is the only country that hasn't ruled out using pre-2020 Kyoto carryover credits to meet its 2030 target which could allow an emissions increase above projections. This will make post 2030 declines more drastic, and hinder the growth of industries that will benefit in the more urgent transition required by the science.

In 2020 the Government released its Manufacturing Modernisation Initiative, the first Low Emissions Technology Statement and a number of initiatives responding to the Report of the Expert Panel examining additional sources of low cost abatement (the King Review). With the King Review reforms, the Government explicitly recognised that Australia has a vibrant carbon market. This carbon market has been dominated by the taxpayer purchasing emission abatement at auctions at carbon prices up to \$16 per tonne. From a small "Safeguard Mechanism" compliance base, corporate emissions trading is growing with increasing voluntary corporate and product carbon neutrality aspirations. Government reforms are encouraging voluntary participation.

Finally, Australia remains committed to releasing a 2050 Long-Term Strategy before COP26, now postponed to November 2021. The later into 2021 the further it will be on its call with Pacific nations for that promised 2020 strategy, and the further we will slip behind the majority of our trading partners.

It would be much better for efforts to be driven and coordinated nationally

Survey Respondent



POLICY CONCERNS AND OPPORTUNITIES

CMI’s 2020 Australian Climate Policy Survey reveals business sentiment is growing for Australia to set a nationwide net-zero emissions target by 2050. 88% of respondents believe Australia’s long-term strategy should include a target of net-zero emissions by 2050, in 2019 this was 83%.

There was a significant surge in concern about carbon border tariff adjustments from trading partners for Australia’s emissions intensive economy and exports, in 2019 this was at 70%, in 2020 this has jumped to 79%. Opposition to the use of the internationally and domestically controversial Kyoto carryover units also rose to 79%, from 76% in 2019.

Over three quarters, 76%, of respondents believe the Australian Government is not sufficiently integrating climate goals in its COVID recovery plans.

This was despite some pragmatic and practical reforms of its Emission Reduction Fund and related carbon markets, renewed funding for ARENA and low emission technology priority announcements. This did lead to a statistically significant improvement in the concerns that Australia’s current climate and energy policies are not sufficient to drive emissions reductions to meet our Paris targets, but they remain very high at 87%, down from 94% in 2019. Business respondents are clearly calling for more direction and policy reform.

When asked about policy priorities for our energy sector, a target of net-zero by 2050 came out as the most important priority, followed by a commitment to a stronger 2030 emission reduction target and a plan for the orderly replacement of ageing coal-fired generators with clean energy. Asked separately, 78% of respondents believe Australia’s current 2030 target of 26-28% reductions is an inadequate contribution towards the Paris Agreement goal and should be increased.

Despite not having a national 2050 net-zero commitment, all Australian states and territories are now working towards that target. When asked if it was appropriate for State governments to set and implement their own 2050 targets and related policies, 83% said yes, in 2019 this response was similar at 82%. This can perhaps be attributed to strategic, or best-practice risk management as 93% of respondents believe that the longer Australia delays decarbonisation, the more abrupt, forceful and disruptive the policy response will need to be, especially for carbon-intensive industries.

BUSINESS RISKS, ACTION AND DRIVERS

With the slow evolution of national policy, business is leading the transition to a net-zero emissions economy as awareness increases at management level and pressure grows from shareholders to respond to the climate challenge. 87% of survey respondents stated that there is recognition in their organisation at board and executive management levels of the material financial and strategic risks posed by climate change. This is increasing year on year, in 2019 the figure was 84%, in 2018 it stood at 77%. During the past 12 months, 56.6% of respondents stated that their organisation has been faced with increased shareholder action/resolutions regarding climate change, in 2019 this figure was at 42% — this is a significant increase. Respondents reported that key drivers for climate action within their organisations include long-term strategy; risk management, commercial opportunities, reputation management and stakeholder demand.

The Safeguard Mechanism, requiring management of emissions compliance entry into Australia’s carbon market for our biggest emitters, remains the best chance for policy evolution. Support for reducing compliance baselines over time in line with the trajectory of Australia’s 2030 emissions reduction target remains remarkably solid at 83%. This is the same proportion in 2019 and just above the 82% in 2018.

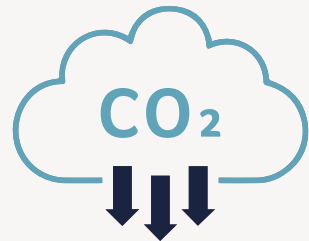
Companies are preparing for inevitable carbon pricing reforms whether they be direct or indirect. There was a significant increase in internal carbon prices being reported, in 2020 75% use \$20 or more, up from 63% in 2019 and 45% in 2018. The majority of survey respondents (84%) believe that Australia should actively participate in establishing international linkage of carbon markets to allow flexibility for both import and export of carbon credits.

