



# Australian Industry Greenhouse Network (AIGN)

A Submission to the Department of the Environment and Heritage on the

**Possible Application of a Greenhouse Trigger under the  
Environment Protection and Biodiversity Conservation Act 1999**

**25-02-2000**

Industry Associations endorsing the submission are as follows:

- **Australian Aluminium Council**
- **Australian Automobile Association**
- **Australian Coal Association**
- **Australian Petroleum Production and Exploration Association**
- **Business Council of Australia**
- **Cement Industry Federation**
- **Electricity Supply Association of Australia**
- **Federal Chamber of Automotive Industries**
- **Minerals Council of Australia**
- **Plastics and Chemical Industries Association**
- **Pulp and Paper Manufacturers Federation of Australia**

**Industry associations and individual businesses associated with the preparation of this submission may also make submissions in their own right.**

# **Possible Greenhouse Trigger under the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act)**

## ***Policy context:***

The Australian Industry Greenhouse Network (AIGN) considers greenhouse to be an issue of national importance, and recognises the obligations that exist under the Framework Convention on Climate Change and that these may be extended under the Kyoto Protocol. However, greenhouse is a global issue requiring global solutions and therefore, AIGN supports the government's balanced approach as set out in the Prime Minister's November 1997 statement. This balanced approach seeks to ensure Australian national interests including industry competitiveness, economic growth, and jobs are not sacrificed while still assuming a fair share of the world wide burden to reduce greenhouse emissions.

## ***Kyoto Protocol implications***

If the Kyoto Protocol enters into force, there are three important implications relevant to considering the proposal to make greenhouse a trigger under the EPBC Act:

1. There will be an incentive (driven by changes in competitiveness due to restraint only on Annex 1 emissions) for investment in new projects with significant direct or indirect greenhouse emissions to go to non-Annex 1 countries.
2. The lack of restraint on growth in emissions in non-Annex 1 countries (or on emissions from international air and marine transport) prevents any objective assessment of potential global environmental impact of projects (even very large ones) in Australia.
3. Subject to further negotiations, there will be international flexibility mechanisms to provide cost effective alternatives to costly domestic restraints.

Hence, AIGN is concerned that if greenhouse were made a trigger under the EPBC Act, the assessment and approval processes would have to be based on arbitrary emission quantity criteria<sup>1</sup> and not the (global) environmental impact. Such an approach would increase the discrimination (particularly due to the absence of non-Annex 1 commitments) against new developments in Australia. This discrimination could have a major negative impact on Australia's national interests in terms of regional development, employment, investment, the balance of payments and industry competitiveness, and result in Australians assuming an unfair share of the worldwide burden to address climate change. Therefore, the AIGN would see unilateral or arbitrary restraints targeting new large projects as inconsistent with the balanced approach adopted by the Australian government.

## ***Australia's international obligations***

With respect to meeting Australia's obligations that may arise under the Kyoto Protocol's partial global framework, emission management processes must take account of all emissions, sinks and the operation of the international flexibility systems. The proposal to add a greenhouse a trigger, focussed on new and large projects, raises many complex issues that strongly suggest the proposal is not compatible with equitable and comprehensive management of Australia's international obligations. For this reason, AIGN continues to support the broad National Greenhouse Strategy (NGS) approach and in particular, the development of improved National Greenhouse Gas Inventory (NGGI) methods and processes to better forecast future emission trends and absolute levels. This

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<sup>1</sup> These will be very arbitrary ahead of concluding the international negotiations on implementation and the decisions of each Annex 1 Party on ratification.

work is the responsibility of the Australian Greenhouse Office and requires a very wide range of information and assessment of emissions and the trends (including economic and emission modelling).

AIGN is committed to continuing to work with government to improve these processes and supports the increased emphasis being given to this work by the AGO. Information about emissions associated with new projects that are sufficiently progressed to be seeking government approvals is important and readily available. There is also considerable information on possible future projects available to the Commonwealth government from surveys and from State and Territory governments. In addition, the Greenhouse Challenge program also provides considerable sectoral and enterprise level information on emission levels and future trends. Making greenhouse a trigger would not change the fact that the major challenge is to combine the relatively high quality detailed industry information with the poor quality information, on trends in emissions and energy demand, from non-industry sectors to determine the national trends and forecasts.

Improved national information and future forecasts of emission levels is not only a priority for government, it is very important to enable business to assess the future risks and opportunities that will flow from the trend in Australia's emissions and international agreements to constrain growth in emissions.

### ***Australia's current greenhouse response***

AIGN supports the need for broad-based action on greenhouse by all sectors of the Australian economy with the goal of effective and equitable participation in international action to address the threat of climate change. The National Greenhouse Strategy (NGS), released in November 1998, was developed by the Commonwealth, State and Territory governments as the "primary mechanism through which our international commitments will be met". In endorsing the NGS, the Commonwealth, State and Territory governments demonstrated commitment to an effective national greenhouse response and noted that:

*"Implementation of the Strategy will forge major reductions in Australia's projected emissions growth, consistent with meeting our international commitments. The Strategy demonstrates the commitment of governments to ensure that Australia carries its fair share of the burden in world-wide efforts to combat global climate change, while recognising that our national interest lies in protecting jobs and maintaining the competitiveness of Australian industry."*

AIGN believes that the NGS has the potential to provide a broad based and balanced approach to meeting Australia's international obligations. A partial assessment process under the EPBC Act that only focussed on potential new emissions from a minority of the sources and ignored changes from existing sources of emissions would not improve this comprehensive policy approach. The prime role for the NGS is consistent with the AIGN's understanding of the COAG Heads of Agreement that underpins the EPBC Act, where greenhouse was agreed to be a matter of national environmental significance, to be addressed by the jurisdictions, but not one that should trigger the Act.

