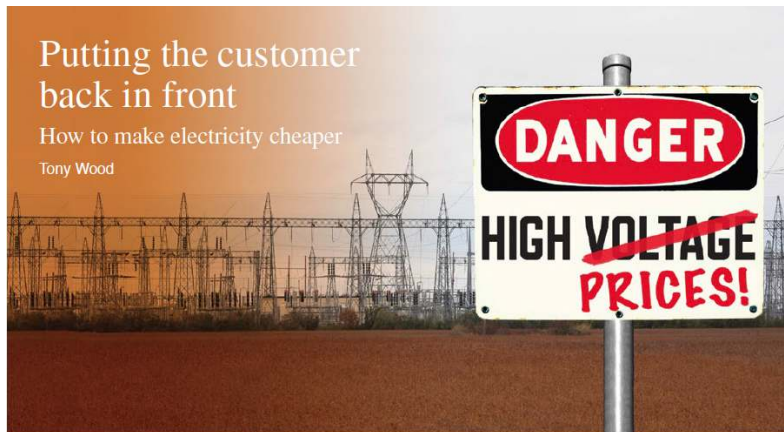


Putting the customer back in front

How to make electricity cheaper

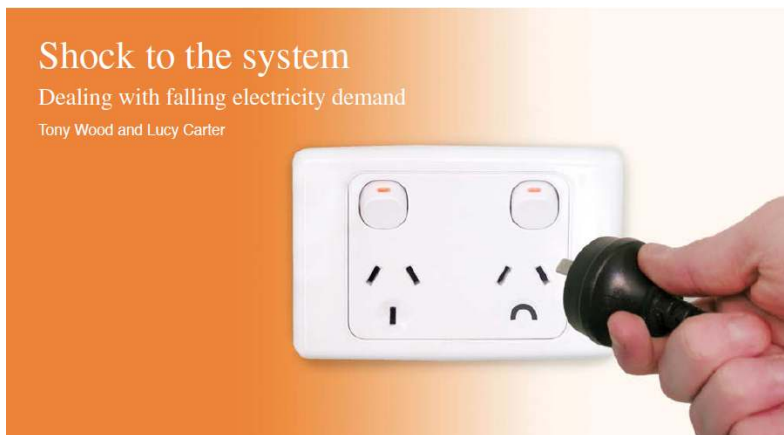
Tony Wood



Shock to the system

Dealing with falling electricity demand

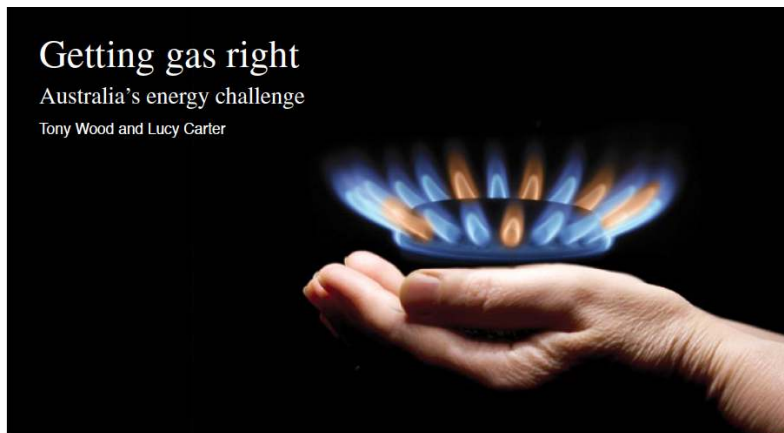
Tony Wood and Lucy Carter



Getting gas right

Australia's energy challenge

Tony Wood and Lucy Carter



GRATTAN
Institute

Climate Change: Australia's Post-Paris Policy Puzzle

State Library of Victoria
13 October 2015

Outline

- **Australia has a post-2020 emissions reduction target, albeit contentious.**
- **There is increasing agreement on the task**
- **There is an opportunity to align political, business and environmental interests**
- **It ain't pretty, but it might just work**

There is global agreement on some things

- The global objective is to limit global warming to less than two degrees Celsius.
- Countries have agreed goals will be a “progression” beyond current pledges, and have been invited to explain how their individual pledges are fair, ambitious and contribute toward the overarching goal of avoiding dangerous climate change.
- Through the UN Framework Convention, countries have agreed to make equitable contributions to avoiding dangerous climate change, taking account of differences in national capacity and responsibility.
- Heads of 11 companies that generate a third of the world's electricity urged governments on Sunday to agree on secure, stable clear, consistent and clear, long-term policies to underpin a shift to lower-carbon energy as part of a U.N. agreement on climate change due in December.

