



AUSTRALIAN CLIMATE ROUNDTABLE: JOINT PRINCIPLES FOR CLIMATE POLICY

Preface

This document sets out principles to guide the development of sound long term policy to address climate change. These principles reflect extensive discussions between the diverse organisations participating in the Australian Climate Roundtable, encompassing business groups, unions, institutional investors, environmental groups and social policy organisations.

The principles address the goals of climate change policy and the ideal characteristics of policies to meet the goals.

The principles spring from the considerable common ground between the existing policy approaches of each group, and have been revised and clarified to ensure that they cover areas of essential need and joint agreement. Each organisation maintains their own existing policy priorities, with which they have judged these principles to be compatible.

The following organisations have agreed to the joint principles:

Australian Aluminium Council

Australian Industry Group

Australian Conservation Foundation

Business Council of Australia

Australian Council of Social Service

Investor Group on Climate Change

Australian Council of Trade Unions

National Farmers' Federation

Australian Energy Council

WWF Australia

Principles

Goal

Unconstrained climate change would have serious economic, environmental and social impacts on Australia. These costs underpin our assessment of the need for action.

We recognise the major parties' support for Australia's participation in the Paris Agreement and its objective of taking action towards "holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels." Our overarching aim is for Australia to play its fair part in international efforts to achieve this while maintaining and increasing its prosperity.

Achieving this goal will require deep global emissions reductions, with most countries eventually reducing net¹ greenhouse gas² emissions to zero or below. Australia should seek to achieve net zero economy-wide by 2050.

Avoiding unconstrained climate change will provide important benefits and opportunities to Australia. However, emissions reductions on the necessary scale will also require substantial change and present significant challenges for Australia as well as other countries. Delayed, unpredictable and piecemeal action will increase the costs and challenge of achieving the goal. Policy must be well designed to achieve the goal while avoiding these risks. This document sets out principles for dealing with the key issues.

Ideal policy

Policy instruments should: be capable of achieving deep reductions in Australia's net emissions in line with our overall goal; provide confidence that targeted emissions reductions actually occur; be based on an assessment of the full range of climate risks; be well designed, stable and internationally linked;³ operate at least cost to the domestic economy while maximising benefits; and remain efficient as circumstances change and Australia's emissions reduction goals evolve. The interests of trade exposed industries, low income households and potentially displaced workers are not in conflict and good policy will ensure each group is not negatively impacted by the transition.

¹ 'Net' greenhouse gas emissions includes the impacts of activities that remove carbon dioxide from the atmosphere (such as carbon sequestration in forests or geological formations), and of international trade in credible emissions entitlements and offsets. Climate change is affected by the total quantity of greenhouse gases in the atmosphere, not their point of origin.

² Greenhouse gases that are a focus for climate policy include carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O) and a range of synthetic fluorinated gases.

³ International linkage of climate policies can take many forms depending on policy type, from trade in emissions offsets or entitlements, to shared regulatory standards or project methodologies, to coordinated tax settings.

Cost control

Policy should allow Australia to meet its short and long term emissions reduction goals at least cost.

To achieve this, policy should:

- drive domestic abatement wherever it is efficient and internationally recognised across all sectors of the Australian economy;
- make use of internationally recognised abatement from overseas to ease the transition towards net zero emissions;
- overcome identified market failures and help markets work more efficiently; and
- explicitly account for climate impacts in any assessment of costs and benefits.

Trade competitiveness

Policy should prevent the unnecessary loss of competitiveness by Australia's trade exposed industries and net increases in global emissions that might otherwise occur due to the uneven international application of climate policies.

Innovation, Technology and Science

New and improved technology can help existing and start-up organisations reduce the costs and increase the opportunities of Australia's transition to net zero emissions. Policy for and investment in innovation, technology and science are needed to stimulate and support research, development, demonstration and commercial deployment of low- and zero-emissions technologies.

Equity

Reducing Australia's emissions and adapting to unavoidable climate impacts, some of which are already here, involves both costs and opportunities. New opportunities for decent work should be open to all in the community. The costs of climate policy should be spread fairly within the Australian community and policy should:

- protect the most vulnerable individuals;
- avoid disproportionate impacts on vulnerable people, low income households and the organisations that support them; and
- assist the fair and successful transition of workers and communities that are especially vulnerable to economic shocks or physical risks as a result of climate change, climate policy or the transition to clean energy.

Equity should be explicitly addressed in the policy design process, including immediate impacts and those on future generations of Australians.

Stability

To attract and sustain investment over the long term, the underlying climate policy framework should be stable, offer predictable processes for important decisions and enjoy broad political support.

Energy sector

Policy should recognise the strategic importance of reducing emissions from the energy sector in achieving the overall goal. It should provide a credible basis for planning and investment by the energy sector and energy consumers, maintain energy security and avoid sovereign risk.

While the need to reduce energy sector emissions has been widely anticipated, specific policies may create economic shocks that negatively affect businesses. These shocks should be smoothed without negating the incentives created by the policy.

Land sector

Farming, forestry and land management are highly exposed both to the physical risks of climate change, and to international trade. They also have great potential to sequester carbon cost-effectively, far beyond their own emissions, while also conserving biodiversity and freshwater resources. To unlock this potential, climate policies should:

- value emissions and abatement to promote a trajectory to carbon neutrality in Australia;
- be flexible enough to accommodate different land managers' needs and circumstances;
- conserve biological diversity while also helping to reverse land degradation; and
- encourage and assist land managers to participate.

Adaptation, trade competitiveness, equity and our other principles are as vital in the land sector as elsewhere.

Adaptation

Some adverse climate impacts are already occurring and more will be unavoidable. Systematic assessment, planning and action, supported by effective financing mechanisms, will be needed to adapt to the range of climate change scenarios we face.

Use of revenue

Any revenue resulting from climate policy should be used where cost-effective to address legitimate needs directly related to climate policy, and otherwise be returned to individuals and business in ways that maximise efficiency and do not reduce abatement incentives.

Administration

Compliance costs and regulatory burdens should be kept to a minimum.

Policy should aim to provide transparent information about its operation and impacts, consistent with commercial expectations and the public interest.

Review

Australia needs regular independent review of its emissions policies, its targets (including their consistency with agreed overall goal, and international undertakings) and the efforts of other countries. This should involve full public consultation.