CONCLUSION

2020 was set to be a pivotal year for climate action with the commencement of the Paris Agreement, but no-one could have expected the twists and turns it delivered. Despite the disruptive and destructive interruption of COVID, investor, community and corporate concerns and actions regarding climate action have continued gaining momentum following the Black Summer bushfire disaster. A recent surge in global momentum, to be enhanced by a US Biden administration, sees Australian business attitudes solidifying and strengthening as they turn to economic opportunities that can come from a transition to net-zero emissions. Targets and transition planning are being demanded as crucial economic and policy signals to bolster Australia’s low-emissions technology strategies.

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To pull its weight as a responsible international citizen, and to avoid the risk of punitive carbon tariffs, Australia must commit to net zero emissions by 2050
Survey Respondent

Key Findings



88% believe Australia should set an economy-wide zero net emissions target by 2050 (in 2019 this was 83%)



76% believe the Australian Government is not sufficiently integrating climate goals in its COVID recovery plans



79% believe the Australian Government should not use Kyoto carryover units to achieve its 2030 NDC target (in 2019 this was 76%)

84% state that Australia **should introduce mandatory reporting** of climate-related risks

75% have currently **set an internal carbon price >\$20** (in 2019 this was 63%, in 2018 this was 45%)

83% believe 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 (in 2019 this was 83%, in 2018 this was 82%)

79% believe carbon border tariff adjustments from trading partners are a **potential risk to Australia's emissions-intensive economy and exports** (in 2019 this was 70%)

78% believe Australia's current 2030 target of 26-28% reductions is an **inadequate contribution** towards the Paris Agreement goal and **should be increased**

88% of respondents expect Australia to have by 2030 **at least an implicit carbon price of over \$20**, 55% expect that price to be over \$30

COVID recovery and domestic policy

As it seeks economic recovery measures after COVID, the Australian Government has now released its Budget, Manufacturing Modernisation Initiative, first Low Emissions Technology Statement and a number of carbon market reforms responding to the King Review. It has committed to releasing a Long-Term Strategy before COP26 in December 2021.

Q6. Australia’s long-term strategy should include:

Top 5 Answers

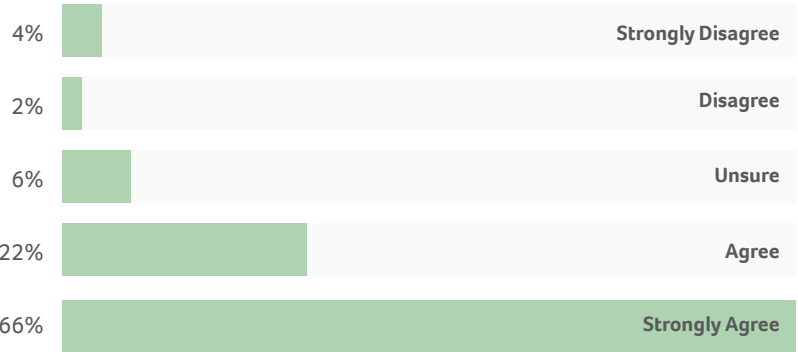
1	A target of net-zero emissions by 2050
2	A price on carbon
3	A just transition strategy that integrates social, employment, Indigenous and environmental outcomes
4	Measures to address climate-related economic risks and financial stability
5	An updated national climate resilience and adaptation strategy



“A great benefit of the Australian Federation is the distribution of power between the Commonwealth and the States. In the absence of Commonwealth policy, the States have real agency they can exercise to help Australian citizens and businesses prepare for the inevitable transition.”

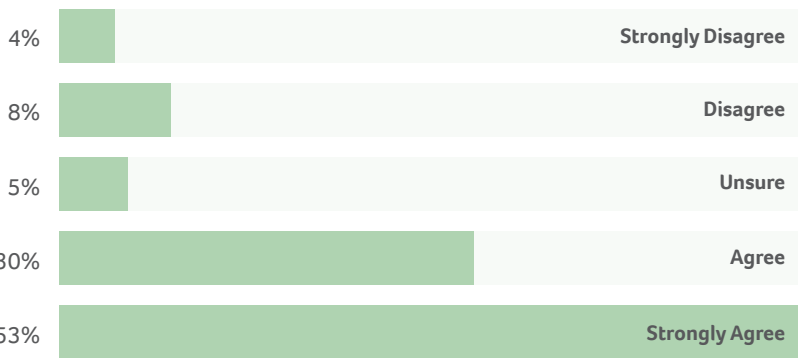
Survey Respondent

Q7. Australia should set an economy-wide net zero emissions target by 2050.



