

## **AUSTRALIA'S GREENHOUSE GAS ABATEMENT PROGRAM**

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Thank you for the opportunity to talk about some of the considerable range of policy and program arrangements which Australia is considering or has in place to respond domestically to the challenges of Climate Change. We believe that we are setting a leading standard. Above all, we are establishing an approach which takes full account of Australia's circumstances while responding to the needs identified internationally. It is this harmonisation of context and response on which I want to particularly focus in this address.

First, though, I would like to highlight one matter. Australia is engaged in a consultation process domestically on establishment of a domestic emissions trading regime. If adopted, we intend that it would be fully integrated with the global regime once the Kyoto Protocol comes into force. Such a system would have the effect of pricing carbon and driving emission reductions in an efficient and cost effective way. To achieve full market efficiencies and environmental benefits, an international emissions trading system must be open, uncapped, market-based and transparent. It must ensure that we harness market efficiencies to achieve least-cost emission reductions.

As part of the domestic consultation process, we have released for public information and discussion four discussion papers on a domestic emissions trading regime. The first covers the boundaries of what a domestic scheme could cover; the second examines options on the issuing of permits; the third covers the crediting of carbon; and the fourth looks at the design of the market. This is part of a policy development process which will lead to government decisions on domestic implementation nearer the time when the Kyoto Protocol comes into force. In the meantime, the Government is taking a number of concrete domestic policy measures to abate Australia's emissions.

In Australia's view, the notion of what this Workshop calls best practice policies and measures must be seen in the context of national circumstances. "Best practice" should not be seen as a hierarchy of policies and measures which can be imported to any country without due regard to its national circumstances, regional differences, and so on. Differentiation is clearly reflected in the Kyoto Protocol.

Australia strongly prefers to speak of "good practice" policies and measures and we think that they should have the following six characteristics:

1. They need to be part of a comprehensive and coherent national strategy aimed at achieving the emission target in a cost-effective manner;
2. They need to be tailored to national interests and circumstances. This includes geo-physical factors, population patterns, institutional arrangements, economic, social and cultural matters, and so on;
3. Greenhouse considerations must be consistent with other government commitments;
4. The pursuit of greenhouse action needs to be equitable and cost-effective and should achieve multiple benefits wherever appropriate;
5. Actions should preferably be based on partnerships involving all levels of society;
6. Action needs to be informed by research – either new research where needed, or certainly the best available knowledge.

The factors I've mentioned lie behind the extensive set of greenhouse policy measures that Australia has introduced. To illustrate how we are applying "good practice", I will concentrate on a major program we are developing now. I will demonstrate how we used our 6 "good practice" factors in designing it, and I hope you will end up agreeing that it is very good - or best - practice.

I would like to note that the program I am about to speak about is not the only greenhouse program of the Australian government. Far from it. We have a range of measures that include energy efficiency measures, support for renewable energy (including a mandatory renewable energy target), voluntary greenhouse programs for industry and local government, transport policies and measures aimed at improving land management practices. Overall, the current Australian government commitment to greenhouse measures is nearly \$1 billion Australian, which puts us at the forefront of Annex B countries.

### **Background on GGAP:**

The Australian Government's response to climate change employs a range of policy approaches. The latest is the Greenhouse Gas Abatement Program or GGAP. It builds on earlier measures by providing \$400 million over 4 years to assist Australia further in meeting its commitment under the Kyoto Protocol. It will reduce Australia's net greenhouse gas emissions by aiming to find maximum abatement opportunities across the economy. Thus it will be looking for substantial emission reductions or substantial sink enhancement, sustained, particularly in the first Kyoto commitment period. Funding will start on 1 July and the program design is being finalised right now.

GGAP funding will not be tied to any specific activity or sector within the economy. It is intended to provide the flexibility to adopt the most cost-effective abatement opportunities across the economy as they arise. It will focus on projects, rather than corporate entities, and will adopt abatement from business as useful baselines as a

method of assessing projects. Cost effectiveness, in terms of dollars per tonne of CO2 equivalent abated, will be the key selection criterion.

