10th AER Summit Opening Address

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Carbon Market Institute

In May 2013 at the Sydney Marriott, CMI held its first Summit, then called the "Liable Entities Summit." The summit brochure promised the:

> program will cover the commercial, financial, risk management and compliance challenges as well as the strategic opportunities for Australian companies. We will also discuss in depth international developments and the big issue of political uncertainty that hovers over the future of the carbon price, arising from the impending federal election.

The brochure is a classic, a lot of you had a lot more hair then – and so did the men

And there was a lot more men in the program, even if counterbalanced by the likes of formidable women including Chloe Munro, Anthea Harris and Gwen Andrews.

There are stalwarts, most who have moved around, but stayed in the industry, Peter Castellas, Gary Wyatt, Tennant Reed, Andrew Grant, Rob Fowler, Mark Williamson, Lloyd Vass and Raphael Wood. When I attended the Summits I would marvel at your resilience, I still do. Respect.

In many ways the themes remain similar – risks, opportunities, international developments and political uncertainty on carbon pricing. But each have been amplified in orders of magnitude and the climate risks have become real with increasing ferocity.

While audiences throughout the last decade have known if pollution is free there will be more of it, in that time the Summits have taken place in a broader context of three phases of climate literacy.

In the first phase there was still a debate about the reality of climate science and the relentless carbon calculus that drives global warming with disturbing predictability. There are relics and redoubts, including amongst republican presidential candidates, but in Australia and the Asia Pacific region that science is broadly accepted.

The second phase was the extent of the response required. We need to build low carbon economies became the catchcry. A phrase with so much wriggle room even Clive Palmer could get through. Who could forget his press conference with Al Gore as he waved through the destruction of the carbon pricing mechanism whilst still saving ARENA, the CEFC and, with Nick Xenophon, the Carbon Farming Initiative.

Slowly came the realisation that a clearer standard was required and that we have to stop adding heat trapping gases, at least in net terms. To stop adding to the hurting. Net zero emissions became the destination, crystallised in the Paris Agreement and slowly gaining acceptance - achieving bi-partisan status in 2021. Just last weekend even the Nationals resisted Barnaby led efforts to veer away from this course.

The third phase is one we are in now. It's fine to have net zero as a target but by when, with what means and what about the trajectory and medium term targets? What about carbon budgets? What about your real capital expenditure, your on-site emissions and what you disclose to consumers, shareholders, investors and the broader community through your advocacy? Hello, we are also in a biodiversity crisis too and, just quietly, what impacts does your investment have on Indigenous rights and interests stretching back 60 000 years and more?

These are the literacy tests we are struggling with now. We will discuss and hopefully improve our naplan scores as we progress through this summit and as the first global stocktake under the Paris Agreement looms later this year at COP28.

The UNFCCC's technical report for that stocktake released last week showed that while the Agreement has driven climate action, we are failing key tests for achieving its climate goals, on course to miss the reductions needed to limit warming this century to 1.5C by over 20 billion tonnes of greenhouse gases in 2030 alone. That report states, using conservative IPCC data, that global greenhouse gases need to decline by 43 per cent by 2030 and 60% by 2035 and reiterates that developed countries should do more, why CMI supports 50% and over 70% targets for Australian emissions for 2030 and 2035. If it is to have any credibility, all countries at COP28 will need to agree on a corrective course for international action. All countries will need t do more.

It doesn't help for these crucial literacy and emissions test that, along with the climate and biodiversity crisis, we have a conflation crisis.

I understand the desperation to get major emitting countries and companies to invest in Paris aligned emissions reduction trajectories. I understand and support efforts to expose those who say one thing but act or invest otherwise. I support efforts to give greater integrity to carbon crediting mechanisms, but they are not the enemy.

Let's remember we are attempting to pivot the entire global economy very rapidly, pushing at the boundaries of what is technically, economically, and politically possible.
Rapid decarbonisation requires instruments that maximise the incentive for ambition, tools like carbon credits help clarify for organisations the potential financial cost of their emissions, and the consequential financial savings of reducing them.
In addition, carbon credits can smooth the bumpy ride of organisational decarbonisation and lowering costs, by allowing companies to pay for abatement action elsewhere, supplementing what's possible-in-house. Investing in climate action in other sectors.

We should not conflate inadequate decarbonisation strategies with the work to improve carbon crediting regimes and markets. We should inflate our expectations of both.

To do otherwise risks not just investments in renewables and phasing out unabated fossil fuels, which you may have seen is supported by over 70% of respondents to our business survey released on Tuesday.

It also risks investments through carbon markets in "Halting and reversing deforestation and degradation and improving agricultural practices" which the COP28 stocktake report highlights "are critical to reducing emissions and conserving and enhancing carbon sinks". Activities which the IPCC notes have the greatest mitigation potential alongside renewables.

CMI appreciates that if investment in some of these activities are to be supported by carbon credits then they need to be transparent, credible and sustainable. The ACCU Review led by Professor Chubb found that Australia's crediting framework, which has continued to evolve over the last decade, is essentially sound and made recommendations for improvements the implementation of which is underway and from which we cannot slacken. Improvements in international verification systems also need to continue. These need to be embraced lest we risk squandering the up to $250 billion a year some analysts suggest might be available through voluntary carbon markets and their sustained inclusion in compliance markets.

CMI also understands we need fair dinkum decarbonisation plans from our large emitters and not greenwashing. We are gearing our own membership and sponsor policies to this end and will be consulting with members on next steps in aligning these with other disclosure developments.

The logarithmic, exponential growth in disclosure standards and requirements has packed as many challenges in the last ten months as the last ten years, but the rewards are great if higher standards of literacy and performance can accelerate climate investment - it is what CMI aims for as a business member-based institute for best practice in decarbonisation.

Working through this conflation crisis is hard and the scrutiny has been intense and at times personal, but which pale against the hardship and loss increasingly being suffered on the frontlines of the climate crisis, most recently in Libya and Greece.

Getting through this phase to stop adding to the hurting through net zero will enable us to take on the next phase of healing and repair. The contours of this phase are just emerging but will be our next test in achieving a prosperous negative emissions, nature positive world.

We hope that this Summit can build your capacity and enhance your business in taking this test and to do so in respectful dialogue with the voice of Indigenous partners.

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