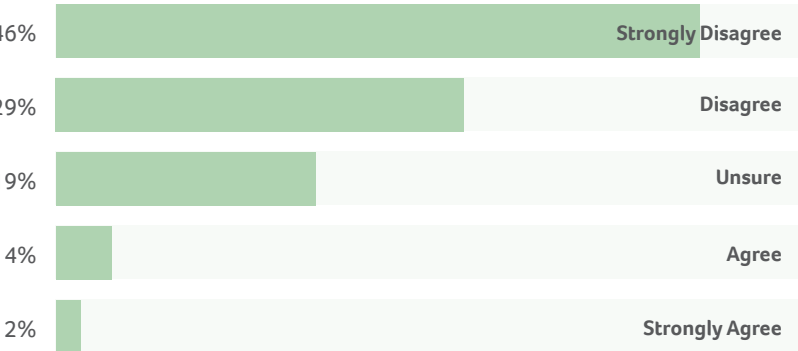
88% of survey respondents agree or strongly agree that Australia should set an economy-wide net zero emissions target by 2050 (in 2019 this was 83%)

Q8. Considering current national policy and the lack of a long-term strategy or target, it is appropriate for State governments to set and implement their own 2050 targets and related policies.



83% of respondents agree that it is appropriate for State governments to set and implement their own 2050 targets and related policies

Q9. The Australian Government is sufficiently integrating climate goals in its COVID recovery plans.



76% of survey respondents believe the Australian Government is insufficiently integrating climate goals in its COVID recovery plans

Q10. What is most important for Australia’s energy policy?

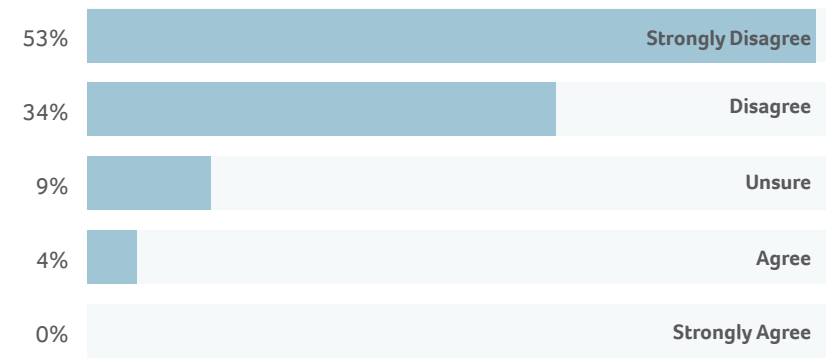
Top 3 Priorities

1	Set a target for net-zero emissions by 2050
2	Commitment to a stronger 2030 emissions reduction target
3	A plan for orderly replacement of ageing coal-fired generators with clean energy

Paris Agreement and Australia’s NDC ambition

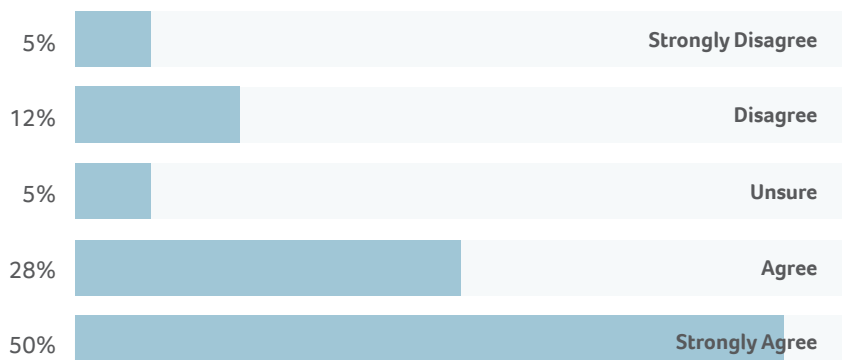
In 2015 Australia set its first nationally determined contribution (NDC) target under the Paris Agreement to reduce emissions by 26–28% on 2005 levels by 2030. NDCs may be amended at any time. A five-yearly global stocktake begins in 2023 and by 2025 Australia will need to commit to a stronger 2035 NDC (the ‘ratchet mechanism’). Countries are invited to develop Long-Term Strategies under the Paris Agreement and its long-term goals to keep global warming well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C. With China’s recent commitments of carbon neutrality by 2060, over 120 nations have net-zero emissions targets or similar commitments by around mid-century.