There are four key principles which underpin the program design:

- The GGAP will target a restricted number of domestic initiatives that will result in substantial and sustained abatement of greenhouse gas emissions or carbon sequestration – this is the main aim;
- The GGAP is designed to retain flexibility to focus on abatement and sequestration opportunities as they emerge, with an emphasis on performance-based arrangements to ensure delivery of outcomes;
- The GGAP will focus on leveraging greenhouse and other national policies and programs;
- The GGAP will focus on competitive bidding processes wherever practicable, to maximise cost-effectiveness and abatement outcomes.

Now, I will look at the program against each of our 6 good practice factors in turn.

**1. Measures supported under the GGAP need to be part of a comprehensive and coherent national strategy aimed at achieving the emission target in a cost-effective manner:**

GGAP sits within - but takes further - Australia's National Greenhouse Strategy (or NGS). As you may know, Australia has a comprehensive and collaborative national strategy as the key mechanism for advancing our domestic greenhouse response.

Although our national strategy covers a considerable range of policies and measures, we assessed that there remain unrealised opportunities for large-scale quantifiable abatement. We did not want the GGAP merely to substitute for activities already underway or being contemplated by various bodies. So, we are trying to ensure that it will only be used to achieve emission reductions or sink enhancement that are additional to those from existing programs. The GGAP program guidelines are framed to avoid the duplication of existing programs, as well as cost shifting from one level of government to another.

Synergies between individual activities supported under the GGAP will be sought, to ensure the program is well integrated and to maximise the level of abatement. Integration across a broad sectoral spread of opportunities will be achieved by using cost-effectiveness as a key selection criterion.

**2. Measures need to be tailored to national interests and circumstances. This could include geophysical factors, population patterns, institutional arrangements, economic and social matters, and so on.**

At Kyoto, differentiated targets were adopted that reflect the particular circumstances of each country. Australia argued strongly for this outcome because economic, demographic, geographical and physical circumstances differ considerably from most Annex B countries. Australia's particular circumstances include:

- heavy fossil fuel dependence with limited opportunities for early substitution;
- predominantly fossil fuel-intensive export industries (our energy use provides many of the materials for other countries' economic activity);
- significant transport needs due to our widespread population;
- fast population growth, including high levels of migration; and
- continuing net emissions from land use change and forestry.

GGAP will take account of these factors and target a range of cost-effective measures (on both the supply and demand sides) with attention given to ancillary costs and benefits (ie, impacts on other policy goals and, in particular, environmental impacts).

Key abatement opportunities on an economy-wide basis have been identified in four thematic areas:

1. development and deployment of technologies that deliver significant, additional and sustained abatement. Potential opportunities for large-scale abatement exist in the rapid deployment of technologies such as co-generation, the capture and use of waste coal mine gases, the capture and disposal of greenhouse gases in geological formations, etc. GGAP offers incentives for investment in technologies which lower emissions;
2. regional partnerships to achieve greenhouse gas abatement across rural and regional Australia. There are substantial untapped opportunities in regional Australia to contribute to reducing our net greenhouse gas emissions. These include:
  - promoting sustainable land management through better integration of greenhouse considerations into agricultural and forestry practices;
  - promoting the development and uptake of sustainable energy in regional Australia, including bio-fuels and biomass for energy.
3. the uptake and deployment of greenhouse-efficient technologies, infrastructure, and practices within the built environment.
4. enhanced capacity and tools to encourage and facilitate greenhouse gas abatement, for example, through:
  - overcoming the barriers to taking further abatement actions, and

- facilitating development and implementation of further abatement option

We think these four areas will be able to accommodate key abatement opportunities in Australia, but they are not intended to exclude any other significant and cost-effective abatement actions that may emerge during the implementation of the GGAP. To help allow for flexibility, there is no pre-agreed split of money between the four themes.

### **3. Greenhouse considerations in GGAP (but also our other Government actions) need to be consistent with other government commitments);**

This new program reflects the Government's commitment to a strong program of domestic action, which will put Australia in a good position when the Kyoto Protocol comes into force to work towards our target.

The Government directed that the GGAP should focus on maximum abatement and sequestration opportunities, and, in doing so, consider other factors, such as potential for employment growth, new technologies, innovative processes, encouragement of non-government investment and opportunities in rural and regional Australia. Very importantly, GGAP has to meet the Government's tests of sustainability in order to achieve both environmental and other outcomes.