And, domestic agreement on some others

- **Both major parties support:**

- 5% reduction below 2000 level by 2020 and conditional 15-25%
- Two degree global objective
- The Renewable Energy Target has been resolved (?)

- **Major businesses support the two-degree objective**

- **Australia needs a coherent national plan and the support of relevant government policies to "decarbonise" Australia's power generation (AGL Chairman)**

- **There is no future for coal and gas without CCS (Queensland resources Council)**

- **Australia's emissions deliver benefits as well as, we now know, cost – the increasing accumulation of greenhouse gases. Dealing with that cost requires care and ingenuity (Minerals Council)**

Climate Roundtable – tentative steps

The gathering of industry groups and environmental NGOs said the "ideal" climate policy taken to the Paris conference should:

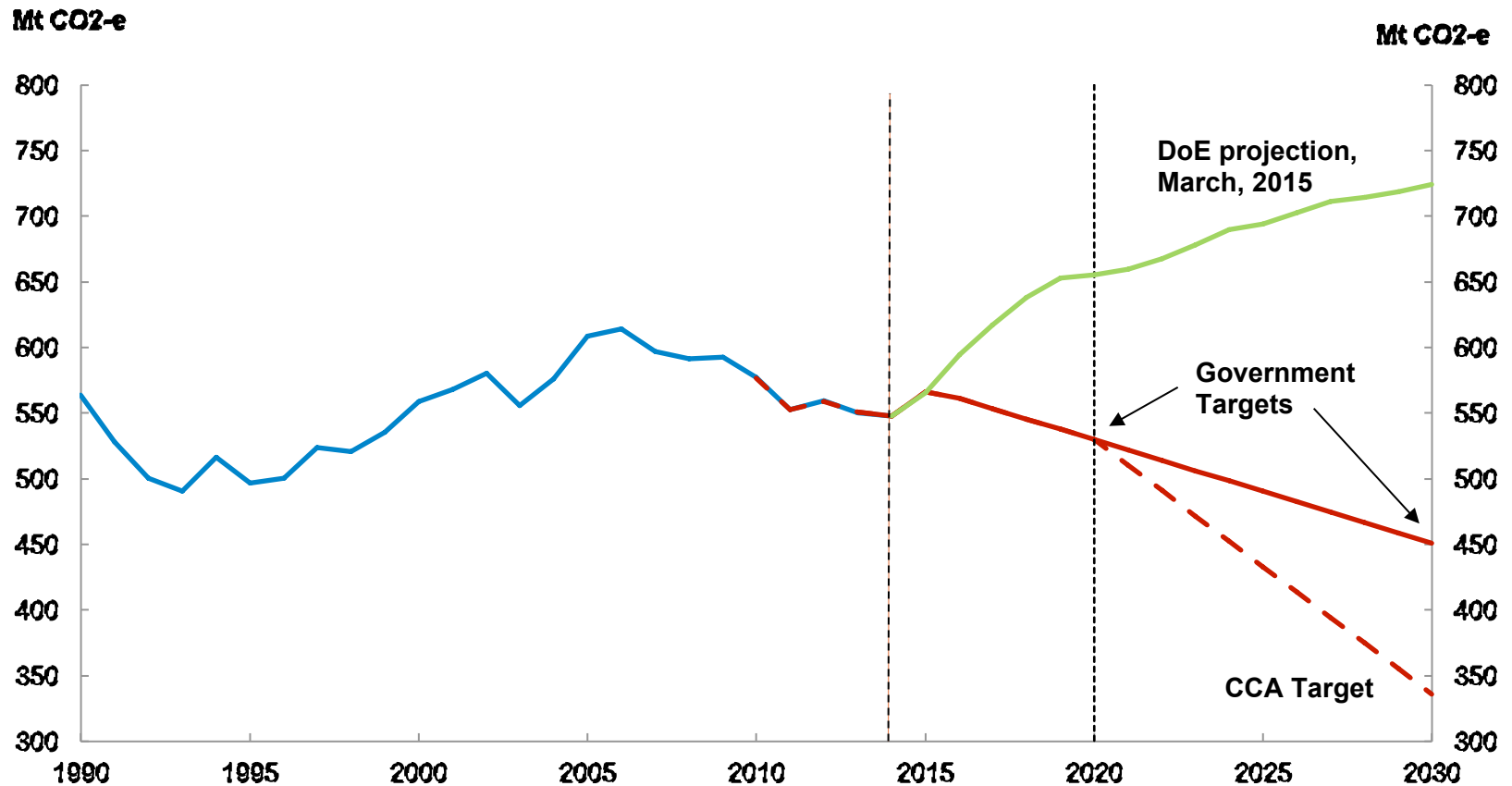
- be capable of achieving deep reductions in Australia's net emissions;
- provide confidence that targeted emissions reductions actually occur;
- be based on the full range of climate risks;
- be well designed, stable and internationally linked;
- operate at least cost to the domestic economy; and
- remain efficient as circumstances change and Australia's emissions reduction goals evolve.