Q11. Australia’s current climate and energy policies are sufficient to drive emissions reductions to meet our Paris targets.



87% of respondents believe that Australia’s current climate and energy policies **will not sufficiently drive emissions reductions** to meet our Paris targets

Q12. Australia’s current 2030 target of 26–28% reductions is an inadequate contribution towards the Paris Agreement goal and should be increased.



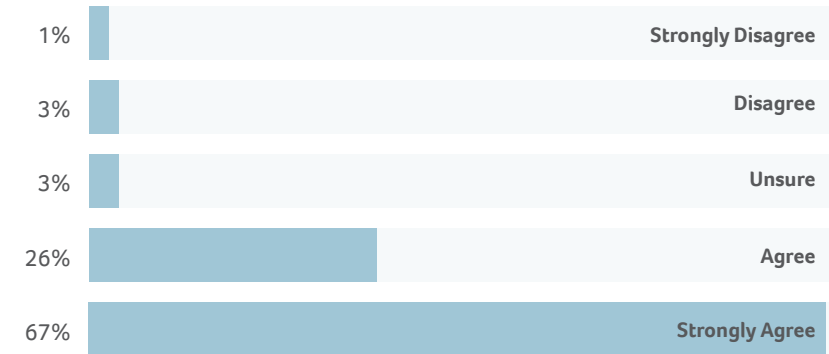
78% of survey respondents feel that Australia’s current 2030 target of 26–28% reductions **is inadequate and should be increased**

“Australia is looking like a school yard cheat in its attempt to use the carryover credits”
Survey Respondent

“The target should be 100% carbon positive acknowledging Australia’s strong potential for “exporting” land based sequestration and green hydrogen, as well as factoring in the potential for a regional manufacturing renaissance driven by 100% clean energy from food waste and green hydrogen: manufacturing exports can align to global trading directions for decarbonised value chains.

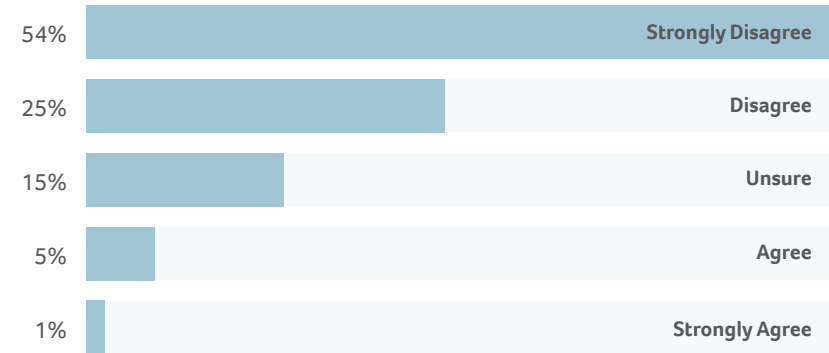
Survey Respondent

Q13. The longer Australia delays decarbonisation, the more abrupt, forceful and disruptive the policy response will need to be, especially for carbon-intensive industries.



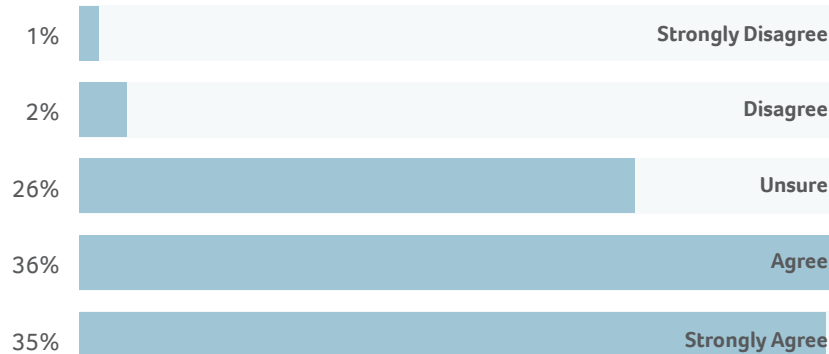
93% agree that the longer Australia delays decarbonisation, the more abrupt, forceful and disruptive the policy response will need to be, especially for carbon-intensive industries

Q14. Australia should be able to use Kyoto carryover units to achieve its 2030 NDC target.



