



# Response to Future Directions for Australia's National Greenhouse Strategy

Discussion Paper March 1997

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## Introduction

The Board for Social Responsibility responds to this paper for several reasons. First, the Uniting Church in Australia has a strong commitment to ecologically sustainable development (in Synod and national Assembly statements and resolutions, including a statement on the *Rights of future generations and the rights of nature*). This flows from our belief that God created this world and all its creatures, and declared it all very good. We believe that the earth and its biosphere have value in their own right, and that they are also given to all humankind for all generations to enjoy, care for, and use as is necessary to meet human need.

With regard to the revised NGRS, we draw particular attention to clause 10 in the church's statement on the Rights of Future Generations and clause 5 in the Rights of Nature (see Appendix), which state

Future generations have in general a right to physical living conditions that allow them a humanly dignified existence. In particular, they have a right not to be forced to accept physical alterations deliberately produced by their predecessors that inordinately restrict their individual and collective self-determination in cultural, economic, political, or social respects.

Disturbances of nature require justification. They are only permissible

- when the presuppositions of the disturbance are determined in a democratically legitimate process and with respect of the rights of nature
- when the interests of the disturbance outweigh the interests of a complete protection of the rights of nature, and
- when the disturbance is not inordinate.

Damaged nature is to be restored whenever and wherever possible.

The second reason is that the church has general expertise in the area of personal, social and professional ethics, all of which are involved in environmental issues. The church from time to time encourages environmental responsibility on the part of its members, through statements and educational material. We have, for example, circulated to parishes in 1996 information about the greenhouse effect. We believe that individual effort can only accomplish limited aspects of environmental protection, however, and that personal moral responsibility must be accompanied by appropriate public policy for environmental protection, and by industrial compliance (or better) with such policy.

This paper offers the perspective of a community organisation committed to environmental protection, and with general expertise in the area of public policy rather than specific expertise in environmental protection law and administration. We have used six basic criteria in assessing this work:

- The need for clear and consistent objectives;
- Adequate causal theory;
- Implementation process legally structured to enhance compliance by implementing officials and target groups; this should include transparency, and accountability;
- Committed and skilful implementing officials;
- Support of interest groups and relevant levels of government;
- Impact of socio-economic change and emphasis on development.

It is beyond the technical expertise of the Board for Social Responsibility to comment on the technical details of the proposal (Part Two of the Discussion Paper). However, we believe that the revised NGRS should include the best mechanisms available to reduce greenhouse emissions and should therefore be amended where necessary to adopt proposals from stakeholders (including community groups) which would improve its effectiveness.

## The Basic Issue

The Australian government should ensure that it meets its international commitments with regard to the reduction of greenhouse gases, by:

fulfilling Australia's commitment made at the Rio Earth Summit to stabilise greenhouse gas emissions by the 2000 at 1988 levels;

by establishing workable plans for 20% further reductions by 2005 (without relying on nuclear power generation) as the first step towards meeting this additional commitment made at the Rio Summit;

by initiating more forcefully public debate about the risks of climate change and the long term economic and ecological benefits of taking action now.

*Australia: State of the Environment 1996*, an independent scientific report by a number of scientists forming the State of the Environment Advisory Council, shows the effects of current policy and evaluates it as inadequate:

these figures indicate that considerable further reductions will be required to meet the interim planning target. (Figure 5.39 page 5-47)

They quote the findings of the Steering Committee of Climate Change Study, 1995, which shows that whereas other OECD countries have limited their increases in carbon dioxide emissions to a rate in line with population increase, Australia's rate of carbon dioxide emissions have increased at a much faster rate than our population. (Page 5-47)

One of the key areas of greenhouse gas emissions is energy production. Government has not done well in this area:

Although all governments had adopted the National Strategy for Ecologically Sustainable Development, by mid-1995, there had been no indication that they paid close attention to the application of its basic principles in the major initiatives such as the operation of the national electricity grid and the extension of reticulated grids to remote areas. Governments appear reluctant to account adequately for environmental costs in the decision-making process when new power stations are constructed.

