

# THE AUSTRALIAN EMISSIONS REDUCTION SURVEY REPORT OF KEY FINDINGS

NOVEMBER 2015



**CARBON MARKET**  
INSTITUTE

Dear Reader

The Australian Emissions Reduction Survey is an initiative of the Carbon Market Institute (CMI), the leading industry body representing business in the transition to a low carbon economy.

In total, 219 experts and senior executives from major greenhouse gas emitting industries, investors and professional service providers responded, once again making this survey the most comprehensive Australian business survey on emissions reduction. The survey ran from 2 to 31 August 2015.

This report summarises findings on the key issues of setting our national emissions reduction targets, domestic climate policy, investment in abatement, carbon pricing and the economic and commercial implications of international climate policy developments. There have been a number of key developments on domestic policy within recent months, such as the announcement of Australia post-2020 emissions reduction target of 26-28 per cent below 2005 levels by 2030, the finalisation of the design of the Emissions Reduction Fund (ERF) safeguard mechanism and the holding of the second ERF auction. It is important to note that this survey was conducted prior to the finalisation of the safeguard mechanism design rules.

Momentum has increased significantly since the 2014 Australian Emissions Reduction Survey as the world moves into the COP21 negotiations in Paris this December. There has been a sizeable shift in both the positioning and engagement by the business community, both internationally and here in Australia.

Heading towards COP21 and an ever increasing number of governments and businesses move into a low carbon economy, we believe it is critical to capture the views of Australian business. We hope this survey can inform government and the wider community of views among Australian industry on the economic and commercial implications of meeting Australia's emissions reduction targets, and that it can help facilitate a national debate on the suite of policies Australia will require to reconcile the twin goals of economic growth and emissions reduction.

We are pleased to present these findings and welcome an ongoing dialogue with you. The findings from the survey are represented in this report with no attribution to individuals or companies.



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CEO

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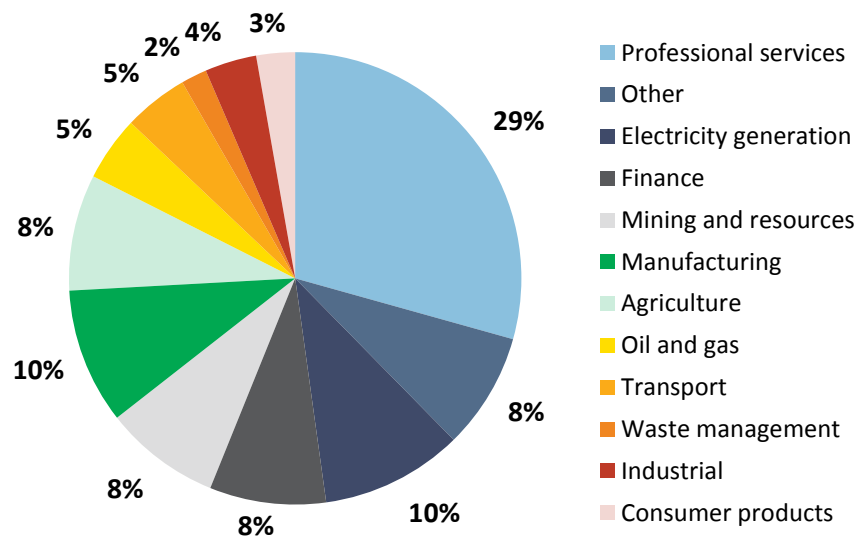
Carbon Market Institute

## OVERVIEW

On 2 August 2015, the Carbon Market Institute (CMI) sent an electronic survey to an Australian database of selected senior executives who work for or with companies or organisations that have a high emissions profile, investors, carbon market experts and professional service providers. The survey was designed primarily with qualitative responses with an additional option to provide written comments.

A total of 219 individuals completed the survey, representing a broad cross-section of energy intensive industry, primary industries, local government, carbon offset project developers, and financial and professional services.

The following figure provides a breakdown of the sectors represented by the survey respondents.

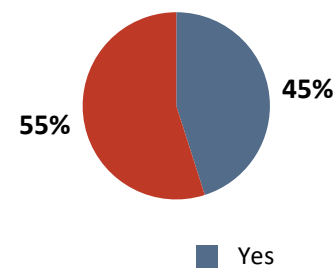


The 219 respondents represented a diversity of positions and roles across the different organisations represented. Job titles included:

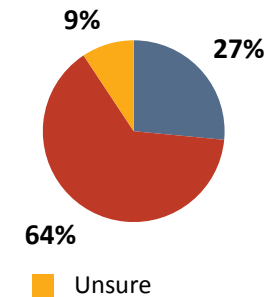
- CEO/Director/Managing Director/Principal
- Chief Investment Officer/Investment Manager
- Chief Technology Officer
- Chief Risk Officer
- Group Manager
- Partner
- Environment/Sustainability Manager/General Manager
- Consultant/Senior Consultant/Principal Consultant
- Business Development Manager
- Manager/Senior Manager

Among the 219 respondents, 55 per cent indicated they worked for an NGER reporting company, with 27 per cent of respondents of the view their company would be covered by the ERF safeguard mechanism.