79% agree that Australia should not be able to use Kyoto carryover units to achieve its 2030 NDC target (in 2019 this was 76%)

Q15. Use of Kyoto carryover units for the 2030 NDC target will require a more severe 2035 reduction target.



71% believe that the use of Kyoto carryover units for the 2030 NDC target will require a more severe 2035 reduction target

International carbon markets

Parties to the Paris Agreement are working to develop the rulebook for implementation of Article 6. This offers Parties the opportunity to cooperate in implementing their NDCs. Article 6 recognises that countries may establish market-based mechanisms and link carbon markets to address climate change, enabling their emission reduction commitments to be achieved at lowest cost.

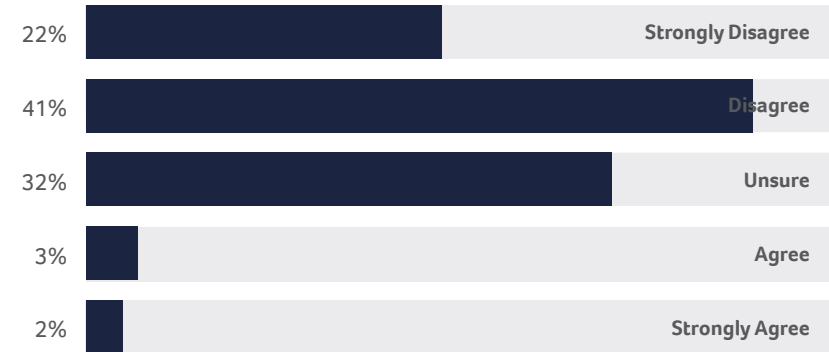
There is a current debate regarding whether voluntary purchases of offsets by corporations and subnational governments should be counted towards a nation’s NDC efforts, i.e. whether they should be deducted before assessing a nation’s performance towards their NDC target.

Q16. Australia should actively participate in establishing international linkage of carbon markets to allow flexibility for both import and export of carbon credits.



84% believe that Australia should actively participate in establishing international linkage of carbon markets to allow flexibility for both import and export of carbon credits

Q17. Emissions-intensive trade-exposed industries will not be impacted by a carbon price being implemented in key trading partners such as China and South Korea.



63% of respondents state that emissions-intensive trade-exposed industries will be impacted by a carbon price being implemented in key trading partners such as China and South Korea



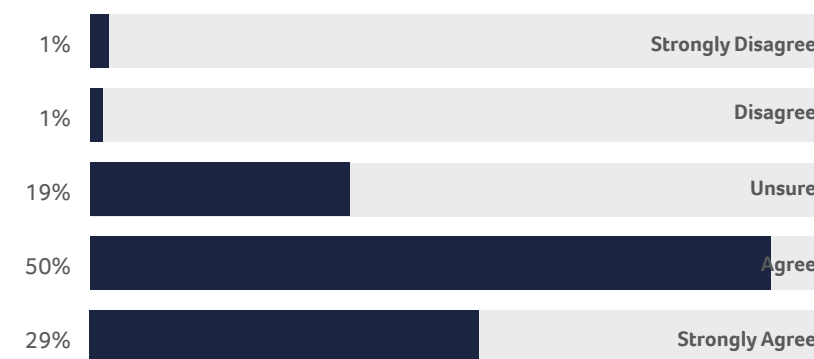
“ Voluntary purchases need to be accounted for on national registries (to avoid double counting) ”
Survey Respondent

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Voluntary purchases of offsets need to be treated as additional. Consumers and stakeholders would not expect their climate action and discretionary purchases to enable other sectors or businesses to increase their pollution

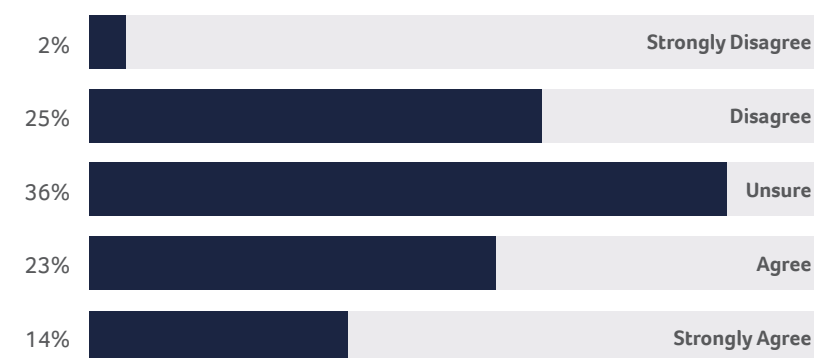
Survey Respondent

Q18. Carbon border tariff adjustments from trading partners are a potential risk to Australia's emissions intensive economy and exports.



