

# AUSTRALIAN LABOR PARTY CLIMATE CHANGE ACTION PLAN

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Legal Briefings - By **Michael Voros, John Taberner**

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This article is an update on the Australian Labor Party's (**ALP**) Climate Change Action Plan, which elevates climate change as an issue again between the major Australian political parties for the upcoming Australian federal election.

## IN BRIEF

### What has happened?

On 26 April 2016, the ALP released the 'Climate Change Action Plan' it will take to the upcoming Australian federal election. Details are available [here](#) and a factsheet is available [here](#).

### Who needs to know?

Businesses with material greenhouse gas emissions exposure in Australia.

### Key elements of the ALP's Climate Change Action Plan

- Targets 45% emissions reduction by 2030, against the government's 26-28% target. Net zero emissions by 2050.
- Targets 50% renewables by 2030, with the policy settings and legislation due for late 2017.
- No 'carbon tax' or 'fixed price'.

- An emissions trading scheme (**ETS**) to be introduced in two phases:
  - Phase 1 (1 July 2018 to 30 June 2020): facilities that emit >25kt carbon dioxide equivalent (CO<sub>2</sub>e) pa given emission caps and offsets must be surrendered for exceedances, and
  - Phase 2 (from 1 July 2020): a fuller ETS, to be finalised in the 2016-2019 Parliament.
- Separate 'emissions-intensity baseline scheme' for the electricity sector.
- Retention and increased resourcing for the Climate Change Authority (**CCA**), the Australian Renewable Energy Agency (**ARENA**) and the Clean Energy Financial Corporation (**CEFC**).
- Additional measures for the electricity sector designed to facilitate transition to sources of renewable energy, including:
  - A review of the objectives of the National Electricity Market, and
  - Preference for market based retirement of coal-fired generators.
- Proposals to reduce land clearing.
- Various energy efficiency measures, including light vehicle standards.

## Political implications

This ALP's Plan elevates climate change as an issue again between the major Australian political parties for the upcoming Australian federal election.

## Things to do now

Ensure commercial arrangements are flexible, for either the Government or ALP's climate change policies.

## TARGETS

### **45% emissions reduction target**

Central to the ALP's Plan is the target of a 45% reduction in 'carbon pollution' on 2005 levels by 2030. This target was recommended by the Climate Change Authority, the government agency that advises on reduction targets.

By comparison, the Government committed last year, for the Paris Agreement, to a target of a 26-28% reduction on 2005 levels by 2030.

The ALP has also committed in the Plan to:

- The Paris Agreement commitment to keep global warming to well below 2° above pre-industrial levels.
- Net zero carbon pollution by 2050 (consistent with the Paris Agreement).<sup>1</sup>
- Setting a 2025 emissions reduction target within one year of being elected.
- Five yearly reviews of Australia's emissions reduction target.

The ALP would retain the Climate Change Authority.

### **50% renewable energy by 2030**

The ALP's pollution reduction target is in tandem with ensuring 50% of the nation's electricity is sourced from renewable energy by 2030, announced by the ALP in July last year.

The ALP proposes to consult widely to put in place the appropriate policy settings for the period 2020-2030, to be announced by 1 October 2017 with the introduction in late 2017 of legislation governing post-2020 arrangements.

This new goal builds on the existing [Renewable Energy Target](#) program, which after negotiations between the ALP and Government concluding in 2015 was recalibrated to target approximately 23.5% renewable energy by 2020.

# RENEWABLE ENERGY

In addition to the target for 50% renewable energy, the ALP proposes to retain the Australian Renewable Energy Agency (**ARENA**) and the Clean Energy Financial Corporation (**CEFC**) and:

- Provide certainty and flexibility to the CEFC's investment mandate,
- Invest \$206.6m in ARENA for a Concentrated Solar Thermal funding round,
- Invest \$98.7m to establish a Community Power Network and Regional Hubs, and
- Ensure the Federal Government purchases 50% of its energy from renewable sources by 2030.