Highlighting the social risks of climate policy and climate change, the Roundtable said climate policy must also:

- protect the most vulnerable individuals;
- avoid disproportionate impacts on low-income households; and
- assist communities that are vulnerable to economic shocks or physical risks as a result of climate change or climate policy.

Can aspirations be turned into credible, long-term policy?

Australia's target is non-trivial



Source: Grattan extension on DoE March Emissions projections

Comparability depends on what is compared

Announced post-2020 targets for emissions reductions

Measure	Australia	USA	Canada	EU	Japan
National emissions	559Mt	5526Mt	739Mt	4241Mt	1268Mt
Target 2030/2005	-28%	-38%	-30%	-34%	-25%
Targeted reductions	-1.9%pa	-2.8%pa	-1.7%pa	-1.5%pa	-1.3%pa
Per capita 2012	24	18	21	8	10
Per capita 2030	14	11	13	6	7

Source: Frank Jotzo, Crawford School, ANU

There is a preferred plan (OECD)

- Put an explicit price on carbon
- Identify other cost-effective policy instruments that put an implicit price on carbon
- Review the broader fiscal policy to ensure that it is coherent with stated climate goals
- Ensure that any regressive impacts of carbon pricing measures are alleviated through complementary measures

But, we have a dog's breakfast

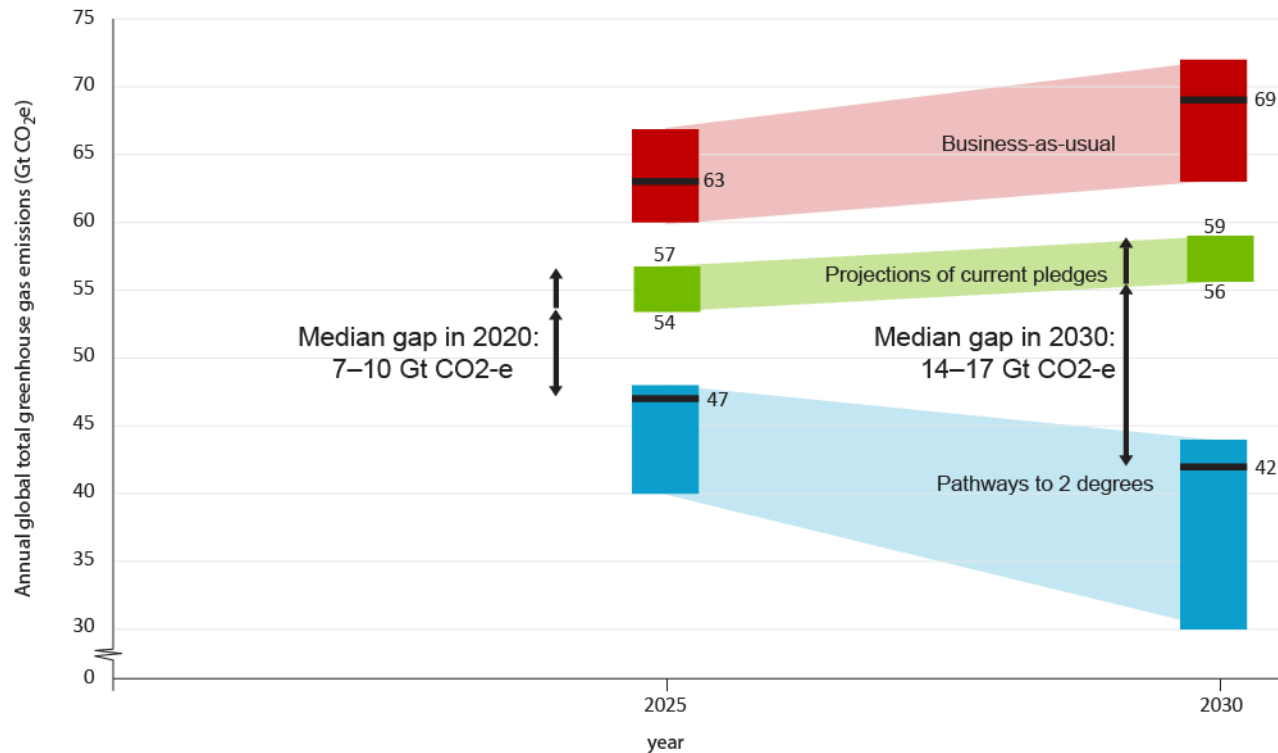
- The carbon “tax” has been repealed and emissions are increasing
- The Renewable Energy Target has been resolved (?)
- The Government is pursuing Direct Action and an Emissions Reduction Fund with the Safeguard Mechanism
- The ALP and Greens want a real emissions trading scheme, but seem incapable of saying so
- Having abandoned feed-in tariffs, State Governments are gearing up for a new round of policies
- Energy and climate change policy are disconnected

Summary

- **Australia now has a post-2020 target.**
- **The target is less than it should be, more than it could have been and will most likely be revised.**
- **An explicit carbon price offers the best way to deliver our target at lowest cost**
- **Sound domestic policy can minimise the cost and avoid financial difficulties or undesirable consequences**
- **We are best to start from where we are**
- **It is crucial that policies are credible, stable and sustainable – bipartisan support is a minimum**
- **Second best that gets done trumps first best that never does**