**In your company a National Greenhouse and Energy Reporter (NGERS)?**



**Is your company likely to be covered by the Safeguard mechanism (emissions >100,000 tCO2 per year)?**



### 1. Australia's emissions reduction target

- The majority (81 per cent) of survey respondents were of the view that Australia should have a stronger 2020 emissions reduction target. This is an increase from the 76 per cent who were of this view in the 2014 survey.
- China, the EU and the USA were considered the key countries and regions to which Australia should look in setting emissions reductions targets. Of these, 70 per cent of respondents considered the US to be the main country to which Australia should look.
- Eighty three per cent of survey respondents agreed that an ambitious post-2020 emissions reduction target is important to drive the economic transition required for Australia to capitalise on the shift to a low carbon economy.
- Seventy eight per cent of respondents believe Australia should take an active leadership role in ensuring the UNFCCC objective to limit global temperature rise within two degrees of pre-industrial levels is achieved.

### 2. Policy instruments

- Support for a cap-and-trade emissions trading scheme increased significantly from 56 per cent in 2014 to 74 per cent in 2015, making it the most strongly supported policy measure for reducing emissions.
- A renewable energy target and energy efficiency standards were regarded as other key policy instruments. They were seen as

being effective policy options by 59 per cent and 41 per cent of respondents respectively.

- The majority (52 per cent) of companies who conduct greenhouse gas producing activities are factoring a carbon price in business planning, investment and risk management strategies, up from 39 per cent in 2014.
- Australia will be economically disadvantaged if we do not price carbon in line with key trading partners according to 71 per cent of respondents.

### 3. Australian Government policy

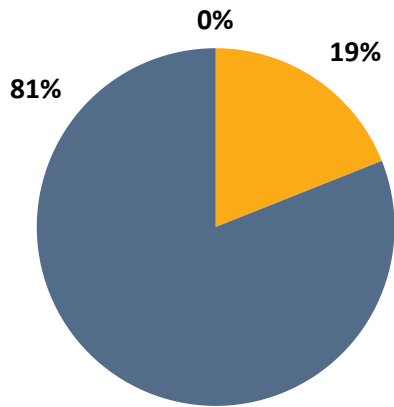
- There was greater interest in the Emissions Reduction Fund in this year, with 36 per cent of companies surveyed considering participation compared with 21 per cent last year.
- Seventy three per cent of respondents were of the view that the primary objective of the safeguard mechanism should be to drive private sector emissions reductions to contribute to meeting Australia's international obligations under the UNFCCC. A similar number, 76 per cent, of respondents believe the Government should have the ability to adjust and tighten baselines over time to meet future targets.
- Sixty eight 68 per cent of respondents were of the view that coverage of the safeguard mechanism should be based on modelling of the emissions abatement necessary to meet Australia's post-2020 target.

- Companies were strongly in favour of striking the right balance between international and domestic units to meet compliance obligations under the safeguard mechanism (88 per cent), with a further 85 per cent agreeing that the mechanism should allow for the development of a secondary market in carbon credits.

#### 4. Economic and commercial aspects of climate change policy

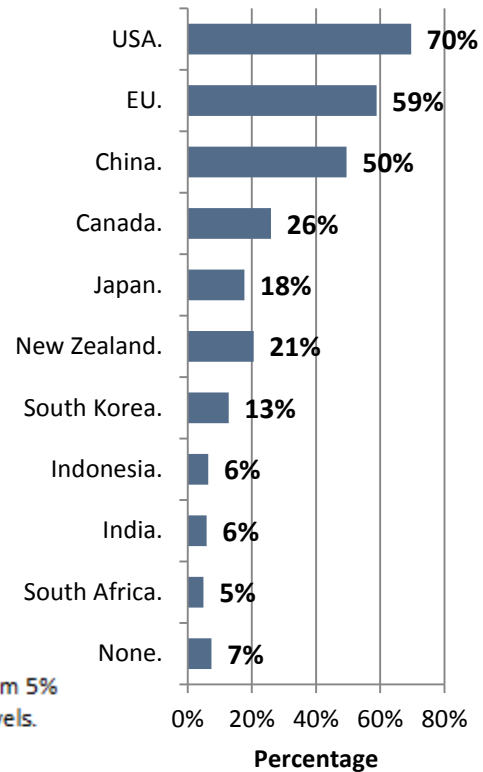
- Ninety one per cent of respondents view international climate policy developments to have an economic impact on Australian business trade, investment and export markets, a marked increase from 2014.
- Climate policy developments internationally represent commercial opportunities for 74 per cent of respondents.
- State and federal governments to have a key role to play in creating commercial linkages to markets for low carbon products according to 84 per cent of respondents.
- Seventy nine per cent of survey respondents were of the view that Australia risks adverse implications for trade and investment if emissions reduction targets are not aligned with our key trading partners.
- The private sector is considered by 89 per cent of respondents as having a key role to play in funding emissions reduction initiatives
- The overwhelming majority (84 per cent) of Australian businesses surveyed consider economic growth in Australia to increasingly depend on how well we adapt to a lower-carbon world.