*Australia, state of the environment 1996* comments also that "strong action" will be

needed to achieve the necessary greenhouse gas reductions by 2000, and even stronger action to achieve the target for 2005 (page 5-48). They argue that Australia should adopt a "precautionary approach" to climate change, in the face of uncertainty as to exactly what effects climate change will have on particular regions.

In recent years the Australian community has demonstrated deep concern about ecological damage. Many Australians have indicated their willingness to pay the costs required for a healthy environment, both in their actions (eg the million people involved in Landcare) and in surveys and consumer behaviour (eg the popularity of products claiming to be environmentally friendly). There is now a generation of schoolchildren who have considerable environmental awareness. Moral responsibility requires that the Government build on this goodwill and concern, and not underestimate it or squander it for short term economic or political advantage. Yet the current Government in the last few months has taken such a negative view on Greenhouse Gas Response that even some of those it is supposed to favour in the business community have rejected its view as less than responsible.

**1. The revised National Greenhouse Response Strategy should build on the concern and goodwill in the Australian community about environmental matters, by putting in place an effective program for meeting Australia's international commitments for greenhouse gas reduction. It should provide targets, timetables and effective measures to fulfil these.**

The Revised NGRS as a Strategic Document

### **The no regrets policy**

Australia's Interim Planning Target has been: *to stabilise greenhouse gas emissions (not controlled by the Montreal Protocol on Substances that deplete the ozone layer) based on 1988 levels, by the year 2000 and to reduce these emissions by 20 per cent by the year 2005...subject to Australia not implementing response measures that would have net adverse economic impacts nationally or on Australia's trade competitiveness, in the absence of similar action by major*

*greenhouse producing countries.* (quoted in ACF Greenhouse Scorecard page 2).

The original NGRS was heavily criticised as inadequate, and the criticisms have been vindicated by the fact that it is now evident that Australia will not stabilise greenhouse gas emissions at 1988 levels by 2000. (See Discussion Paper Part 1, 1.1). This is partly due to Australia's reservation expressed in the Interim Target - the so called "no regrets" principle.

Australia has one of the highest rates of greenhouse emissions per capita in the world. While our small population means we make only a small overall contribution to the greenhouse effect, we have a moral responsibility to ensure that our lifestyle is sustainable. Implicit in the current approach are several morally and/or scientifically untenable assumptions, including:

a belief in our moral right to continue our present lifestyle, although it would be disastrous if adopted globally;

a belief that protecting greenhouse industries is somehow good for the economy, and does Australia no economic harm;

a belief that the greenhouse problem can be dealt with globally by introducing new technologies as countries industrialise, rather than by Australia taking action to reduce significantly our level of greenhouse gas emissions;

a belief that we can continue to export fossil fuels overseas, ie continue to profit from key contributors to the greenhouse effect, as long as we also encourage "clean" technologies for their use.

The present Australian Government appears to have gone beyond the "no regrets" policy quoted above, by arguing that Australia should only have to make the same sacrifices as other nations, even though we produce far more greenhouse gases per capita than most other countries. This has led to Australia being isolated internationally from all other industrialised nations, including the USA, at international meetings on greenhouse.

The position of the Australian Government is morally untenable. It makes us an international pariah and harms our relationships with the Pacific Island nations who are most at risk of national destruction from the greenhouse effect, and with whom

we have traditionally, as a nation, had strong and positive links.

The problems of being an international pariah and lacking a moral basis for our stance are not abstract. For example, the Discussion Paper itself warns that Australia could be disadvantaged in trade with countries who adopt a more stringent approach to control of greenhouse emissions (Discussion Paper Part 1, 1.3)

Australia's position is also short sighted and contrary to our own long term self-interest. 98% of greenhouse emissions come from other nations. In the long term, Australians might well be victims of unpredictable and often disastrous climate change over which we have no control since it is the product of *global* emissions.

