



Inquiry into the Kyoto Protocol Ratification Bill 2003

Environment Business Australia submission to the Senate Environment, Communications,
Information Technology and Arts Legislation Committee
30 January 2004

Environment Business Australia (EBA) is on record as supporting Australia ratifying the Kyoto Protocol and has previously prepared two in-depth papers detailing our reasons for this (25 October 2002 and 31 March 2003).

We consider that it is fundamentally important for Australia to be supporting the one global framework that exists to combat climate change and this for the following reasons:

- There is an overwhelming urgency to combat climate change.
- There are now 120 countries who have ratified the Protocol. Under the rules of the Protocol mechanisms they will preferentially trade amongst themselves (Clean Development Mechanism, Joint Implementation, International Emissions Trading). These countries include our major trading partners, competitors, and emerging market forces such as India and China in particular. Australia may therefore be competitively disadvantaged.
- There are strong geo-political realities regarding the emerging trading of carbon emissions and overall the Kyoto Protocol is seen as supporting the majority stance. This is in addition to the market driven approach – where commodities both positive (value) and negative (cost) are increasingly traded. Emissions trading is not a solution, in itself, to the problem of climate change but it can be a powerful catalyst to much needed innovative technologies and their more rapid uptake. Funds from a national trading system could be used to develop R&D, focusing on energy efficient and low/zero emission technologies, and to fast-track accelerated depreciation.
- Australia urgently needs an in-depth study of externalities (negative impacts on the environment which have far-reaching negative economic impacts) because issues such as climate change are already impacting the economy (dust storms, bush fires, drought, increased salinity, soil erosion). National and international research (IPCC and CSIRO) suggests that Australia will be heavily affected with agriculture particularly impacted. Health reports (AMA; Prof Tony McMichael, ANU; WHO) also indicate significant health impacts from climate change, this will increase the cost of healthcare.
- The need for the externalities study stems from the criticism by fossil fuel and energy-intensive industry groups suggesting that adaptation is less expensive than emissions abatement or mitigation due to the *perceived* higher costs of renewable energy. We believe that if *all costs of fuels are calculated* then the costs associated with negative externalities from fossil fuels may show them to be the most, not the least expensive. We recommend the proper research and consideration be given to dealing with the potential impacts but at the same time we believe that the suggestion that adaptation is a 'least cost' approach is very naive, and indeed we question whether adaptation to climate change will be possible if current standards of living are to be maintained.
- The EU is currently seeking a 20% market share target for renewable energy by 2010, this is likely to be formally announced by the EU in June. The EU is our biggest trading partner and their

evident growth in demand for sustainable production and consumption will affect demand for Australian goods and services and negatively affect Australia's long-term competitiveness.

- There is significant employment potential in the renewable energy sector, in the broader environment management industry and much of this will benefit rural and regional Australia. The McLellan Magasanik report prepared for Origin Energy highlights the potential growth in renewable energies and the very low cost associated with it. This point was emphasised by the Government's House of Representatives Standing Committee on employment in the environment industry sector.
- Developing countries such as China (PRC) and India have ratified the Kyoto Protocol (in spite of much commentary in this country that they have not). Developing countries are not expected to discuss firm targets until negotiations begin at the end of 2005
- There could be a strategic advantage in Australia signing the Kyoto Protocol and then partnering with major emitters/potential emitters, especially in our region. For example a bilateral partnership with China and/or India could assist both parties to 'collectively' meet targets. This would provide strong trade and technology transfer opportunities.
- Recent research by the IPCC and CSIRO, inter alia, is showing alarming potential impacts of climate change on Australia
- If/when Russia ratifies the Kyoto Protocol, the Protocol will come into force and negotiations for the second phase will begin in late 2005. If Australia has not ratified at that time we can only be observers at the Meeting of the Parties (MoP) we will have no formal status and will not have a seat at the negotiating table.
- Even without full ratification of the Kyoto Protocol bringing it into force, Australia may be disadvantaged by not being able to participate in emissions trading. The EU has already passed their Emissions Trading Directive into law.
- Ratification of the Kyoto Protocol does not preclude the continuance of bilateral agreements.
- A recent report in Nature Magazine highlighted that between 25% and 50% of species will become extinct dependent on the severity of climate change. In Queensland forests this may reach an astounding 80% extinction rate. As we do not have any data to suggest that we can exist without a full complement of biodiversity this is an extraordinarily frightening scenario.
- The cost to Australia of ratification may be low, nil or even beneficial. However, it is a certainty that non-ratification by Australia will reduce our negotiating power in future global agreements to tackle climate change. Non-ratification also opens up the possibility of Australia being a defendant in future legal actions taken by the low lying island nations such as Nuie and Kiribati and any others adversely affected by climate change.

EBA requests the opportunity to meet with the Senate Inquiry to discuss the issue of climate change and the potential environmental, health, quality of life and economic impacts on Australia.

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Attached:

- EBA submission to the Federal Government on climate change 25.10.02
- EBA submission to the Federal Government in response to the Government-industry dialogue on climate change 31.3.03
- Submission to the Prime Minister and members of Cabinet on technologies and externalities
- Submission to the Prime Minister and Cabinet on emissions trading