Regarding Australia's 2020 emissions reduction target. In your view, given international developments, Australia should:

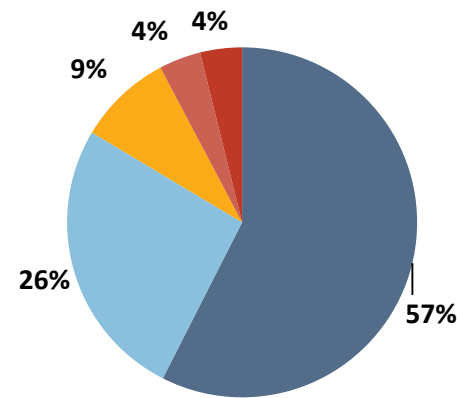


- Maintain our existing target of a minimum 5% emissions reduction by 2020 on 2000 levels.
- Have a stronger target.
- Have a weaker target.

To which countries or regions should Australia look to in calibrating emissions reduction targets and actions

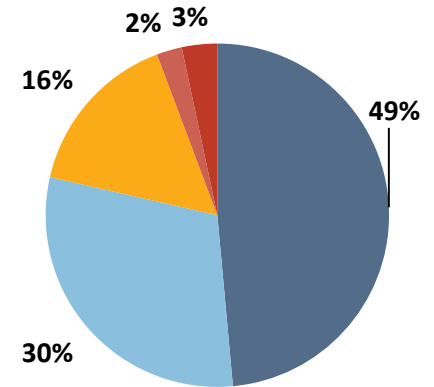


An ambitious post-2020 emissions reduction target will be important to help drive the economic transition required for Australia to capitalise on opportunities in a low carbon world.



- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

In your opinion, should Australia take an active leadership role in the negotiations in Paris in December 2015 to ensure the objective of the UNFCCC to limit global temperature increase to within two degrees of pre-industrial levels is met?



The 2015 Australian Emissions Reduction Survey sought views on both Australia's 2020 emissions reduction target (five per cent below 2000 levels) and the setting of Australia's post-2020 target. Keeping in mind the nation's Intended Nationally Determined Contribution (INDC) submitted ahead of the UNFCCC COP21 negotiations. Australia's INDC was announced during the survey.

A strong majority (81 per cent) of survey respondents were of the view that Australia should have a stronger 2020 emissions reduction target. This is an increase from the 76 per cent who were of this view in the 2014 survey.

*"We need a stronger target, but at the same time we first need a holistic energy strategy for the country that would guide the transition"*

In 2014, respondents considered China, the EU and the USA relatively equally, at around 80 per cent, as the key countries to which Australia should primarily look in setting emissions reductions targets. In 2015, these countries were again viewed as the most important for Australia to look to, however there was a greater disparity between them. Seventy per cent of respondents considered the US the country to which Australia should look. The EU and China were considered important by 59 and 50 per cent of respondents respectively.