Some people argue that in some places greenhouse change may be beneficial. However, any benefits in one place will be accompanied by ecologically, socially and economically disastrous consequences elsewhere. There is no way of controlling where the costs and benefits fall, no way of ensuring equity. It is escapism to talk of benefits as if this means greenhouse gases do not need to be reduced. Such an approach ignores the human right to self-determination of all peoples and nations, by allowing industrialised and industrialising nations to alter world climate without control, design or accountability. Climate change is an abuse of human rights of those nations, peoples and communities that will bear the costs - which will certainly include many, if not all, Australians.

In terms of the impacts of climate change, Australia, with its great diversity of environments and extensive coastline, is vulnerable to the impacts of climate change, the direct effects of which could include an increase in severe storms, floods and droughts, and risks for biodiversity, agricultural industries, industry and social infrastructure, as well as human health. Indirect effects could include an increase in the range and spread of tropical diseases and pests (Discussion Paper Part 1, 1.2)

That is, in our own "enlightened self-interest" we need a strong moral basis on which to negotiate in international fora for an effective international greenhouse response. This position is recognised in the Discussion Paper itself, in section 1.4.

**2. The revised NGRS should provide Australia with the moral basis and international goodwill that Australia needs to argue in international fora for reductions in the 98% of greenhouse gas emissions for which Australia is not responsible. This requires that Australia first take effective action to significantly reduce our own per capita level of emissions.**

### **Internalising and externalising costs**

Given the economic philosophy adopted in other parts of public policy in Australia, the no regrets policy, as it has been practised so far, is untenable. In contradiction to the requirement of user pays, ie that costs be carried by those who benefit from them and that there be no free riders, and the recognition that allocative efficiency depends on choices being made on the basis of the full cost involved, the no regrets policy has been implemented in a way which externalises costs from some industries, thereby disadvantaging other industries, and creating free riders.

The failure to force enterprises to internalise their greenhouse costs means there is no level playing field in industries such as energy production and transport. Externalisation of costs provides hidden subsidies. It is contrary to competitive neutrality and distorts the market, since enterprises do not compete in terms of their full costs, and firms which are free riders have an unfair advantage over firms which pay the cost of innovative technology and processes to reduce greenhouse emissions. This results in unfair and unearned competitive advantage to, for example, private road transport compared to public transport generally and rail in particular, and to fossil fuel based energy production compared to renewable energy production.

Externalisation of costs damages the economy as a whole, by allowing those industries responsible for greenhouse gas emissions to damage those industries which will be harmed by climate change. It also discourages the innovation, change and adaptation that is required if industry is to reduce greenhouse gas emissions without climate change. It damages innovative industries by lowering the demand for their products and services, and slows down their research and development which depends on their

profitability. This in turn damages the export potential of these companies, since exporting is usually most successful when the domestic market provides a strong base.

Externalisation of greenhouse costs has meant that some industries and the community generally (and globally) subsidise those industries that are most responsible for greenhouse gas emissions. This is inconsistent with the general trend to remove other forms of industry protection and safeguards, on the grounds that government should not subsidise industry or attempt to pick winners.

Externalisation of costs also discourages allocative efficiency with regard to the atmosphere as a sink, by removing those market signals which are essential for allocative efficiency of the limited capacity of the atmosphere to absorb greenhouse gas emissions. It also discourages the allocation of resources to the creation of alternative sinks, such as forest plantations.

Externalisation of costs also unfairly forces consumers and taxpayers to bear costs without any accountability and without any choice in the matter. When enterprises internalise their costs then the consumers of those products pay the cost and can make appropriate market choices in response to the price signals they receive.