But, current commitments do not achieve the goal

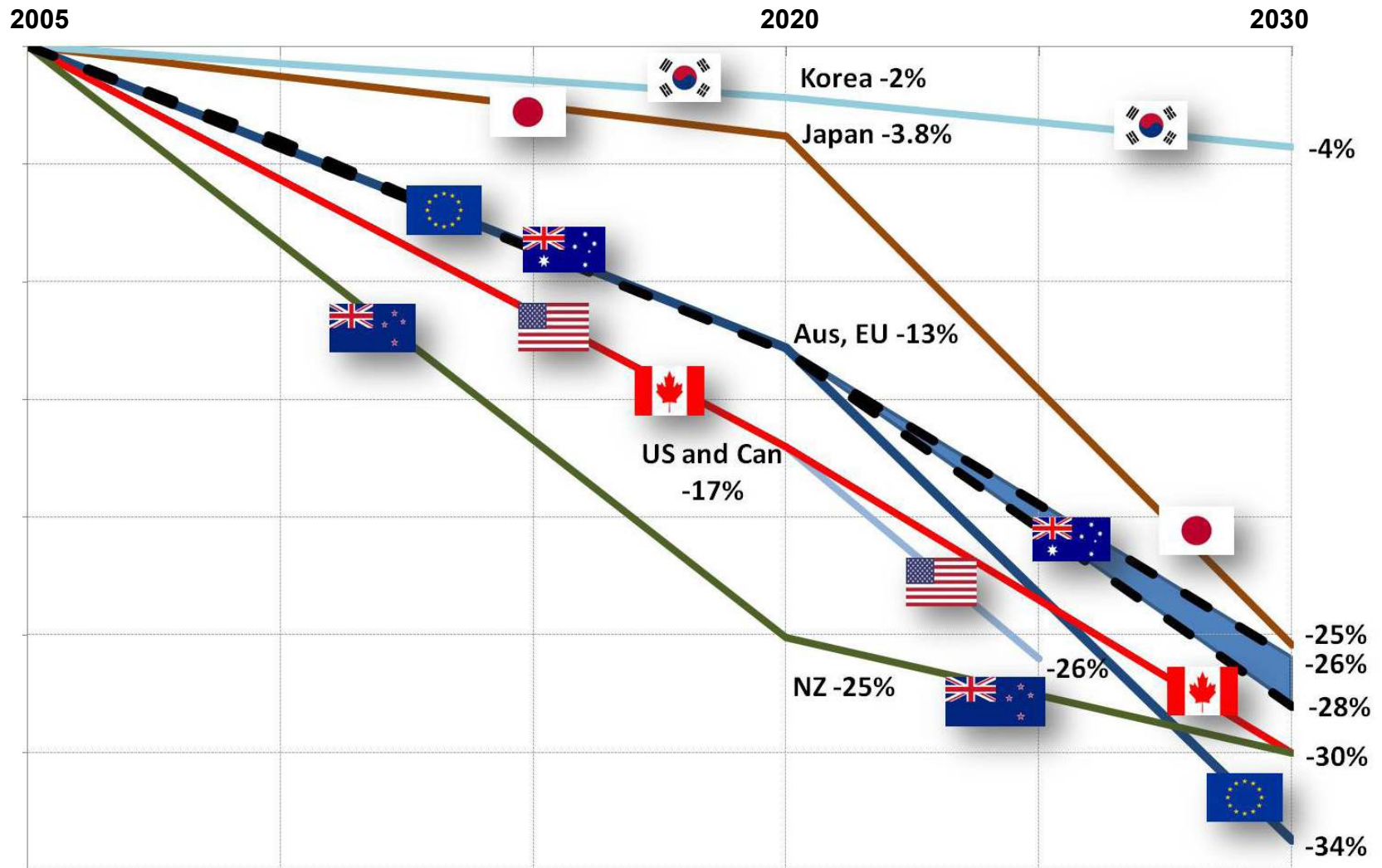
UNEP Emissions Gap Report: outlook to 2030



Source: Climate Change Authority, 2015

**So, revisions to targets will be necessary
– a test for Paris**

Australia's target is in line with other countries



Source: Department of Prime Minister and Cabinet

Climate Change Authority

Australia's future emissions reduction targets should be set against the background of the science of climate change and have regard to the efforts of other countries:

- **A 2025 target of 30 per cent below 2000 levels**
- **A 2030 target of between 45 and 65 per cent below 2005 levels**

The Authority believes their recommended target is comparable with the targets announced by other countries, taking account of Australia's relative capacity and responsibility to reduce emissions, and the effort required to meet the announced targets.

Given our current economic structure, energy intensity and starting levels, Australia will have to make greater efforts than many other countries to meet a given target.

Costs depend heavily on the policies adopted to pursue targets, not just the strength of the targets themselves.

Prime Minister's taskforce

- **Recommended target**
 - **26-28 per cent below 2005 levels by 2030**
- **This target delivers one of the largest reductions in emissions per capita and emissions per unit of GDP of all developed countries**
- **The target is within the range of efforts of other key developed countries**
- **National circumstances:**
 - **Our population is growing faster**
 - **We rely more heavily on cheap, abundant coal for electricity, creating real challenges to reduce emissions without impacts on the economy**
 - **Emissions from our exports are helping emerging economies grow and lower global emissions by displacing lower quality energy sources**