In view of the role of the NGS and the COAG Heads of Agreement, the consultation paper is inadequate because it doesn't identify/consider:

- the merits of including a greenhouse trigger as a change to the COAG Heads of Agreement;
- the inefficiency, uncertainty and national interest implications of a greenhouse trigger under the EPBC Act as an additional overlapping process with the NGS; or,

- any changes in Australia's circumstances or obligations with respect to greenhouse that would indicate any reason to reverse the COAG decision in the Heads of Agreement or to overlay the NGS with a process that is both limited in its scope and will have arbitrary cut-offs and assessment guidelines.

In view of these omissions, AIGN concludes that no case for change of the COAG decision has been established.

### ***Specific concerns about the application of the proposed trigger***

The Minister's Foreword presents the case for adding a greenhouse trigger on the basis of it providing another measure for addressing Australia's international responsibilities. In particular, the Minister asserts there is a need for new projects that may be major emitters of greenhouse gases to gain specific approval. However, there is no discussion in the consultation paper of the limitations of such a partial approach nor is there an explanation of how the approach relates to meeting Australia's current international responsibilities.

The limitations of adding a greenhouse trigger include:

- The greenhouse trigger proposed in the consultation paper is limited in scope to major new projects. Hence changes in emissions will be ignored in whole sectors of the economy and only partially covered in others. Such a partial approach could result in the inefficient re-allocation of economic resources to those sectors not subject to the trigger, thereby accelerating emissions growth in these sectors.<sup>2</sup>
- The consultation paper only focuses on options for determining trigger levels, including a very limited form of cumulative emissions, based on arbitrary estimates of lifetime emissions for projects. There is no proposed process or criteria for assessment of projects once some arbitrary trigger level has been reached. Triggering assessment without an agreed, equitable, scientifically objective and efficient assessment process would result in cost, risk and equity concerns for proponents of major projects.
- Major new projects are initiated to meet an Australian or global demand for the project's product. That demand will continue to exist and will be met regardless of the project proceeding in Australia or not. Hence, adding the trigger will increase the probability that jobs, regional and rural development, investment and export earnings (or import replacement) to be lost from Australia in favour of other countries, including some Annex I countries, without necessarily reducing global greenhouse gas emissions.
- Major new projects are typically more efficient than existing operations in reducing greenhouse emissions, and through competition will force out the older and less efficient competitors (in Australia or elsewhere). In addition, applying a cut-off threshold for project emissions would tend to discourage economy of scale. Hence, any disincentives for new and large projects could be counter productive to reducing the emission intensity of production.
- The high level of direct and arbitrary government intervention implied by subjecting major new projects to such an approval process is not consistent with the flexible approach that Australia has demanded be part of the Kyoto Protocol before it can be ratified. The proposed trigger, and any conditions arbitrarily placed on new projects as a result of assessment, is incompatible with Australia's stance in international fora supporting flexibility and market based approaches to emissions abatement.

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<sup>2</sup> Some AIGN member industries are predominantly or wholly engaged in offshore activities and fall under the EPBC Act through other areas of national environmental significance. For these industries, an effective, efficient, equitable and transparent means of assessing greenhouse emissions is the key issue.

## **Conclusion:**

AIGN believes that a better alternative to adding greenhouse as a trigger under the EPBC Act is to continue working co-operatively to improve the processes and actions already established under the NGS. These include the measures announced by the Prime Minister in November 1997 and extended in May 1999<sup>3</sup>, the enhancement of Greenhouse Challenge, and the consideration of additional measures such as emissions trading. AIGN recommends reaffirming the role of the NGS as the “primary mechanism” to meet Australia’s international greenhouse obligations and would support efforts to increase its effectiveness. For example, rather than just focus on additional emissions from large new projects, AIGN considers our efforts should go into upgrading the AGO’s emissions inventory and projections programs to improve Australia’s national inventories, forecast of net (including the impact of sinks) emission trends, and estimates of future net emission levels. AIGN believes that providing improved information on emissions and projections to government and the community will facilitate informed consideration of implications with respect to Australia’s international obligations. In addition, this improved information will be very valuable for business and industry to manage the risks and opportunities flowing from the trend in Australia’s emissions and international agreements to constrain emissions growth.

AIGN is concerned that addition of a greenhouse trigger under the EPBC Act would be counter to national interest priorities such as employment, investment, regional development and economic growth, without certainty of any global improvement in emissions. In particular, AIGN is concerned that a greenhouse assessment and approval process confined to new projects (as implied in the discussion paper) under the EPBC Act will:

- inhibit the implementation of improved technology through new projects in Australia by some projects and investments diverting to other countries;
- impose conditions that reduce the competitiveness of projects compared with existing competitors in Australia or elsewhere;
- not be capable of determining global changes in emissions or possible environmental impacts;
- duplicate or cut-off NGS measures such as power station efficiency standards, co-operative programs and other NGS efforts to reduce Australia’s greenhouse emissions;
- not be compatible with comprehensive market based measures (eg an emissions trading scheme) that may be introduced in response to Australia ratifying the Kyoto Protocol; and,
- not take account of the international flexibility provisions.

AIGN therefore recommends that the Government should not add greenhouse as a trigger under the EPBC Act but should, together with industry and State and Territory support, continue with the NGS and increase our efforts to improve inventories and projections of greenhouse emissions under a range of future scenarios.

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<sup>3</sup> In May 1999 the Prime Minister announced *Measures for a Better Environment*, a package of new environmental measures that included a \$400 million Greenhouse Gas Abatement Program.