**3. The revised greenhouse response strategy should abandon the ambiguous 'no regrets' principle and instead require that both government and private enterprises internalise their greenhouse gas related costs, by paying for the technology required to reduce emissions and by paying a "charge for the use of greenhouse sinks" for their emissions.**

It is sometimes argued that such a charge would increase prices and thus have an impact on low income people. However, it is inconsistent to expect that industry will pay for other inputs such as labour, raw materials, technology and so on, but not pay for the environmental input that they require. It is more appropriate to provide direct subsidies to low income earners, than to allow industry to externalise these costs.

Also, the long term economic and social impact of *not imposing such a charge* should be carefully considered. In the long run, poor people will be much more

vulnerable to the damage caused by climate change than more affluent people, since they have less flexibility as to where they live and work. Climate change has the potential to create large numbers of refugees.

The Uniting Church in Australia believes that there are circumstances in which government should assist industry which is struggling to survive, especially where those industries make a significant contribution to the overall strength of the Australian economy. However, we believe that such subsidies should be direct, transparent, intentional and costed, not indirect, hidden, uncosted and without clear policy justification.

**4. The revised NGRS should provide that where internalising greenhouse costs threatens the viability of an industry and this is not in the national interest, then the industry should be assisted through direct, costed subsidies which appear in the national accounts, rather than through allowing them to continue to externalise greenhouse costs.**

**5. Instead of seeking special dispensation for Australia in international fora on climate change, Australia should press for internalisation of all environmental costs by industry in all nations, and should argue in the World Trade Organisation that externalisation of greenhouse and other environmental costs should be considered a form of subsidy or protection which is unacceptable under WTO guidelines.**

The economic benefits of a more effective NGRS

The Discussion Paper points out that Australia could benefit economically from a more effective greenhouse gas response. We have the technical basis to develop effective solutions which are exportable, in areas such as improved energy efficiency (both production and use), renewable energy technologies, and use of agriculture as greenhouse sinks.

That is, requiring industry to internalise costs will lead to stimulus and opportunity for new industries. A failure to adopt an adequate NGRS favours dinosaur industries (those condemned to die out because they refuse to adapt to new global requirements) over innovative new

industries which could open up new world markets for Australia and in which Australia has, at the moment, a competitive advantage if it is willing to use it.

**6. The revised NGRS should be based on the assumption that Australia will benefit economically from a more effective NGRS.**

The basic framework of the revised NGRS

The Discussion Paper claims that greenhouse strategy objectives fit with other environmental, economic and social policy objectives (Discussion Paper Part 1, section 1.5), but fails to provide any rigorous analysis of the economic policy issues. As a result, its proposed mission statement, goals and guiding principles (Discussion Paper Part 1 Section 2) are vague and mutually contradictory, and confuse goals and the strategies for achieving them.

Mission statement, goals and guiding principles

The mission statement conveys no sense of mission, i.e. it provides no clear statement of the intended outcome. It is vague, inadequate, and avoids any concrete commitments. It is unclear what it means, and offers no guidance to those responsible for implementing the revised NGRS. It seems to include conditions limiting the mission.

The NGRS is supposed to be Australia's strategy for meeting its international commitments to reduce greenhouse gas emissions. The mission to be achieved through the strategy must be clearly and unequivocally expressed.

**7. The mission statement for the revised NGRS should clearly state the international commitment that the strategy is intended to implement, in the following terms:**

***Mission Statement of the revised NGRS***

***Australia will take effective action to stabilise greenhouse gas emissions (not controlled by the Montreal Protocol on Substances that deplete the ozone layer) based on 1988 levels, by the year 2000 and to reduce these emissions by 20 per cent by the year 2005, in accordance with its international commitments.***

The goals are also vague. Two of the goals are about strategies rather than goals,

since they indicate processes rather than outcomes. Goal (ii) is about outcomes, but is very vague.

**8. The goals for the revised NGRS should include as the primary goal the international commitment Australia has made, in the following terms:**

***Australia will take effective action to stabilise greenhouse gas emissions (not controlled by the Montreal Protocol on Substances that deplete the ozone layer) based on 1988 levels, by the year 2000 and to reduce these emissions by 20 per cent by the year 2005, in accordance with its international commitments.; and the subordinate goals that are necessary to achieve this.***

The first three guiding principles seem appropriate.

