



27 November 2020

House Standing Committee on the Environment and Energy
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Standing Committee Members,

Climate Change Bills 2020

The Clean Energy Council (**CEC**) welcomes the opportunity to write to you in support of the *Climate Change (National Framework for Adaptation and Mitigation) Bill 2020* and the *Climate Change (National Framework for Adaptation and Mitigation) (Consequential and Transitional Provisions) Bill 2020*.

The CEC is the peak body for the clean energy industry in Australia. We represent and work with over 800 of Australia's leading businesses operating in renewable energy and energy storage, and we are committed to accelerating Australia's transition to a clean energy future.

The Climate Change Bill 2020 (**the Bill**) provides the prospect of finally ending the climate policy impasse that has afflicted Australia for the past decade. The spirit of the Bill is bipartisanship – a critical ingredient for addressing the most serious challenge that humanity has ever faced, and for providing the stable policy and investment environment that is sorely needed to plan for the necessary and inevitable structural adjustments in our economy and infrastructure.

The key question for Australia is whether we will plan for this structural adjustment to maximise the opportunities and minimise the economic and social costs, or whether we will muddle our way through as global shifts in trade and capital deployment inevitably affect our terms of trade, economic prosperity and standards of living.

Australia can prosper in a world of strong climate change mitigation

Australia has exceptional potential to do well in a world of ambitious climate change mitigation – but only if we plan, prepare and invest in the emerging low and zero emissions opportunities that are before us. Our standout comparative advantage is of course our exceptional renewable energy endowment. Few, if any, other developed countries in the world enjoy the combination of high quality and abundant wind and solar resources that Australia has at its disposal.

These renewable energy resources not only provide our nation with the opportunity to deliver low-cost power to Australian households, business and industry. They also pave the way for Australia to hedge its risks against the certain long-term decline of our fossil fuel-based commodity exports (such as thermal coal and liquified natural gas), and ultimately support economic expansion in a carbon constrained world, by supplying our region and beyond with new clean energy exports and value-added commodities (eg. green steel and aluminium) processed onshore using our low-cost energy advantage.

We need long term signals to enable informed planning by investors, communities

The opportunity for Australia to prosper in a carbon-constrained world is clear. Yet our ambition and our pathway are not. Australia's climate change and energy policy framework is a patchwork of Federal, state and territory government policies, targets and interventions fundamentally working to fill the void created by the absence of an integrated climate change and energy policy framework.

While in the case of emissions reduction in the electricity sector the states and territories have been filling the emissions policy void with increasing effectiveness, ambition and determination through renewable energy targets or support, a clear, legislated sector-wide or economy-wide zero emissions goal would provide a much needed long-term policy signal to inform the investment decisions for capital-intensive, long-life infrastructure assets.

Australia's energy sector has been on a rollercoaster over the course of the past decade (and longer), and the result of that turbulence has been uncertainty about when and where to invest, higher costs to electricity consumers, higher emissions, and a missed opportunity to build a long-term, skilled workforce and manufacturing sector to support a vibrant clean energy sector.

This Bill provides a framework that will underpin long-term investment confidence about our destination through the net zero emissions target by 2050, and encourage a robust and transparent process for establishing the emissions trajectory along the way.

A long-term target matters for long-life assets such as wind and solar farms, which have operating lives of between 20-30 years. The current reluctance of the Australian Government to establish a goal beyond 2030 leaves a lot of guesswork for investors about the likely market dynamics and investment conditions for their assets, increasing the risk premiums applied to Australian projects.

A long-term target also matters for communities and regions whose lives will be impacted by the seismic shifts under way across the globe. Australia's experiences in industrial closures such as in the automotive sector, and international experiences in coal closures (such as in Germany), clearly indicate that the economic and social impacts of downsizing events are far greater when they occur at short notice. The Bill outlines a principle of fair employment transition. The most effective way to ensure a fair transition is to offer a clear timeline for change – an anticipated transition allows for people and businesses to plan and adjust. A 2050 net zero emissions target is the first step in providing that clear signalling to regional employers, training systems and workers.

The Committee might consider what role the Commission could have in advising the Minister on international best practice in matters of industrial restructuring and subsequently displaced workers. Minimising the regional employment impacts of coal closures in Australia is fundamental to the clean energy sector's ongoing social licence to operate in those regions.

The renewable energy sector can do the heavy lifting in the early years

The ambition of the 2030 target as it is currently interpreted by the Australian Government (each sector's emissions reduction limited to 26-28 per cent) also stifles the ability of the renewable energy sector to do more. Renewable energy can deliver strong economic growth while reducing Australia's carbon footprint and delivering on Australia's international commitments. It has been the single biggest contributor to Australia's emissions reductions over the past decade and has proven its ability to meet and beat any target put in front of it. With renewable energy still only accounting for 24 per cent of Australia's total electricity generation, there remains significant opportunity for the industry to expand its role in climate change mitigation efforts, and we are well placed to do the heavy lifting towards a net zero emissions target in the early years of the transition.

While the Bill would be improved by the inclusion of an explicit policy mechanism for emissions reduction, such as an emissions cap and trading scheme (widely regarded as the most flexible and efficient approach to driving down emissions), it does provide a clear goal and a robust framework in which further policy detail can be developed by the Government of the day.

A planned transition will enable us to confidently grow a clean economy

The framework will enable Australia to finally and properly get under way with making a planned transition, in which private capital, industries, business, workers and communities can make informed decisions about their futures based on understanding where we are collectively headed. The power of this Bill to support self-determination should not be underestimated.

In conclusion, the CEC urges the Australian Parliament to pass this Bill to help Australia unlock its full potential to confidently grow a clean economy, draw on our huge renewable energy resources to power our economic recovery and expansion, and secure our economic prosperity in a carbon-constrained world.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Kane Thornton', with a stylized flourish at the end.

Kane Thornton
Chief Executive