

# Maxine McKew MP

## MEMBER FOR BENNELONG

Parliamentary Secretary for Infrastructure, Transport,  
Regional Development and Local Government



16 AUG 2010

Pamela Reeves, Jo Spangaro, Jill Hartley  
Climate Change Action Group  
Ryde-Gladesville

By email

Dear Pamela, Jo, Jill,

As promised I am sending my response to your questions. I appreciate your continued advocacy on this issue.

I am intensely aware of the frustrations but urge you to consider the stark alternatives in this electorate: a vote for a Labor candidate who has been consistent on this issue or a Liberal candidate who has aligned himself with Lord Monkton and the Climate Change sceptics.

### Question 1

As I have consistently said it is inevitable that we will see a price on carbon. I accept the climate change science. It is in Australia's economic interests to transition from traditionally used energy resources to alternative energy production. Australia is not alone in this transition, to a greater and lesser extent, that is where the various economies around the globe have been heading for the past ten years.

The Labor Government believes that to tackle climate change successfully, it is imperative to:

- put a price on carbon by implementing the Carbon Pollution Reduction Scheme (CPRS) and Emissions Trading Scheme (ETS); and
- transform our economy, on the large and small scale, into a renewable energy industry by implementing an enhanced Renewable Energy Target (RET).

### Question 2

The Gillard Labor Government understands that it is disappointing to millions of Australians that we do not have a price on carbon. In the future we will need one to limit Australia's pollution and make our economy less pollution dependent. But first we will need to establish a community consensus for action.

If re-elected, the Gillard Labor Government will re-prosecute the case for a carbon price at home and abroad.

Federal Labor, the Coalition, Greens as well as Family First went to the last election with a commitment to an emissions trading scheme. The Labor Government developed a

comprehensive emissions trading scheme but it was rejected by the Senate twice, despite the fact that an agreement had been reached with the Coalition and endorsed by the Coalition Shadow Cabinet.

While Australia needs to build a new consensus to tackle climate change, the Coalition and the Greens together must shoulder responsibility for voting to sink a credible plan that would have put a cap on our pollution.

If re-elected, the Gillard Labor Government will build community support for action on climate change through a 12 month process that directly involves a representative group of Australians. A 150-strong *Citizens' Assembly* will be appointed to examine the evidence on climate change, the case for action and a market based approach to reducing pollution. Their role will be to provide an indicator to the nation of the progress of community consensus.

The Assembly's work will be supported by evidence, analysis and access to views and positions from a wide range of sources.

A Gillard Labor Government will also establish a *Climate Change Commission* to inform the climate change debate. This Commission will provide an independent source of information and expert advice to:

- Explain the science of climate change.
- Report on the progress of international action.

These processes are part of Labor's commitment to build the deep and lasting consensus required to ensure action on climate change and move towards a competitive, low pollution Australian economy. The two bodies will cost approximately \$9 million over four years and have been provided for in the Budget, through the Renewable Energy Future Fund.

Once community consensus has been established, the Labor Government will re-introduce an amended ETS and RET to the Parliament.

### Question 3

The Gillard Labor Government has set a Renewable Energy Target (RET) of 20 per cent by 2020. The RET comprises two parts:

- The Large-scale Renewable Energy Target (LRET). This covers large scale renewable energy products like wind farms, commercial solar and geothermal and will deliver the majority of the 2020 target.
- The Small-scale Renewable Energy Scheme (SRES) covers small-scale technologies such as solar panels and solar hot water systems. It will deliver the remainder of the target and provide a fixed price of \$40 per megawatt hour of electricity produced, providing direct support for households that take action to reduce emissions.

The Labor Government has already implemented a \$4.5 billion Clean Energy Initiative which assists the transformation to a renewable energy industry by funding research and development that will maximise the potential of new, low carbon technology. Australia's suite of clean energy options – wind, solar, geothermal and wave technologies – will drive investment and innovation. The \$1.5 billion Solar Flagships program supports the

construction of large-scale solar power stations which aim to build 1000 megawatts of solar electricity generation capacity. The \$3.1 billion green car innovation fund has encouraged innovation and clean jobs in the Australian car industry to produce new fuel efficient vehicles.

The Labor Government has also invested in energy efficiency with a \$2.5 billion Energy Efficient Homes Package and \$64 million for key building and appliance measures in the National Strategy on Energy Efficiency.