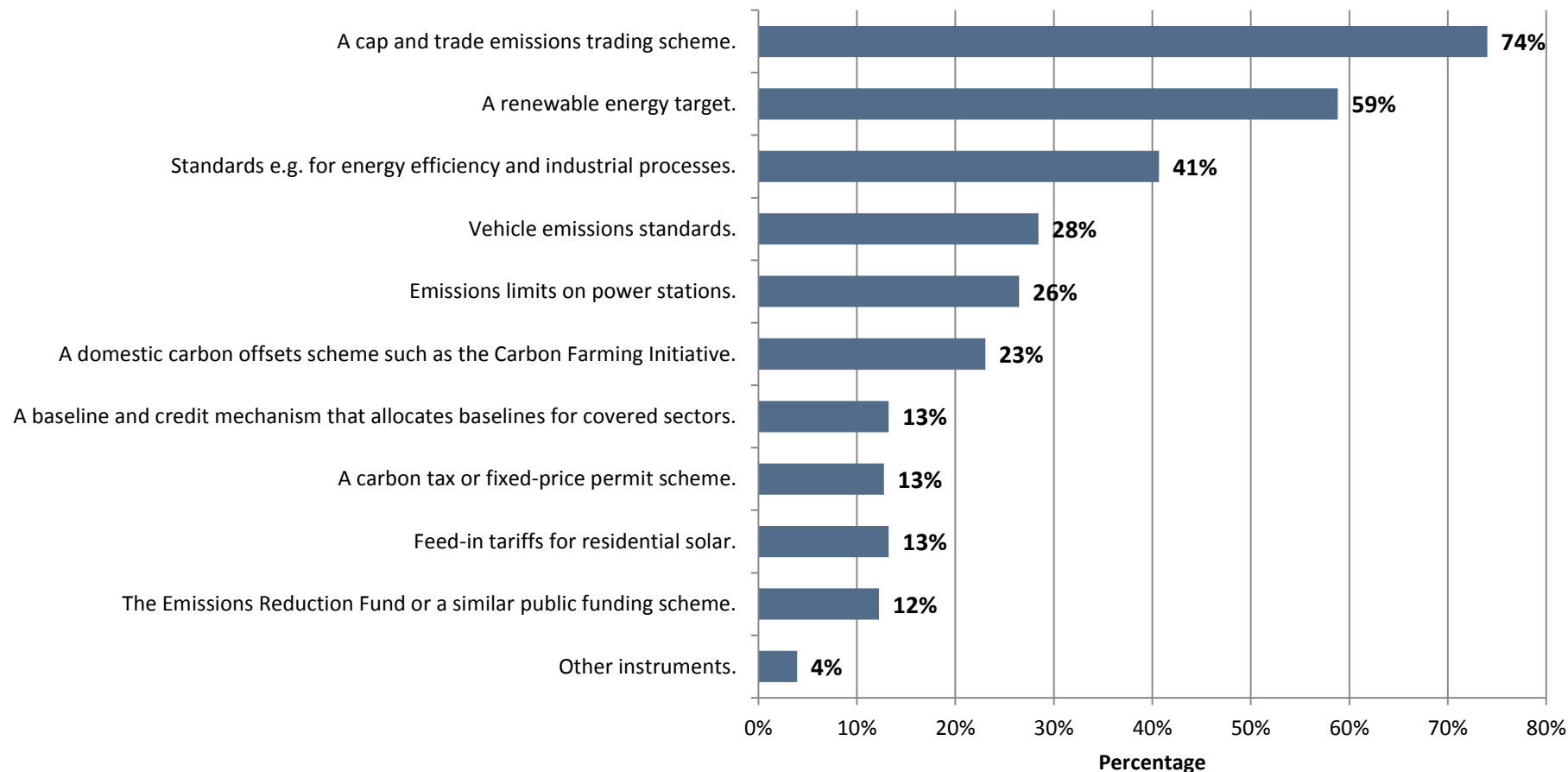
*"For maintenance of [Australia's] international position and protection against risks of future trade sanctions, calibration should be with our largest trading partners"*

In an international context, 83 per cent of survey respondents strongly agreed or agreed that an ambitious post-2020 emissions reduction target is important to drive the economic transition required for Australia to capitalise on the transition to a low carbon economy.

In light of Australia's position in the UNFCCC international climate change negotiations in December, 78 per cent of respondents were of the view Australia should take an active leadership role in ensuring the objective to limit global temperature rise within two degrees of pre-industrial levels is achieved. Interestingly, only five percent of respondents were of the view that Australia should not play an active role in the negotiations.

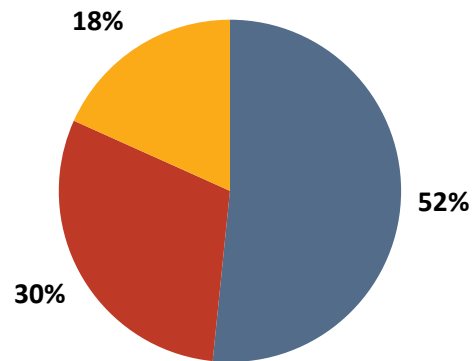
*"Australia is a crucial global climate change player which means we have a role and a responsibility to act"*

**What are the most effective policy instruments or mix of instruments that Australia should have for reducing GHG emissions?**



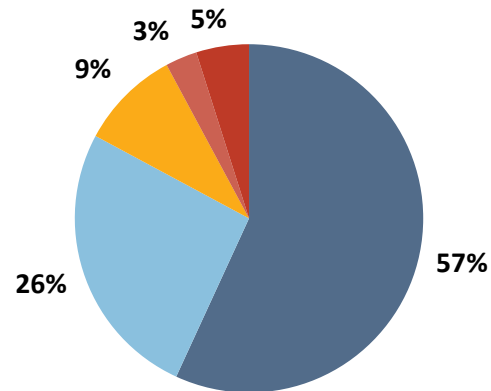


If you work for a company with GHG producing activities, is your company factoring a carbon price in business planning, investment and/or risk management strategies?