# PHASED ETS

The Plan proposes an emissions trading scheme (**ETS**) which will have two phases:

## First phase: 1 July 2018 to 30 June 2020

- It will cover facilities emitting more than 25,000 tonnes CO<sub>2</sub>e per year (liable entities), returning to the scope of coverage under the previous Carbon Tax legislation.
- It will impose a cap on emissions produced by liable entities, apparently applied to liable entities on an individual basis. The 'cap' will be designed to ensure that emissions in 2020 are 5% lower than 2000.
- No price will be directly imposed on emissions in the first phase. Liable entities will not be required to purchase or receive permits to operate. But, where a liable entity breaches or exceeds its 'cap', it will be required to provide an equivalent number of 'carbon offsets'.
- Emissions-Intensive, Trade-Exposed (**EITE**) industries such as steel and aluminium manufacturing and LNG will have 100% access to international permits. Non-EITE industries will be have a percentage access to international permits: to be set through consultation with industry and stakeholders.
- Rules will be published to govern the types of eligible offsets. They will include international offsets approved under the UN's Clean Development Mechanism as well as Australian offsets approved through mechanisms like the Carbon Farming Initiative (**CFI**).

- Agriculture, road transport, and refrigerant emissions will be exempt. But there will be a review of their possible inclusion for the second phase.
- The arrangements would be finalised by the ALP in government and implemented by the Clean Energy Regulator.

### **Second phase: 1 July 2020 onwards**

- In this phase, levels of emissions will be capped and reduced over the course of the decade in line with Australia's international commitments under the Paris Agreement and any additional Government policy to reduce pollution levels.
- The design of this phase will be finalised during the 2016-2019 Parliament, to commence after the 2019 election. Those details will include rules governing the allocation of caps to liable entities, access to international markets (including the possibility of formal linkage to other schemes) and the operation of the domestic offsets market. The design process will also take account of the impact of the 2020 ETS on 'emissions-intensive trade-exposed' (**EITE**) sectors.

## **ELECTRICITY EMISSIONS-INTENSITY BASELINE SCHEME**

Separate from the two-phase ETS, the Plan proposes an 'emissions-intensity baseline scheme' (**EIBS**) for the electricity sector. The EIBS is modelled on the structure proposed by the Australian Energy Market Commission (**AEMC**) in 2015. Under the AEMC scheme, a sector wide emissions intensity baseline would be established, whereby generators with an intensity below the baseline would create credits – referred to as Australian Electricity Sector Credits (**AESCs**) – equal to the difference between their emissions intensity and the baseline for every MWh produced. There would be an overall cap on emissions for the sector, and each generator would be allocated a baseline calculated by reference to this cap.

## **CLEANER POWER GENERATION**

The Plan discusses ensuring that the transition from coal to cleaner energy is done in an orderly way, with support for communities and workers. The Plan specifically proposes:

- A review of the objectives of the National Electricity Market (**NEM**) by way of an

'electricity modernisation review' (**EMR**). The EMR will commence by the end of 2016 and will report within 12 months.

- Framework principles, including that taxpayer funds will not be used to retire a generator. Instead a market based approach would be preferred. No specific approach is outlined, but various ideas currently being explored are noted.

## **CARBON CAPTURE ON THE LAND**

The ALP proposes to:

- include a 'climate trigger' in federal legislation to allow the Commonwealth to regulate broad-scale land clearing,
- ensure that State land clearing laws are consistent with Australia's international obligations, and
- 'reinvigorate' the Carbon Farming Initiative.

## **INCREASED ENERGY EFFICIENCY**

The ALP proposes a range of energy efficiency measures, including:

- light vehicle standards. They have been publicly suggested to increase vehicle costs, but the Climate Change Authority predicts would deliver fuel savings over the life of the vehicle, and
- urban policy development to increase productivity, sustainability and liveability of major cities, including supporting investments in active transport solutions.

**This article was written by [John Taberner](#), Consultant, Sydney and [Michael Voros](#), Special Counsel, Perth.**

# ENDNOTES

1. For further details regarding the Paris Agreement see our [article](#).

## KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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