If re-elected, the Gillard Labor Government will invest \$1 billion over the next decade in our electricity networks to connect Australia's rich but remote renewable resources to Australian homes.

The *Connecting Renewables* initiative will transform our energy grids by bringing more renewable energy into Australian households and businesses sooner. This initiative will develop secure, sustainable and affordable energy for the future, supporting the enhanced RET and helping deliver the Government's commitment to 20 per cent of Australia's electricity supply coming from renewable sources by 2020.

To deliver renewable energy on the scale and at the speed of progress that Australia now needs, large-scale investments are required to connect new, clean and affordable energy sources to areas where Australians live and work. The Garnaut Review identified two barriers to network expansion that significantly slow or even halt the deployment of lower-emissions generation technology:

- The 'first mover disadvantage' means the first renewable energy project in an area bears all the cost of extending the network, allowing later projects to 'free-ride' on the investment.
- The tendency to build capacity for current needs only, due to the large capital cost of transmission infrastructure, rather than building for future needs from the outset, which is cheaper.

With State and Territory Governments and the energy market institutions, the Labor Government has made important changes to the regulatory framework over the past year to address these problems. This new initiative will build on these regulatory reforms, providing further support for the transformation required of Australia's energy industry if we are to meet our important climate change goals.

The Gillard Labor Government will also invest \$100 million over four years in a new *Renewable Energy Venture Capital Fund* (REVC). This initiative addresses another challenge facing many renewable energy companies – access to capital. The Australian Centre for Renewable Energy (ACRE) will work with financial institutions to develop structured renewable energy products to help overcome this hurdle.

The REVC Fund will make critical early-stage equity investments that leverage private funds to help commercialise emerging renewable technologies, for instance in geothermal, solar, wave and bio-energy technologies.

The *Connecting Renewables* initiative is designed to ensure that funds are disbursed to high value projects where there is a demonstrated market failure. All projects will require

substantial co-contributions from other sources. Governance arrangements that are consistent with the national energy market framework will be finalised in consultation with energy market institutions and energy, environment and infrastructure stakeholders over the next six months.

This program will support major transmission infrastructure investments that would not otherwise proceed without Australian Government funding. This transitional measure will accelerate investment in supporting infrastructure so our electricity sector is well positioned to respond to a future carbon price.

#### Question 4

The Labor Government committed to an emissions reduction target range by 2020 of 5 per cent unconditional reduction, with up to 15 per cent and 25 per cent both conditional on the extent of action by others. Of course, these targets were dependent on bipartisan support in the Senate.

However, the Gillard Labor Government remains committed to these targets as responsible and appropriate in relation to the Global Financial Crisis. These targets are also achievable.

**A re-elected Gillard Labor Government will introduce tough *new emissions standards for all new coal-fired power stations*. All new coal-fired stations will be required to meet best practice emissions standards, and be Carbon Capture and Storage-ready (CCS-ready).**

The Gillard Labor Government will require all new coal-fired generators to meet an emissions standard set with reference to the best practice coal-fired electricity generation technology. The standard for best practice will be determined by the Labor Government in consultation with stakeholders. The consultation process will focus on finalising the standards for commencement in 2011. Our starting point will be below the level at which assistance was proposed by Federal Labor under the Carbon Pollution Reduction Scheme (CPRS).

The introduction of the proposed new standards will deliver a strong signal to investors to factor future carbon constraints into their decision making. The standards will encourage investment in low emissions electricity infrastructure and support green jobs and continued economic growth. This will help move our energy sector towards cleaner forms of generation, such as best practice coal technology, gas and renewable, which will be cheaper in the long run under a carbon price.

The proposed new standards will help to resolve the uncertainty that has been deterring investment in generating capacity. A recent survey by the Electricity Supply Association of Australia found that the anticipated capital expenditure on electricity generation plant over the next five years fell from \$18 billion in 2009 to \$8 billion in 2010. A statement issued by the Climate Institute and its climate partners, including major banks and energy companies, estimated that the regulatory uncertainty would cost the economy and consumers around \$2 billion each year.