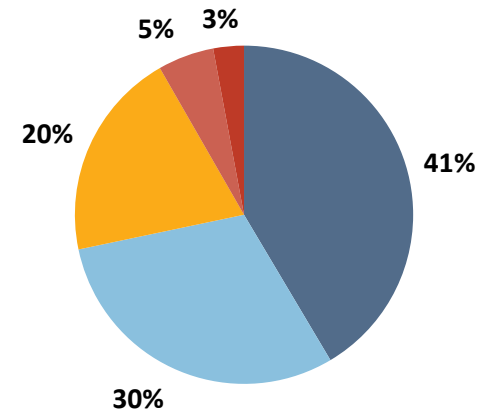
■ Yes. ■ No. ■ Unsure.

A carbon price is necessary to provide an economic signal to stimulate investment in renewable energy and low carbon solutions.



■ Strongly agree ■ Agree ■ Neutral ■ Disagree ■ Strongly disagree

Australia will be economically disadvantaged if we do not effectively price carbon in line with key trading partners.



With the changing landscape of Australia's domestic policy, there was a noticeable shift in the support for particular policy instruments between the 2014 and 2015 surveys. A combination of emissions and energy efficiency standards, a renewable energy target and a cap-and-trade emissions trading scheme remained the most preferred policy instruments across the 2014 and 2015 surveys. However, support for a cap-and-trade emissions trading scheme increased significantly from 56 to 74 per cent, making it the most strongly supported instrument for reducing emissions. A renewable energy target is clearly seen as a key policy instrument, supported by 64 per cent and 59 per cent of survey respondents in 2014 and 2015 respectively.

Support for a domestic offsets scheme, such as the Carbon Farming Initiative, which has transitioned into the Emissions Reduction Fund, declined significantly between years, from 56 per cent in 2014 to 23 per cent in 2015.

*“The key is to have an integrated, comprehensive and evidence-based mix of measures”*

The ERF as a policy instrument for reducing emissions was supported by just 12 per cent of respondents, relatively consistent with the 19 per cent support received in 2014.

The majority (52 per cent) of companies who conduct greenhouse gas producing activities are factoring a carbon price in business planning, investment and risk management strategies. This is a noticeable increase from the 39 per cent of companies who were factoring in a carbon price in 2014. A carbon price was viewed by 83 per cent of survey respondents

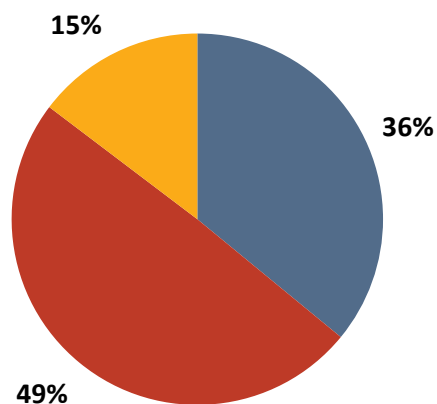
as necessary to stimulate investment in renewable energy and low carbon solutions.

*“A price signal with the widest possible coverage will drive the lowest cost abatement”*

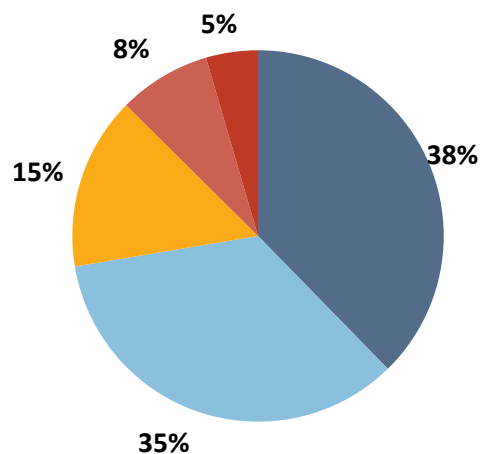
Corporate awareness of the importance of carbon pricing was also reflected strongly in terms of the implications for Australia internationally. Seventy one per cent of respondents strongly agreed or agreed that Australia will be economically disadvantaged if we do not price carbon in line with key trading partners. This reflects a near-identical position captured in the 2014 survey.

*“A carbon price is desirable as the most efficient way to provide the required signal”*

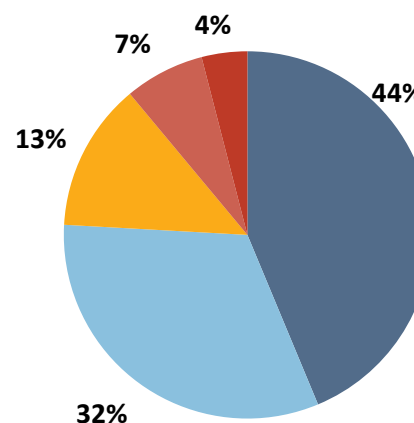
Is your company considering participating in the Emissions Reduction Fund (ERF) auctions?



