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Senate Standing Committees on Environment and Communications  
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### **Senate Standing Committees on Environment and Communications – Climate Change Bill**

The Australian Energy Council ('AEC') welcomes the opportunity to make a submission to the Senate Standing Committee's consultation on the *Climate Change Bill 2022 and the Climate Change (Consequential Amendments) Bill 2022* (the 'Bill').

The Australian Energy Council is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

The AEC therefore supports the Federal Government's long-term emissions reduction target of net-zero by 2050 – the overarching goal of Australia and the world's climate efforts. The AEC's recommended interim target is consistent in trajectory, but different in timing, focusing on 2035, the halfway point to 2050. Our slightly delayed interim target was recommended intentionally to provide a few additional years to incorporate the contribution of sectors that have not yet begun their decarbonisation journey. This is explained further below and in other AEC material.<sup>1</sup>

The AEC recognises that 43 percent by 2030 was a core election commitment and supports its basis in legislation; enshrining a policy in domestic law gives businesses and industry a degree of greater certainty. For sectors like electricity, which are deeply invested in Australia's decarbonisation journey, policy confidence is critical to the sector's orderly transition.

Above that, the new Federal Government has so far shown a willingness to provide national leadership on energy policy. The AEC has a strong preference for coordinating the National Electricity Market's transition to a low-carbon future through national mechanisms so the government's early efforts at working and coordinating with the states is a positive step forward. This is especially important given that Australia's current emissions reductions are being driven almost entirely by the electricity sector.

In the AEC's opinion, achieving a target of 43 percent emissions reduction target by 2030 will require sectors other than electricity to begin their decarbonisation journey this decade. Promisingly, there are immediate and affordable ways to start decarbonising Australia's transport and stationary energy sectors through the uptake of electrification technology. The right incentives just need to be put in place.

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<sup>1</sup> Australian Energy Council, 'Australian Energy Council backs economy-wide 55% emissions cut by 2035', December 2021, <https://www.energycouncil.com.au/news/australian-energy-council-backs-economy-wide-55-emissions-cut-by-2035/>.

## Australia's Emissions Trajectory

Each year, the Department of Industry, Science, Energy and Resources (DISER) publishes a ten-year projection for Australia's emissions trajectory. The most recent projections, [Australia's Emissions Projections 2021](#), show that the electricity sector is doing almost all of the heavy-lifting, both now and for the course of this decade, to drive Australia's emissions reductions.<sup>2</sup> Emissions in the electricity sector are expected to fall by over 55 percent on 2005 levels by 2030. This projection incorporates very large improvements from forecasts made only a few years earlier.<sup>3</sup>

This is an incredibly rapid and far-reaching change for such a large, complex, and capital-intensive industry comprised of assets typically built for half a century of life. While the industry is rightly proud of its contribution to Australia's emissions reductions, the rapid changes to the electricity sector is creating unavoidable risks to Australia's energy security and the workers and communities who service it. For these reasons, the AEC cautions against the government assuming this sector can achieve even greater emissions reductions this decade.

*Table 2: Sectoral breakdown of 2021 projections results to 2030, Mt CO<sub>2</sub>-e*

Emissions by sector (Mt CO <sub>2</sub> -e)	National Greenhouse Gas Inventory		Projection
	2005	2019	2030
<b>Electricity</b>	197	179	88
<b>Stationary energy</b>	82	99	99
<b>Transport</b>	82	100	97
<b>Fugitives</b>	41	55	56
<b>Agriculture</b>	86	75	76
<b>Industrial processes and product use</b>	31	32	28
<b>Waste</b>	16	14	11
<b>Land use, land-use change and forestry</b>	89	-25	-16
<b>Total</b>	<b>624</b>	<b>529</b>	<b>439</b>

Note: totals do not sum due to rounding.

Source: [DISER](#)

While these projections provide a good news story for the electricity sector, the outlook of other sectors is less positive. Key sectors like transport and stationary energy are projected to *increase* their emissions by 2030 and will respectively become the two largest sources of emissions. The inaction in other sectors can be seen through two angles.

On the one hand, it is a sizeable roadblock to Australia's climate ambition and our ability to keep ratcheting our climate targets. It represents a frustration for the electricity sector because, to date,

<sup>2</sup> Department of Industry, Science, Energy and Resources (DISER) 2021, 'Australia's Emissions Projections 2021', [https://www.industry.gov.au/sites/default/files/October%202021/document/australias\\_emissions\\_projections\\_2021\\_0.pdf](https://www.industry.gov.au/sites/default/files/October%202021/document/australias_emissions_projections_2021_0.pdf).

<sup>3</sup> For example, emissions from the electricity sector in 2020 were projected to be 111 million tonnes. This has been revised down to 87 million tonnes in 2021.

governments have substituted the inaction of other sectors by demanding greater decarbonisation in the electricity sector. The sector has met these demands, but it is not without challenge – recent events both in Australia and around the world highlight that emissions reduction efforts must respect maintaining a reliable and affordable electricity system. Otherwise the policy prerogative is weakened.

