

*“Beyond Kyoto – Australia’s efforts
to combat global warming.”*

A speech to the

Pew Centre on Global Climate Change

by the

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Confucius once said that a journey of a thousand miles begins with a single step.

Most would agree the road to Kyoto began with the first step at the Rio Earth Summit in 1992. That process culminated in an all-night top level negotiating session in the ancient Japanese capital in December 1997 which produced the consensus which we now know as the Kyoto Protocol.

That final marathon session left us exhausted but optimistic. Developed countries had accepted individual targets which as a group would reduce greenhouse gas emissions. Because of the major economic consequences many had thought that to achieve such an agreement would be impossible.

But Australia, for one, never underestimated the immensity of the challenge of implementation placed before us by the Kyoto Protocol.

In many ways the road beyond Kyoto is more complex and presents more difficulties than the road to Kyoto.

The road to policy agreement is paved with good intentions, the road to implementation is lined with the potholes of reality.

Australia came away from Kyoto knowing it would have to take the first step of the new journey quickly and effectively.

We immediately began the task of putting in place the domestic measures required for Australia to honour its Kyoto commitment.

At the same time we commenced work to remove obstacles to ratification in terms of the unfinished business of Kyoto. We had committed a great deal to the Protocol and were determined to see it implemented.

At Kyoto we had successfully argued the principle of differentiated targets for member nations to take into account their national circumstances and to provide for an equity in the distribution of the economic burden of emission reductions.

Australia's eventual target of 8 per cent above 1990 levels represented a substantial reduction on our business as usual projections which would have seen our emissions rise to about 43 per cent above 1990 levels.

It would involve the acceptance of significant costs, but costs which are comparable to the sacrifices to be made by other member nations.

Australia's position was influenced by the nature of our economy. These same influences now affect the way we go about implementing our Kyoto commitments.

We are a major supplier of food, natural resources, and energy intensive exports such as aluminium to the nations of the Asia-Pacific region. We argued that Australia had developed not only an economic advantage in supplying these products, but also an environmental one.

Australia sets high environmental standards for its industries – our community demands it. Any moves to make our industries less economically competitive through arbitrary measures such as blanket carbon taxes would simply see industries move off-shore to developing nations not subject to the same Kyoto restrictions and where environmental standards may not be as rigorous.

We therefore argued against common policies and measures, allowing instead for each country to implement reforms that would achieve abatement compatible with the national interest and at least cost.

And consistent with our argument for flexibility in policies and measures within the domestic economy, so we argued for flexibility internationally. After all we are making commitments towards a global reduction in greenhouse gases. In agreeing to the Kyoto protocol we, in essence, said we were prepared to pay a price for carbon reduction. But if that same price could deliver a greater carbon reduction offshore as opposed to domestically, then we believed there should be flexibility for nations to opt for that better environmental outcome.

And as simply transferring efficient industry to developing countries because of economic imbalances created by the Kyoto protocol does not achieve a better global outcome, the need to engage developing nations in early targeted reductions was obvious. Differentiation was again the logical framework for such engagement.

We tried hard at Kyoto to ensure that the economic realities were appreciated as part of an effective environmental response. That message does seem to be gradually getting through.

I noted the editorial of last weekend's edition of USA Today as it marked the 30th anniversary of Earth Day. It commented that economic growth had in fact delivered better outcomes in terms of water and air quality. To paraphrase the editorial, increased economic well-being had allowed companies to invest in the new technologies required to deliver better environmental outcomes. The improved economic status of the people had also seen the power of consumers driving these companies to better environmental performance.

It is a salient message for greenhouse policy makers. Industry is more likely to play its part constructively if it sees that the actions we are taking are not a threat to their competitiveness or ability to grow. The same applies to the general community which will

question the wisdom of our actions if they have a detrimental impact on job creation or job security.

Economic growth and environmental responsibility are not mutually exclusive objectives.

The same principles apply in the use of sinks to sequester carbon. We are interested in net global greenhouse gases. If we can deliver a better environmental outcome by using, for example, reforestation to remove carbon from the atmosphere, it would seem logical to make that option available.

In just over 200 years of European settlement much of Australia's natural vegetation cover has been cleared for farming and pastoral purposes. In the Murray-Darling Basin – our most important agricultural production area – an estimated 15 billion trees have been removed.

We are now paying for the price for this over-clearing with major land degradation, rising salinity levels in our rivers and loss of native species.

The inclusion of carbon sinks in the Kyoto protocol has not only given us a chance to achieve lower-cost abatement of greenhouse gases, it has given our nation an unprecedented opportunity to invest in the restoration of its natural environment. Thus sinks presented Australia in its national circumstances with a particularly good opportunity to contribute to a better greenhouse outcome.

Therefore we are focussing on initiatives that encourage private sector investment in revegetation or programs aimed at promoting farm forestry and the establishment of new plantations.

These investments are helping to reduce the carbon in the atmosphere while at the same time helping to restore degraded land, reduce salinity and provide habitat for our endangered species. Our farmers, who like their counterparts in many other countries have faced difficult times, will also benefit economically from these investments.

It is the perfect example of using a market-based economic instrument to deliver multiple environmental outcomes. It is the ultimate win-win situation. And to make it work, Australia is currently building a National Carbon Accounting System to provide a sound basis for future reporting for the national greenhouse inventory, particularly the agriculture and land-use change and forestry sectors.

But we also recognise the need for a country such as ours to reduce emissions at source. And we have taken action in this regard, firstly through a voluntary "no regrets" program and in more recent times through regulatory change that goes beyond "no regrets" – and we have backed that up with nearly \$1 billion of public expenditure and a suite of programs being implemented by the Australian Greenhouse Office.