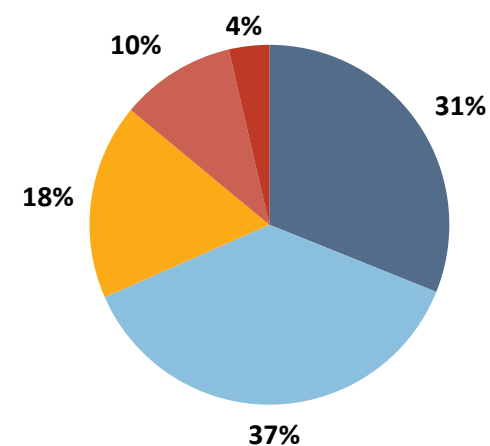
The primary objective of the Safeguard mechanism should be to drive private sector emissions reductions to contribute to meeting Australia's international obligations under the UNFCCC.



Under the Safeguard mechanism, the Government should have the ability to adjust and tighten emissions baselines over time to limit emissions growth from covered entities to meet future emissions reduction targets.



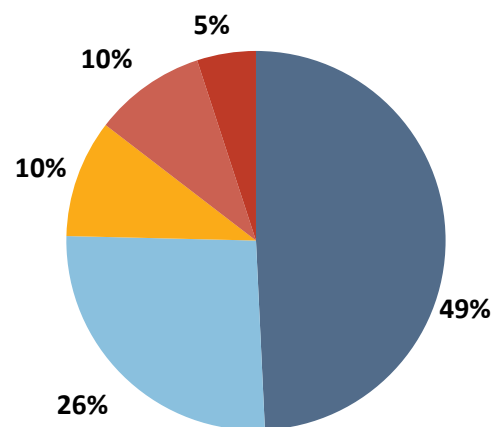
The threshold for coverage of entities under the Safeguard mechanism should be determined by modelling of the emissions abatement necessary to meet the Safeguard mechanism's contribution to Australia's post-2020 target.



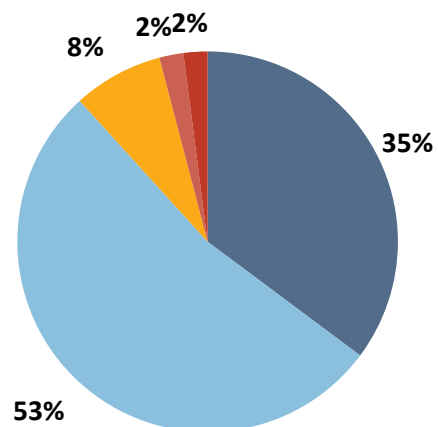
■ Yes. ■ No. ■ Unsure.

■ Strongly agree ■ Agree ■ Neutral ■ Disagree ■ Strongly disagree

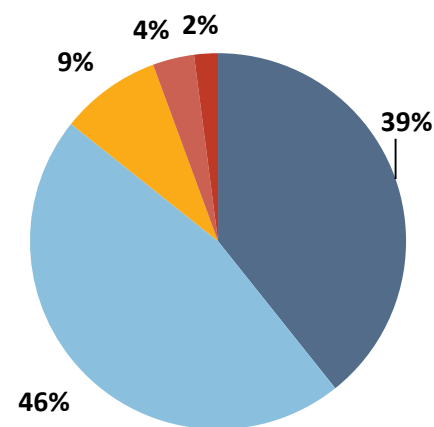
The maximum civil penalty for exceeding allocated baselines should be significant to deter non-compliance.



The make-good provision for companies exceeding their baseline should strike the appropriate balance to purchase eligible units - either domestic credits (ACCUs) or international units.



The design of the Safeguard mechanism should allow for a secondary market in carbon credits to evolve, facilitating trading between entities participating in the ERF and/or covered by the Safeguard mechanism.



■ Strongly agree  
 ■ Agree  
 ■ Neutral  
 ■ Disagree  
 ■ Strongly disagree

With the first ERF auction having been run in April 2015, companies had a much clearer view of the operation of the policy than in the 2014 survey. This was reflected in the interest in participating in the fund, with 36 per cent considering participation in 2015 compared with just 21 per cent last year.

The safeguard mechanism, for which the rules were still being finalised at the time of the survey, was viewed as a policy instrument which could effectively limit emissions growth across the Australian economy. Seventy three per cent of respondents were of the view that the primary objective of the safeguard mechanism should be to drive private sector emissions reductions to contribute to meeting Australia's international obligations under the UNFCCC. Important in achieving this objective is the ability of the Government to adjust and tighten baselines over time to limit emissions growth from covered entities to meet future emissions reduction targets, as supported by 76 per cent of respondents.