79% agree that Carbon border tariff adjustments from trading partners **are a potential risk to Australia's emissions**-intensive economy and exports (in 2019 this was 70%)

Q19. Corporate and State voluntary purchases of Australian and international offsets should not be counted towards Australia's NDC.



37% of survey respondents believe that corporate and State voluntary purchases of Australian and international offsets **should not be counted** towards Australia's NDC

Emissions Reduction Fund (ERF) & the Safeguard Mechanism

The ERF carbon market remains central to the Government’s climate policy. The Government allocated an additional \$2 billion over the next 15 years to the ERF to continue purchasing low-cost abatement and sequestration. The Safeguard Mechanism aims to manage emissions from Australia’s largest emitters.

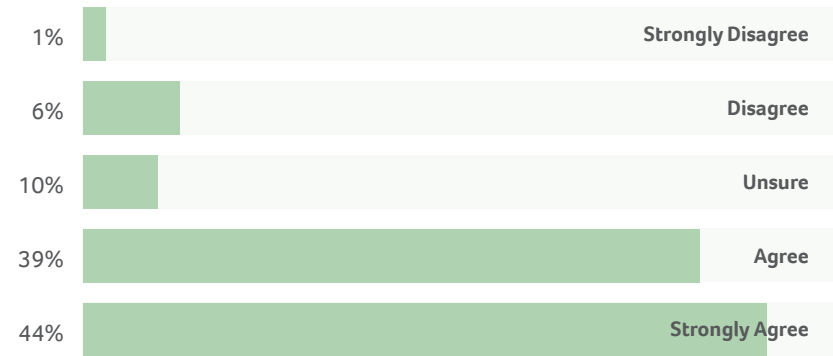
The Government has reviewed the operation of the ERF, imposing 12-month deadlines for methodology development and other initiatives. It is still consulting on a proposal to create a new system of Safeguard Mechanism credits for emissions reduction action by covered entities.

Q20. The Government will continue to use taxpayer funds to maintain the ERF and ERF auctions despite the size of the public deficit.



53% believe the Government **will continue to use taxpayer funds** to maintain the ERF and ERF auctions despite the size of the public deficit

Q21. 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.



83% of survey respondents feel that 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

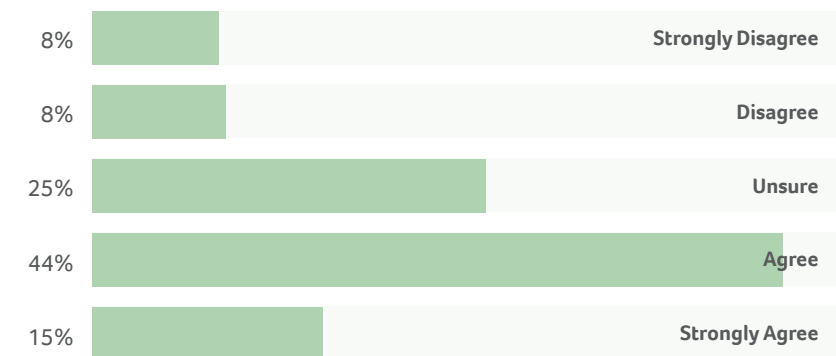
(in 2019 this was 83%, in 2018 this was 82%)





“ *The transition should be driven by a carbon trading scheme*
Survey Respondent

Q22. Current rules governing the Safeguard Mechanism should be amended to allow facilities to be credited for voluntary actions that reduce emissions below their baseline.



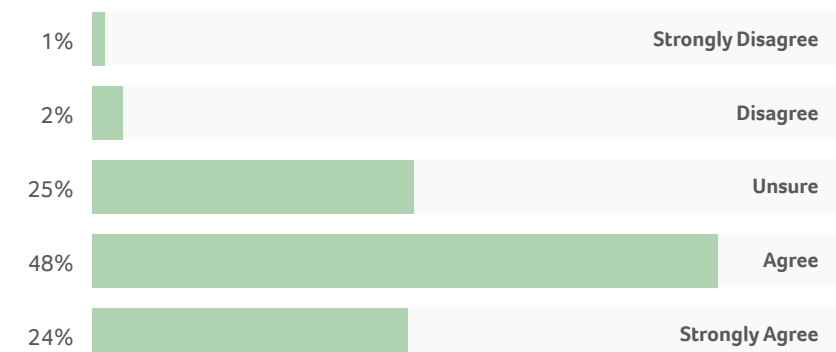
59% feel that the current rules governing the Safeguard Mechanism **should be amended** to allow facilities to be credited for voluntary actions that reduce emissions below their baseline