While the explanation given of the fourth guiding principle, ie "no regrets" is welcome in that it takes a more comprehensive view of costs and benefits than seems to have been taken in the past, the problem is that the principle, when separated from the explanation, conveys no clear meaning whatever, and is incapable of offering guidance. The explanatory points are essential to the policy, but could be reduced to two principles to replace the present meaningless "no regrets" principle (see recommendation below)

Guiding principle (v), the "equity" principle is not a genuine equity principle. Rather it provides an "out" which has the potential to undermine the NGRS and to allow industry to continue to externalise its greenhouse costs. It appears to be an excuse to allow industry to continue to externalise costs, thus providing hidden subsidies without transparency or accountability. This is contrary to good principles of competition policy and creates market distortions. Instead, there should be a provision for direct subsidies where an enterprise's ongoing viability is jeopardised by internalisation of greenhouse costs and this would create unacceptable social costs or weaken the structure of the economy inappropriately.

**9. The fourth and fifth guiding principles namely "no regrets" and "equity" should be abandoned as too ambiguous and replaced by principles along the lines of the following:**

**(a) the principle that all enterprises should internalise their greenhouse**

**costs (ie pay the costs of reducing emissions and the cost of providing sinks for continuing emissions) and that any subsidies to greenhouse gas emitting industries or to a region affected by their closure should be deliberate and transparent; and**

**(b) the principle that, because up until now greenhouse gas emitting industries have been subsidised by being allowed to externalise greenhouse costs, some subsidies will now be paid to new, innovative replacement industries which can assist Australia in reducing its greenhouse gas emissions.**

Principle (vi) should include the criteria by which it is decided who are "key stakeholders". If the assumption is that greenhouse emitting enterprises are the key stakeholders, then this principle should be abandoned. If enterprises disadvantaged by the NGRS are key stakeholders, then so are enterprises that will benefit from the NGRS, and the community as a whole, which carries the externalised costs.

**10. Principle (vi) should include the criteria by which it is decided who should be considered "key stakeholders".**

Principle (vii) seems to be convoluted and meaningless. It does not offer clear guidance to those who must develop or implement the policy, and could lead to a failure to act. How is NGRS to take account of "competing goals" or policies, which are to take priority, and if this principle is taken seriously, how will Australia meet its commitment to reduce greenhouse gas emissions?

**11. Principle (vii) should be reworded along the following lines:**

**Where it can be done without compromising the essential goal of greenhouse gas reduction, the NGRS will take account of competing or complementary goals, policies and priorities; greenhouse goals and policies will be recognised in the development of other government policies.**

Engaging the community in the national greenhouse strategy

As the Discussion Paper recognises, it is important for the community to have input into the revision of the NGRS and to accept

some responsibility for greenhouse gas reductions. However, it is hard for the community to accept responsibility as consumers, when they do not receive appropriate market signals about costs, because enterprises are allowed to externalise their greenhouse costs. If the community are to make responsible greenhouse decisions as consumers, then it is imperative that enterprises be required to internalise their greenhouse costs and that there no longer be hidden subsidies through externalisation of costs.

This proposal is consistent with the bullet point in Part 1 Section 4.1 "placing greater reliance on measures delivered by parties outside government with the costs being met by those parties", and would implement it in an equitable way, by requiring that those who create the greenhouse costs bear the burden of those costs. It would also utilise one of the policy tools listed in 4.3, namely "removal of barriers to 'greenhouse-friendly' action, by removing hidden subsidies to greenhouse gas emitting activities.

**12. The NGRS should ensure that consumers pay the greenhouse costs of the goods they buy, and are thus given the necessary market signals to enable them to make appropriate choices.**

## **Options for further action**

The proposal that different strategies can be adopted by different jurisdictions is welcome, since it means that the NGRS can include strategies which only some governments consider appropriate or useful.