Approval will only be granted to new coal-fired generators which are capable of retrofitting CCS technologies. Proponents must adequately ensure that CCS is taken into consideration

when designing and building future power plants, including planning for sufficient land, pipelines for removal of CO<sub>2</sub>, suitable storage sites and connectivity of the generator to CCS technologies. The standard for CCS-ready, tailored for Australian conditions, will be determined by the Government in consultation with stakeholders. The new standard will take into account existing draft standards as a starting point. The consultation process will focus on finalising the standards for commencement in 2011.

The Labor Government is committed to ensuring that future energy generation in Australia is cleaner and greener and that we don't build generation capacity which is not consistent with the low pollution economy of the future.

A Gillard Labor Government will also place **additional obligations on existing coal-fired power stations** to find opportunities to reduce their emissions by *expanding the Energy Efficiency Opportunities program (EEO)*, and publishing facility-level data supplied by power stations under the National Greenhouse and Energy Reporting program. This will encourage existing power stations to do more to reduce their pollution.

A re-elected Gillard Labor Government will also provide a *strong incentive to business to start reducing pollution immediately*, ahead of the introduction of a future market to limit pollution.

To give industry certainty about future investment, the Government will ensure that the emission baselines for industry assistance will not be increased – they will be as determined under the CPRS.

Allocations of permits to companies for emissions-intensive activities are based on historic estimates of emissions intensity and will continue to be provided on this basis. Retaining these baselines will ensure any efforts undertaken by a business now to cut pollution will be rewarded, because it will mean they will be required to purchase fewer permits in a future market to limit pollution. It will encourage action early rather than causing businesses to delay action until a market mechanism is introduced.

This commitment implies that allocative baselines under a future emissions trading scheme would continue to be based on historical emissions data from the 2006/07 and 2007/08 years. This means that allocative baselines that have been determined and included in regulations under the RET will be the allocative baselines that apply under a future market to limit pollution.

A re-elected Gillard Government will also provide *tax breaks for green buildings*. From 1 July 2011, businesses that invest in eligible assets or capital works to improve the energy efficiency of their existing buildings – from 2 stars or lower to 4 stars or higher – will be able to apply for a one-off bonus tax deduction.

The incentive will enable businesses to claim a bonus tax deduction of 50 per cent of the cost of the eligible assets or capital works. This initiative is expected to provide a boost of around \$1 billion over the life of the scheme to help 'green up' existing buildings right across the country. It will help unlock significant energy efficiency by giving businesses a clear incentive to save energy in their buildings.

The Tax Breaks for Green Buildings initiative will be available for retrofits of existing commercial buildings. It will also be available for retrofits of office buildings, hotels and shopping centres that are currently covered by the National Australian Built Environment Rating System (NABERS) scheme.

The Labor Government will seek to introduce legislation establishing the Green Building Tax Break in the first half of 2011. Prior to drafting the legislation, the Government will consult extensively in the second half of 2010 on the detailed design of the incentive.

Qualifying retrofit projects undertaken between 1 July 2011 and 30 June 2015 would be eligible for the Tax Break. The Tax Break would be able to be claimed as a bonus tax deduction in the income year in which the taxpayer receives certification that the project has achieved the required energy efficiency improvement.

To date, the Green Building Fund has already provided more than \$70 million in assistance to building owners wanting to improve the energy efficiency of their buildings. A \$30 million expansion of the Green Building Fund ensures this program will continue to support businesses that improve the energy efficiency of commercial office buildings prior to the implementation of the Green Building Tax Break. The expanded Green Building Fund will also be available for hotels and shopping centres currently covered by the NABERS scheme.

The Tax Break has been designed to minimise the risk to Budget and maximise the environmental benefits:

- the Tax Break is only available for major projects that deliver a substantial improvement in energy efficiency (from 2 stars or lower to 4 stars or higher).
- proposals need to receive official approval before they are started.
- after the project is completed the building owner needs to demonstrate that it actually delivered the planned improvements in energy efficiency, through a new NABERS energy rating assessment.
- the Government will implement an audit and compliance program from the outset of the program.

A re-elected Gillard Labor Government will invest in a \$45.6 million dollar *Carbon Farming Initiative*. Farmers who help reduce and store pollution will receive credits that can be sold in Australia and overseas under this new initiative.

For the first time, the Federal Government will help facilitate the sale of carbon credits on domestic and international markets to ensure Australian farmers and landholders can take advantage of the opportunities available.