### **4. The pursuit of greenhouse action needs to be equitable and cost-effective and should have multiple benefits where appropriate;**

A competitive bidding process will be employed wherever practicable, to maximise cost-effectiveness and abatement outcomes. In assessing cost-effectiveness, we will use two main indicators:

- GGAP \$ per tonne of CO<sub>2</sub> equivalent abated; and
- National net \$ cost per tonne of CO<sub>2</sub> equivalent abated. This latter measure aims to identify projects that maximise economic welfare. This will involve a financial evaluation and a full economic evaluation identifying significant and measurable economic, social and environmental costs and benefits (in addition to the greenhouse benefits).

GGAP proposals will be assessed by a multi-disciplinary panel of experts in relevant abatement technologies and approaches, and in quantitative analysis, financial analysis, business and environmental management.

The GGAP provides significant scope for complementary benefits, for example in relation to biodiversity conservation, natural resource management, rural and regional development, and employment growth. At a project level, for example, it might combine tree planting for greenhouse sink purposes with other objectives such as wood production, biomass burning and salinity control (important in Australia).

## **5. Actions should preferably be based on partnerships involving all levels of society;**

The Australian government has adopted the responsible attitude of putting in place provisions related to the Kyoto Protocol, based on creating good environmental outcomes in ways that minimise costs. It has employed a cooperative-partnerships approach, working with major stakeholders.

For example, in designing the GGAP, the Australia Greenhouse Office invited stakeholders to submit ideas on the design of the program. Almost 100 submissions were received from a wide range of stakeholders, including all three levels of governments, industry, R&D organisations and individuals.

It also consulted widely on the program draft guidelines.

Co-investment will be sought to leverage greater investment in greenhouse gas abatement action by other levels of government, industry and the community.

Some projects may benefit from “brokering” whereby groups with similar ideas or complementary skills may be encouraged or facilitated to work together.

We anticipate that quite a few projects will be delivered in partnerships.

## **6. Action needs to be informed by research.**

We would expect that research will be embodied in technologies to be applied, including in the process of adapting them to the particular circumstances of their use (particularly if they are sourced from overseas). This is important in Australia given our different regional geo-physical and biological circumstances, our climatic conditions, population distribution, and so on. For example, research supported by the GGAP will focus on accelerating the development and deployment of technologies able to deliver abatement, particularly, between 2008 and 2012.

The facilitation component of the program will also allow us to deliver research into how to achieve abatement in the commitment period – for example, by funding resource studies for regional biomass to energy strategies.

### **Best practice performance management**

Having looked at how our six good practice factors have influenced design of this major new program, I want to turn briefly now to how we are seeking good practice in performance management in GGAP. That is, I will note how we are working to

ensure that the program outputs are produced in a cost-effective manner with low administrative overheads. The GGAP:

- is based on clear criteria (supported by detailed guidelines);
- has a good selection process (transparent and supported by advice from technical and financial expert panels – to ensure technical feasibility and financial viability of proposed projects)
- uses first class measurement practices, supported by world class Australian methodology (we are developing detailed methodologies to help calculate the emissions and economic performance of GGAP proposals)
- features performance-based out-sourcing arrangements through “greenhouse project brokers”
- to the extent possible, makes project payments based on performance to ensure the emphasis remains on delivery of abatement outcomes
- is managed by the Ministerial Council on Greenhouse which will, choose successful proposals aided by several sources of advice.

The GGAP will provide an important capacity building tool for both government and industry. It will build capacity for baseline assessment, for projection of emissions savings, and for monitoring and verifying those savings. It will also provide us with a good deal of information about the marginal cost of carbon abatement across our economy.

In summary, the latest in a line of Australian programs addressing the challenges of climate change is designed to address the special circumstances found in Australia and to complement and add to other programs. It is just the latest example of how programs can be tailored to flexibly respond to particular domestic circumstances and opportunities. It responds to a set of six factors which together add to what we regard as leading practice. Whether in world terms it is good, better or best is for others to decide. In Australian terms it is helping us to do the job.