However, if government are to make appropriate choices, it is important that the basic goal of the NGRS be clear. (See comments above ).

## **Economic tools**

The section on economic tools is welcome. However, the paper gives the impression that the rationale for using economic tools in public policy is not understood or is being ignored, and that economic tools have not been used. This leaves the NGRS isolated from and inconsistent with other areas of public policy, where economic tools are frequently used and enterprises are expected to operate on a level playing field.

The Discussion Paper does not identify any significant difference between the various

economic tools listed. In the end, they all seem to come down to the one thing - a charge on those enterprises that emit greenhouse gases. It is disappointing that the proposed strategy avoids, at this stage, using any of the tools mentioned.

The Discussion Paper fails to identify enterprises as the producers of greenhouse gas emissions. Instead, everyone is responsible. The focus seems to be on government intervention, although in most if not all cases the enterprises responsible for emissions operate in the marketplace. This avoidance means the NGRS Discussion Paper Part 1 complicates the issue unnecessarily, puts too much responsibility on the blunt instrument of public sector activity instead of on requiring enterprises to act responsibly. It undermines the legitimate use of market mechanisms to achieve public policy goals.

Because the enterprises responsible for greenhouse gas emissions usually operate in the marketplace, economic tools should be the primary instrument for reducing greenhouse gas emissions. However, it is also appropriate that the NGRS include matters such as monitoring and assessing what is happening, providing greenhouse sinks through a greenhouse tax, and for research and development of new understandings and strategies. These should be seen as supplementing, not replacing, the primary responsibility which rests on enterprises to meet all their own production costs and not expect hidden subsidies.

The outline argument for the use of economic tools can be made as follows:

Australia has a responsibility to its own citizens and to the international community to meet certain targets for the reduction of greenhouse gases.

Particular activities of particular enterprises emit greenhouse gases. These emissions are imposing greenhouse costs on Australia and on the global community, through climate change. That is, enterprises are externalising their costs - someone else has to pay when the enterprise does not.

The alternative is to impose these "greenhouse costs" on the enterprises responsible, ie to require that they internalise these costs.

This can be done by expressing greenhouse costs as the costs of technology required to prevent greenhouse gas emissions, and the costs of providing sinks to absorb those greenhouse gas emissions which cannot at present be prevented.

The principles of a level playing field, effective competition and clear market signals to consumers about costs involved in the goods they consume, all require that those enterprises responsible for greenhouse costs internalise those costs and reflect them in the price of their goods.

The failure to require enterprises to internalise their own greenhouse costs tilts the playing field in their favour, providing them with hidden subsidies and disadvantaging non-greenhouse emitting firms, and innovative firms, in the market place.

The NGRS should therefore focus on requiring greenhouse gas emitting enterprises to internalise greenhouse costs and to pass on those costs to consumers.

Greenhouse costs can be internalised by enterprises paying the cost of technology to reduce emissions, and paying a charge on continuing emissions, with that charge being used by government to provide effective sinks to absorb the emissions.

This charge on greenhouse emissions should not be considered a carbon tax, but rather *payment for the use of greenhouse gas sinks*.

Requiring enterprises to internalise greenhouse costs should be treated in the same way as any other form of economic change to which industry must adapt, eg reduction in tariffs, changes in technology, changes in global markets, and so on.

Providing effective sinks requires research. Since the need for sinks is created by enterprises they should contribute to the cost of research to find the most cost effective and economically productive sinks.

This scenario assumes that enterprises will pass on greenhouse sink charges to consumers, in the same way that prices reflect other costs of production.

The long term goal of such charges is reduction in greenhouse gas emissions by providing appropriate market signals. However, if this did not reduce emissions to

the required levels, then it would be appropriate at a future date to add a penalty tax on emissions, since greenhouse gas sinks cannot be endlessly increased.