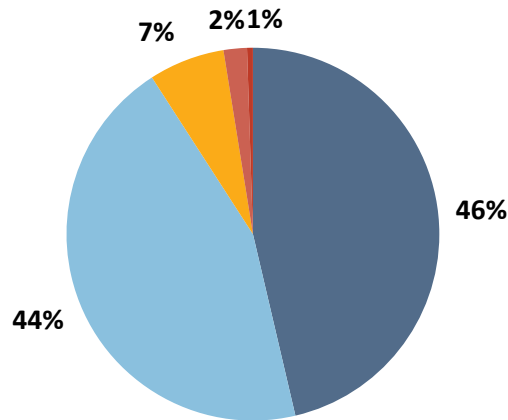
*“Strong baselines should be set from the beginning. Then companies know what they are dealing with”*

Linking with the above findings, the majority (68 per cent) of respondents were of the view that coverage of the safeguard mechanism should be based on modelling of the emissions abatement necessary to meet the mechanism's contribution to Australia's post-2020 target. Further to determining coverage in line with Australia's targets, 76 per cent of respondents strongly agree or agree that the civil penalty for exceeding baselines should be a set so it is a significant deterrent to non-compliance.

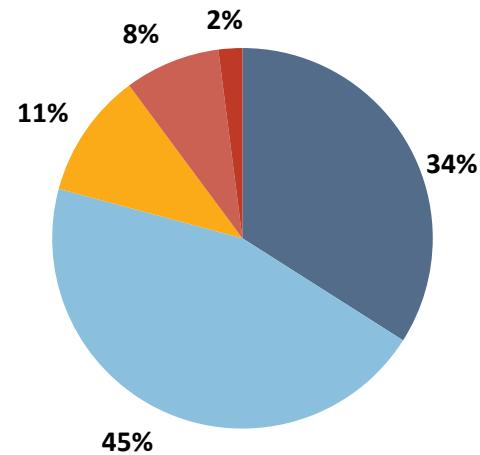
Compliance obligations placed on companies liable under the safeguard mechanism have important implications for the secondary market for the development of the demand for Australian Carbon Credit Units (ACCUs). While 88 per cent of respondents supported the make-good requirement for companies exceeding their baseline striking the right balance between international and domestic units, 85 per cent strongly agreed or agreed that the design of the safeguard mechanism should allow for a secondary market in carbon credits to evolve to facilitate trading between entities participating in the ERF and/or covered by the mechanism.

*“[Declining baselines] need to be strong enough to drive significant new investment in abatement”*

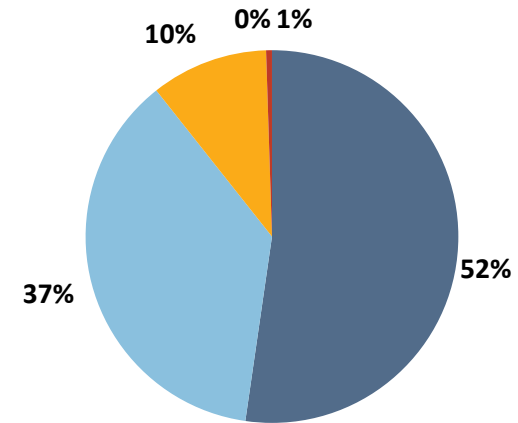
Developments in international climate policy have an economic impact on Australian business trade, investment and export markets.



There are risks of adverse implications for trade and investment for Australian companies if our emissions reduction targets are not harmonised with key trading partners.

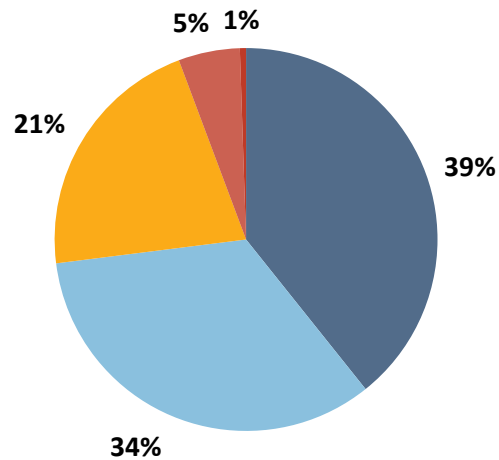


The private sector has a key role to play in funding emissions reduction initiatives.