Q23. If the Safeguard Rules are amended to allow for voluntary crediting below the baseline, the following should apply:

Top 3 Answers

- 1 Only under controls that reflect normal business operations (e.g. not where facilities close or reduce output due to maintenance issues)
- 2 Only if the credit is in the form of an ACCU and is generated by an ERF method that complies with the ERF integrity standards
- 3 Only with declining baselines

Q24. Private sector investment will be best encouraged by a transition from public to long-term, scalable private sector demand signals across the economy. For example, by declining Safeguard Mechanism baselines, thus freeing up public funds for supporting technology development and deployment.



72% agree that private sector investment **will be best encouraged** by a transition from public to long-term, scalable private sector demand signals across the economy

Carbon Pricing

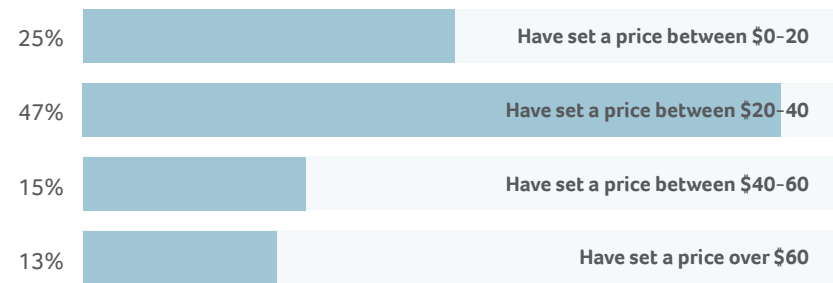
Internal carbon pricing is increasingly used as an important tool to help companies manage climate risks and identify opportunities in the transition to a net-zero future by 2050. Today, thousands of companies disclose to the Climate Disclosure Project their current practices or plans to use internal carbon pricing. There are 64 carbon pricing schemes being implemented globally (46 national and 35 sub-national), covering over 22% of greenhouse gas emissions. The latest ERF auction purchased carbon abatement at an average \$15.74/tonne.

Q25. 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?



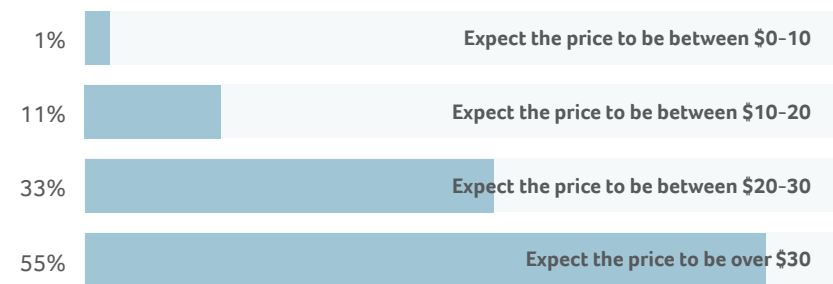
38% of respondents who work for a company with significant greenhouse gas producing activities **are factoring in a carbon price in investment and/or operational decisions**

Q26. If you are factoring in an internal carbon price, at what level are you setting the carbon price?



75% of respondents indicated that their business **is factoring in an internal carbon price of >\$20** (up from 63% in 2019, and 45% in 2018)

Q27. What do you expect Australia’s national (implicit) price on carbon to be by 2030?



75% is the proportion of respondents expecting Australia’s national (implicit) price on carbon to be >\$20 by 2030, 55% expect a price greater than \$30

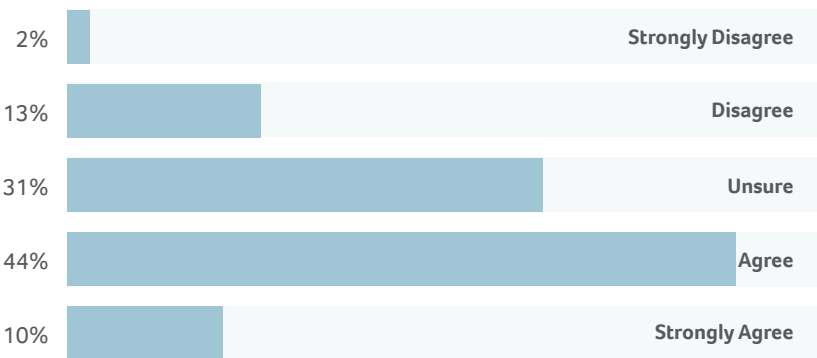
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The carbon price should exceed \$30 by 2030 to incentivise uptake of ERF projects by the agricultural sector, however it is unlikely that it will given the track record of carbon pricing in Australia

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Survey Respondent

Q28. Carbon pricing is more likely to be supported in future by Governments if resulting scheme revenues are used to help address public deficits.