The claims that economic instruments have impacts beyond the achievement of the environmental goal for which they are introduced does not stand up to scrutiny. Paying for greenhouse sinks is simply another production cost, like raw materials, capital equipment, utilities or labour. The onus should be on those who believe that enterprises should be protected from these costs to show why payment for greenhouse sinks should not be considered just another production cost, like payment for electricity or water.

Impacts of economic instruments are most likely to be a problem when those tools are imposed in an arbitrary way, rather than as a legitimate charge for what is used in production, and when the money raised is used for purposes that are not connected with the reason the charge is made. The term "carbon tax" is unhelpful, since it has negative connotations of arbitrary charges or penalties. Rather the economic tool should be "payment for greenhouse sinks" which indicates that it is similar to "payment for electricity", "payment for water", or, perhaps more appropriately, "payment for waste disposal". The money raised through charges on emissions must, of course, be used for provision of greenhouse gas sinks, or for research into what would be more effective sinks.

**13. The revised NGRS should include as a goal that enterprises internalise their greenhouse costs, and make use of economic tools for achieving this in the various sectors. This would include imposing a "charge for the use of greenhouse sinks", to cover the cost of providing such sinks. It should be indicated in this revised NGRS that at the next revision of the NGRS, a penalty tax on emissions may also be introduced if emissions have not been adequately reduced.**

### **Strategy monitoring and review**

Continual monitoring and reporting is important. However, given the vagueness of the mission statement and the goals, it is not clear against what benchmark progress will be evaluated. It is important that monitoring and reporting on the

implementation of the process and strategies required by the NGRS be distinct from monitoring and reporting of the actual outcomes - the level of greenhouse gas emissions. While we need to assess the progress of implementation of the strategy, Australia's international commitment is not to try hard, but to reach a target. This reinforces our view that the mission statement and goals must include reference to the target of stabilising emissions at 1988 levels by 2000 and reducing them by a further 20% by 2005. This provides a clear benchmark.

### **Inventories**

From the viewpoint of a community organisation, the greenhouse gas inventories are essential to provide scientific monitoring, but they are not accessible, ie they are highly technical and their implications not easily understood.

**14. It would be helpful if the inventories included a brief and easily identifiable section summarising the implications of the inventory, ie a section which answers the question: how well is Australia (or the relevant jurisdiction) progressing towards stabilising greenhouse gas emissions at 1988 levels by 2000 and reducing them by a further 20% by 2005? A summary document for community distribution should also be produced.**

### **Performance indicators**

The development of performance indicators is welcome. However, the list provided in Appendix 2 seems inadequate and unbalanced. The goals of the NGRS, according to Part I Section 2.2, include *limiting Australia's greenhouse gas emissions; and protecting and enhancing sinks*. Yet the performance indicators only measure the first element of this goal - the emissions - and ignore the second goal *protecting and enhancing sinks*.

**15. In addition to the performance indicators outlined in Appendix 2 of the Discussion Paper, the revised NGRS should include performance indicators for protecting and enhancing the various forms of greenhouse sinks in Australia, and for measuring the balance between emissions and sinks.**

## **Part Two of the Discussion Paper**

The material in Part Two is technical and requires an understanding of the particular industries involved. It is beyond the competence of the Board. We therefore make no comments on Part Two.

### **Recommendations**

*The revised National Greenhouse Response Strategy should build on the concern and goodwill in the Australian community about environmental matters, by putting in place an effective program for meeting Australia's international commitments for greenhouse gas reduction. It should provide targets, timetables and effective measures to fulfil these.*

*The revised NGRS should provide Australia with the moral basis and international goodwill that Australia needs to argue in international fora for reductions in the 98% of greenhouse gas emissions for which Australia is not responsible. This requires that Australia first take effective action to significantly reduce our own per capita level of emissions.*