Farmers and landholders will benefit from a new income stream, and the environment will benefit from reduced pollution. Tapping into these existing markets will give farmers and landholders the ability to find the best price available on the market for their carbon credits. There will be no restriction on the number of credits that can be generated, with initial conservative estimates suggesting it could be worth about \$500 million over ten years.

This initiative is fiscally responsible as the market will choose the most efficient and cost effective ways to reduce pollution and pay for it, rather than the Government picking winners and forcing taxpayers to bear the cost (as proposed by the Coalition).

At present, there is no uniform way for farmers, forest growers or landholders to generate carbon credits and sell them into lucrative international markets. Under this initiative, the Labor Government will legislate clear rules for the recognition of carbon credits that could then be sold on domestic or international markets.

A re-elected Gillard Labor Government will provide farmers, landholders and forestry growers with the tools to understand how to generate carbon credits. As part of this, Landcare, the trusted volunteer organisation which has been working with Australian farmers for the past 21 years, will be funded to provide information on how farmers can further benefit under the initiative.

The initiative will also help link farmers, land managers and forestry operators with brokers, who could sell their credits on the domestic or international market. This will allow farmers to keep doing what they do best, while also connecting them with those who have the monitoring and carbon retail know-how.

The Gillard Labor Government has already started work on setting out clear definitions about how credits can be created. Eligible methodologies that are expected to be settled in the early years of the scheme include reforestation, as well as projects that avoid or reduce emissions from:

- Livestock.
- Fertiliser use and manure management.
- Savannah burning.
- Legacy waste in landfills.
- Deforestation.

These methodologies are expected to be rolled out from mid 2011.

As part of this initiative, the Gillard Labor Government will work at home and abroad to support further research on soil carbon and biochar. This will build on the \$20 million Climate Change Research Program.

A re-elected Gillard Labor Government will also invest \$10 million to establish *Green Corridors* across the Australian landscape which will provide habitats for native plants and animals threatened by Climate Change.

The Labor Government will convene a National Green Corridors advisory group to prepare a draft National Green Corridors Plan. The advisory group will have broad expertise, including scientists, farmers, Indigenous groups and regional natural resource management groups. It will consider climate change impacts and adaptation, identifying critical linkages in the landscape to allow the migration of species. The National Green Corridors Plan will also aim to protect natural stores of carbon in native ecosystems to minimise our greenhouse gas emissions.

The key to its success will be in building strong partnerships between the regions, the States and the Commonwealth to coordinate implementation of the National Green Corridors Plan at each level. To ensure this alignment occurs, a re-elected Gillard Labor Government will review the relationship between national targets and state and regional targets for all natural

resource management programs. There will be a renewed recognition of regional and state natural resource management plans and support for them being aligned to and informing, national targets and priorities. Once finalised, the National Green Corridors Plan will be implemented through regional natural resource management plans, state plans and the Caring for our Country program.

This package will provide farmers, Indigenous land managers, natural resource managers, Landcare and other community groups with a better coordinated plan for making their landscapes resilient against climate change and other threats to sustainability.

The National Green Corridors Plan will involve a balanced mix of landscape-scale measures, from conservation reserves and stewardship areas through to sustainable on-farm practices that have biodiversity and production benefits, such as no-till farming, native pasture management and strategic grazing programs. This will make farming more sustainable and efficient while recognising and rewarding the good work that farmers are doing to manage their landscapes and adapt to a changing climate.

#### Question 5

I drive a hybrid Holden Camry which uses significantly less fuel than a standard petrol vehicle. Furthermore, I think we can make changes in terms of reduction to our emissions by rapid transition to an electric car fleet. This is achievable given the rapid roll out of battery infrastructure now underway in Israel and Denmark.

Generally, I try to live as sustainably as possible by turning down the heating, limiting the use of air conditioning in summer, turning off the lights and by operating only energy efficient appliances. Further to that, we choose to wash on sunny days and the clothes are hung out on an old 1950s Hills Hoist. We keep water to a minimum in the garden by having as much low maintenance, Australian native vegetation as possible.

And Jo, the Kafir lime tree is going gangbusters! The leaves are great for cooking Thai and other cuisine.

Yours sincerely,



**MAXINE McKEEW MP**  
**Member for Bennelong**