54% believe carbon pricing is **more likely to be supported in future by Governments** if resulting scheme revenues are used to help address public deficits



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The price of NOT reducing carbon will be a huge burden on the public purse

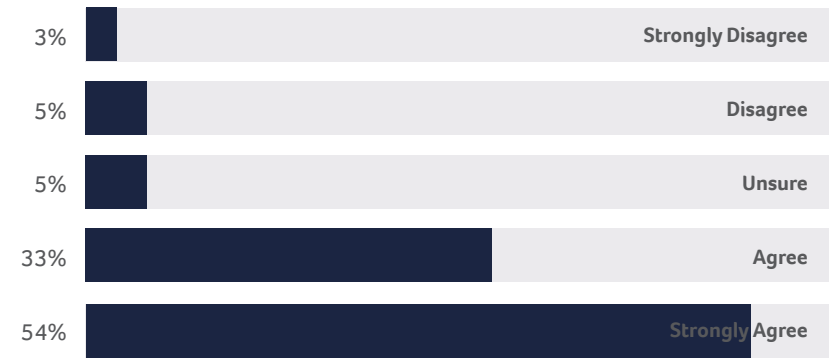
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Survey Respondent

Climate risk & strategy

Disclosure practices on managing climate risks and identifying opportunities in the transition to a net-zero emissions economy are evolving as organisations respond to market signals and a heightened investor focus on the associated financial impacts. The Taskforce on Climate-related Financial Disclosures (TCFD) recommends companies use this voluntary framework to disclose the financial impact of climate-related risks and opportunities.

Q29. There is recognition in my organisation at board and executive management levels of the material financial and strategic risks posed by climate change.



87% of survey respondents believe there is recognition in their organisation at board and executive management levels of **the material financial and strategic risks** posed by climate change (in 2019 this was 77%)

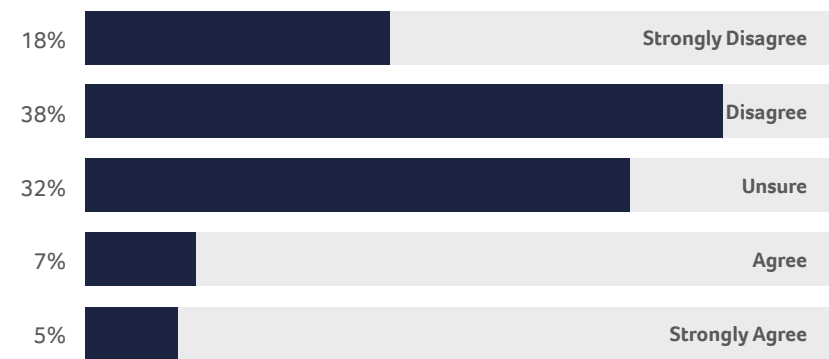
Q30. In the past 12 months, my organisation has faced increased shareholder action/resolutions regarding climate change.



57% state that during the past 12 months, their organisation has **faced increased shareholder action/resolutions** regarding climate change (in 2019 this was 42%)

“ There is increased awareness of climate change. How to respond is still a work in progress ”
Survey Respondent

Q31. In the past 12 months, my organisation has faced increased legal challenges regarding climate change.



56% of survey respondents say that over the past 12 months their organisation **has not faced increased legal challenges** regarding climate change

Q32. Australia should introduce mandatory reporting of climate-related risks.



84% feel that Australia **should introduce mandatory reporting** of climate-related risks

Q33. The main drivers for climate action within my organisation are:

Top 5 Answers

- 1 Long-term strategy alignment
- 2 Risk management
- 3 Reputation management
- 4 Commercial opportunities
- 5 Stakeholder demand (community, customers, employees)

About the survey respondents

234 senior level individuals responded to the survey which closed on 6 November 2020.

Over 45% of respondents were from direct emitting sectors, and 30% represented individuals from the finance, consulting and advisory service industries.

Among respondents, 39% indicated they worked for an NGER reporting company, with 18% indicating their company is covered by the ERF Safeguard Mechanism. 47% are CMI members.



Breakdown of sectors responding