*The revised greenhouse response strategy should abandon the ambiguous 'no regrets' principle and instead require that both government and private enterprises internalise their greenhouse gas related costs, by paying for the technology required to reduce emissions and by paying a "charge for the use of greenhouse sinks" for their emissions.*

*The revised NGRS should provide that where internalising greenhouse costs threatens the viability of an industry, and this is not in the national interest, then the industry should be assisted through direct, costed subsidies which appear in the national accounts, rather than through allowing them to continue to externalise greenhouse costs.*

*Instead of seeking special dispensation for Australia in international fora on climate change, Australia should press for internalisation of all environmental costs by industry in all nations, and should argue in the World Trade Organisation that externalisation of greenhouse and other environmental costs should be considered a form of subsidy or protection which is unacceptable under WTO guidelines.*

*The revised NGRS should be based on the assumption that Australia will benefit economically from a more effective NGRS.*

*The mission statement for the revised NGRS should clearly state the international commitment that the strategy is intended to implement, in the following terms:*

#### *Mission Statement of the revised NGRS*

*Australia will take effective action to stabilise greenhouse gas emissions (not controlled by the Montreal Protocol on Substances that deplete the ozone layer) based on 1988 levels, by the year 2000 and to reduce these emissions by 20 per cent by the year 2005, in accordance with its international commitments.*

*The goals for the revised NGRS should include as the primary goal the international commitment Australia has made, in the following terms:*

*Australia will take effective action to stabilise greenhouse gas emissions (not controlled by the Montreal Protocol on Substances that deplete the ozone layer) based on 1988 levels, by the year 2000 and to reduce these emissions by 20 per cent by the year 2005, in accordance with its international commitments;*

*and the subordinate goals that are necessary to achieve this.*

*The fourth and fifth guiding principles namely "no regrets" and "equity" should be abandoned as too ambiguous and replaced by principles along the lines of the following:*

*the principle that all enterprises should internalise their greenhouse costs (ie pay the costs of reducing emissions and the cost of providing sinks for continuing emissions) and that any subsidies to greenhouse gas emitting industries or to a region affected by their closure should be deliberate and transparent; and*

*the principle that, because up until now greenhouse gas emitting industries have been subsidised by being allowed to externalise greenhouse costs, some subsidies will now be paid to new, innovative replacement industries which can assist Australia in reducing its greenhouse gas emissions.*

*Principle (vi) should include the criteria by which it is decided who should be considered "key stakeholders".*

*Principle (vii) should be reworded along the following lines:*

*Where it can be done without compromising Australia's progress towards its international commitment to greenhouse gas reduction, the NGRS will take account of competing or complementary goals, policies and priorities; greenhouse goals and policies will be recognised in the development of other government policies.*

*The NGRS should ensure that consumers pay the greenhouse costs of the goods they buy, and are thus given the necessary market signals to enable them to make appropriate choices.*

*The revised NGRS should include as a goal that enterprises internalise their greenhouse costs, and make use of economic tools for achieving this in the various sectors. This would include imposing a "charge for the use of greenhouse sinks", to cover the cost of providing such sinks. It should be indicated in this revised NGRS that at the next revision of the NGRS, a penalty tax on emissions may also be introduced if emissions have not been adequately reduced.*

*It would be helpful if the inventories included a brief and easily identifiable section summarising the implications of the inventory, ie a section which answers the question: how well is Australia (or the relevant jurisdiction) progressing towards stabilising greenhouse gas emissions at 1988 levels by 2000? A summary document for community distribution should also be produced.*

*In addition to the performance indicators listed in Appendix 2, the revised NGRS should include performance indicators for the goal of protecting and enhancing the various forms of greenhouse sinks in Australia, and for measuring the balance between emissions and sinks.*

For further information contact:

**Rev. Ann Wansbrough** UnitingCare  
NSW.ACT PO Box A 2178 Sydney  
South NSW 1235.  
Phone (02) 8267 4300 Fax (02) 9267  
4842

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