The Australian Greenhouse Office has been established as a separate agency to provide a whole of government approach to greenhouse matters.

To reinforce this approach, the Office reports to a Ministerial council comprising the Minister for the Environment, the Minister for Industry Science and Resources, and the Minister for Agriculture, Fisheries and Forestry. Other Ministers with responsibility for areas such as Foreign Affairs, Trade and Transport, also frequently attend council meetings.

Australia has enjoyed strong economic growth in recent years in contrast to many nations of our region who have experienced severe recessions. The whole of government approach ensures that the management of our economy is not inconsistent with the environmental goal of achieving our Kyoto target.

We have also sought to constructively engage our State Governments in the battle against global warming. As you may be aware, Australia is a federation of States, with state administrations having constitutional responsibility for many of the decisions which could affect our greenhouse reduction efforts.

The Commonwealth government worked with the State and Territory Governments to establish the National Greenhouse Strategy which covers all sectors and details actions that can be taken to reduce emissions.

Our voluntary industry program, known as the Greenhouse Challenge, has already seen companies and industry associations commit to cutting 20 million tonnes of projected emissions growth. Challenge membership includes 98 per cent of electricity generators, distributors and transmitters, all oil and gas producers and cement manufacturers, aluminium smelters and alumina refiners.

Beyond "no regrets", in the energy sector, for example, we are developing legislation to implement a mandatory target for the uptake of renewable energy. This will require wholesale electricity purchasers to contribute towards achieving a target of renewable energy by 2010 equivalent to 20% of Australia's residential electricity consumption.

The renewables target is intended to accelerate the uptake of energy from renewable or specified waste product sources in grid-based applications, and to provide an on-going base for the development of commercially competitive renewable energy. It is anticipated that the program will increase the total share of energy generated from renewables to over 12 per cent up from current levels of around 10 per cent.

This measure is complemented by our government's investment of \$400 million in the development and commercialisation of renewable energy technologies.

This expenditure in part will encourage remote area electricity users to invest in renewable energy generation. The initiative is expected to displace a substantial amount of diesel or

petrol fuelled generation in off-grid communities, enterprises and properties. We are also offering a 50 per cent rebate of the cost of grid connected photovoltaic systems.

Australia is also putting in place measures to promote efficiency standards for power generation, buildings, appliances and equipment. The building industry, for example, has agreed to our government's proposal to incorporate mandatory energy efficiency standards in the Australian building codes.

The transport of goods both within our cities and around Australia contributes significantly to our greenhouse gas emissions. One of the major factors restricting the switch of company fleets from diesel to cleaner fuels such as Compressed Natural Gas has been the lack of refuelling infrastructure. Our government is supporting a program aimed at establishing a system of refuelling stations in our major cities, with a long-term aim to provide refuelling outlets along our major interstate transport routes. We are also contributing to the cost of converting motor vehicles such as buses to take cleaner, more greenhouse friendly fuels.

At the same time new motor vehicle emission, fuel quality and energy efficiency standards will significantly improve both air quality and greenhouse outcomes but at a significant cost to both the motor vehicle and petroleum refining industries.

Our latest initiative is an investment of \$400 million in a new Greenhouse Gas Abatement Program.

Through this program we have identified thematic areas for key abatement opportunities:

- The development and deployment of technologies that deliver significant, additional and sustained abatement. Opportunities for large-scale abatement potentially exist in the rapid deployment of technologies such as co-generation, the capture and use of waste coal mine gases, and the capture and disposal of greenhouse gases in geological formations.
- 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; and
 - promoting the development and uptake of sustainable energy in regional Australia, including bio-fuels and biomass for energy.
- The uptake and deployment of greenhouse-efficient technologies, infrastructure, and practices within the built environment.

- 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 are currently near completion of the final design of the program which will adopt competitive bidding processes where-ever practicable, to maximise cost-effectiveness and abatement outcomes.

It is a significant investment in both monetary terms and in terms of breadth of vision and it will lay a broad and solid foundation for our future efforts.

Beyond these measures, the Government is also considering the full ramifications of a possible domestic emissions trading scheme. As we have argued for emissions trading internationally to reduce the cost of abatement, there is obvious logic in facilitating such a market-based mechanism within our domestic economy for the same objectives.

While our focus has been on the feasibility and design rather than the implementation of such a scheme, it is interesting to note that there is a significant amount of international investment interest in forestry plantations in Australia. This investment is being associated with the potential for generating Kyoto Protocol consistent sequestration credits – for use in the protocol's first commitment period.

This leads me to my last point which is the importance of resolving issues that remain outstanding from Kyoto on the flexibility mechanisms, compliance and sinks, as a matter of urgency in order to make the Protocol ready for ratification. There is also an urgency in making progress on the unwritten legacy of Kyoto – developing country participation. If we as governments cannot settle these issues we will be letting down those in the community who are already taking abatement action.

This enables me, in closing, to acknowledge the work of the Pew Centre on climate change. By coming together under the banner of the Pew Centre, accepting that global warming is a reality and that action needs to be taken, some of the largest corporate entities in the United States have added their economic influence to the debate. And this leadership by example is important.

Your actions reflect the common-sense, pre-cautionary approach we must take in dealing effectively with global warming - an approach with which we have much sympathy.

I commenced today with Confucius. However, as I am in the United States, I will end with the words of a famous American.

Martin Luther King Jnr once said, "Take the first step in faith. You don't have to see the whole staircase – just take the first step."

Governments, industry and the community have taken that first step in what will be a difficult but hopefully successful journey toward minimising our impact on the earth's climate system and ensuring a safe and sustainable planet for future generations.