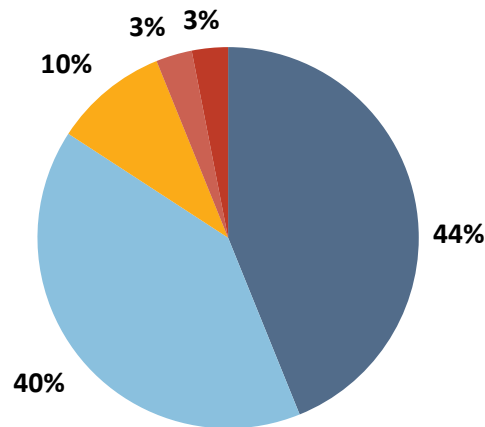


Strongly agree
  Agree
  Neutral
  Disagree
  Strongly disagree

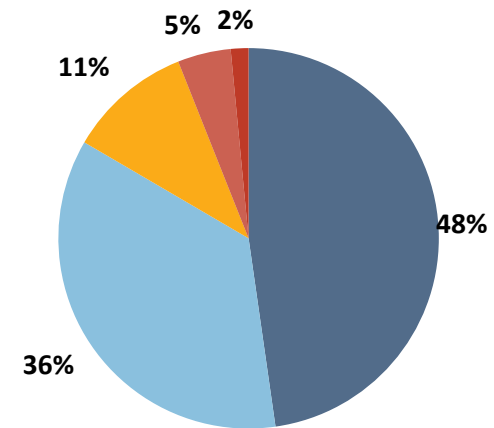
**Developments in international and domestic climate change policy present opportunities for your business.**



**Both state and federal governments have key roles to play in supporting the creation of commercial linkages for Australian business to trade and export low carbon products and services.**



**Economic growth for Australia will increasingly depend on how well we adapt to a lower-carbon world.**



Strongly agree
  Agree
  Neutral
  Disagree
  Strongly disagree

Companies are increasingly aware of the economic and commercial aspects of climate change policy, particularly the implications for the Australian economy resulting from international developments. Ninety one per cent of respondents view international climate policy developments to have an economic impact on Australian business trade, investment and export markets. This is a marked increase from the high number of respondents (80 per cent) in 2014, reflecting a strong and growing awareness among Australian business.

*“There are risks of adverse trade and investment implications over the long term [of failing to align with key trading partners]”*

There is also a strong recognition of the business opportunities that developments in international climate policy can create for Australian business. Seventy four per cent of respondents indicated they saw commercial opportunities arising from climate policy developments internationally, with just 6 per cent of the view they did not. In order to capitalise on the opportunities for Australia business, 84 per cent of respondents considered state and federal governments to have a key role to play in creating commercial linkages for business to trade and export low carbon products and services.

*“International climate policy developments represent both opportunities and risks for business”*

Business is also acutely aware that risks may arise if Australia is out of step with the international community. Seventy nine per cent of survey respondents were of the view that there are risks of adverse implications for trade and investment if Australia’s emissions reduction targets are not

aligned with our key trading partners. This represents an 11 per cent increase in awareness compared to 2014.

The overwhelming majority (89 per cent) of respondents consider the private sector as having a key role to play in funding emissions reduction initiatives, a view consistent with 2014 (90 per cent). Interestingly, in 2014 five per cent of respondents disagreed that private sector funding had a role to play in emissions reduction, whereas in 2015 this percentage decreased to just one per cent.

*“Everyone has a part to play: individuals, companies, governments - the right balance is always the key issue”*

Consistent with the results of the 2014 Australian Emissions Reduction Survey, the overwhelming majority of Australian businesses surveyed consider economic growth in Australia to increasingly depend on how well we adapt to a lower-carbon world. In both 2014 and 2015, 84 per cent of respondents strongly agreed or agreed with this position.

*“An organised and strategic transition to a low carbon economy that recognises Australia's unique position is the key to success”*



The Carbon Market Institute is an independent membership-based not-for-profit organisation. Our aim is to assist Australian businesses in meeting the challenges and opportunities associated with market-based approaches to emissions reduction and the transition to a low carbon economy.

The Institute facilitates the networks, knowledge exchange and commercial interaction amongst key government policy makers and regulators, industry, financiers and investors, professional services companies and technology solution providers.

CMI membership represents a broad range of professionals, organisations and industry. Our members include leading professional service providers, NGERs reporting entities, secondary market participants, offset providers, academia and international organisations. Individuals within the CMI membership base are some of the most respected Australian carbon market innovators and leaders.

CMI's Working Groups have played a key role in connecting government, bureaucrats and regulators with industry to facilitate the constructive input of member views into policy implementation. Drawing on the expertise of the CMI membership, the Working Groups have provided a vital forum for the exchange of information between market participants, policy makers and government agencies.

Each year the Carbon Market Institute runs the premier business and climate change event in Australia, the **Australian Emissions Reduction Summit**. The Summit provides leaders from business, policy, finance and technology together a platform for knowledge exchange and commercial

interaction. The 3<sup>rd</sup> Australian Emissions Reduction Summit will be held in Melbourne at the MCG on 3-4 May 2016. Visit [www.carbonmarketinstitute.org](http://www.carbonmarketinstitute.org) for more details.

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