On the other hand, the inaction of other sectors means there is immense opportunity for “low-hanging fruit” emissions reductions that can be immediately taken. Governments just need to develop the right policies to ensure these opportunities are captured efficiently and with minimal disruption. The AEC has recently published [a series of research papers](#) exploring possible policy pathways.<sup>4</sup> Probably the most immediate and affordable decarbonisation opportunity currently available is enabling the uptake of electrification technologies to power light transport and building heating.

There has been some movement at a sub-national level in this policy space. Notably the Victorian Government has declared its intent to begin “going electric” for residential use through its [Gas Substitution Roadmap](#),<sup>5</sup> and the ACT is now following the same electrification path.<sup>6</sup> The Federal Government may wish to consider how it can support or supplement these initiatives at the national level.

### Safeguard Mechanism

The AEC has consistently supported efficient and national trading mechanisms to drive carbon abatement. The reworked Safeguard Mechanism, which the government has an electoral mandate to introduce, appears consistent with this philosophy. We therefore welcome the intent of the Federal Government to reform the Safeguard Mechanism to drive carbon abatement in industrial emissions and recognise the current facility baselines will need to be reset to begin this journey. Subsequently scaling down the baselines regularly over time should provide the necessary progressive incentive.

Presently, the electricity sector is subject to a sectoral (rather than individual facility) baseline. This is because output from generators is centrally coordinated to meet demand in real time so in this sense, they act like a single facility.

The AEC believes treating individual generators as safeguard facilities is not necessary and would lead to perverse outcomes, such as low emissions intensity generators reducing output only to be replaced by higher emitting generators.

While the AEC has previously championed trading schemes tailored for the electricity sector, such as the previous government’s abandoned National Energy Guarantee, it appears the need for such a scheme has passed because the electricity sector is already so far advanced in its decarbonisation journey. The figure below illustrates quite clearly the different emissions trajectories of electricity compared to covered safeguard facilities. It seems obvious then it is now the other sectors that require an efficient emissions reduction scheme – such as the Safeguard with declining trajectories – rather than the electricity sector.

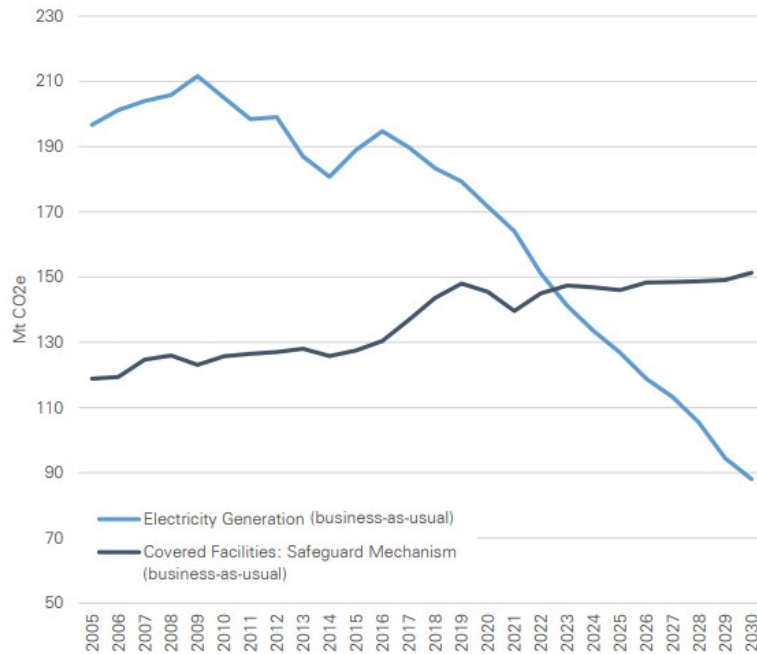
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<sup>4</sup> Australian Energy Council, ‘New discussion papers outline decarbonisation challenges and opportunities’, April 2022, <https://www.energycouncil.com.au/analysis/new-discussion-papers-outline-decarbonisation-challenges-and-opportunities/>.

<sup>5</sup> Victorian Government, ‘Victoria’s Gas Substitution Roadmap’, July 2022, <https://www.energy.vic.gov.au/gas/victorias-gas-substitution-roadmap>.

<sup>6</sup> ACT Government, ‘Powering Canberra: Our Pathway to Electrification’, August 2022, [https://www.cmtedd.act.gov.au/open\\_government/inform/act\\_government\\_media\\_releases/barr/2022/powerin-g-canberra-our-pathway-to-electrification](https://www.cmtedd.act.gov.au/open_government/inform/act_government_media_releases/barr/2022/powerin-g-canberra-our-pathway-to-electrification).

**Figure 2: Electricity sector vs. Safeguard facility emissions (business as usual)**



Source: [Reputex](#)

**Restoring Climate Change Authority and Setting a 2035 Target**

The next major climate milestone for the Federal Government is the setting of an interim 2035 emissions reduction target. The AEC has already shifted its focus to 2035 to allow sectors other than electricity time to begin and accelerate their decarbonisation journey. The restoration of the Climate Change Authority to provide independent advice to the Government on what a 2035 target could look like is welcomed, and consistent with practices used overseas.

As noted earlier in this submission, the AEC has produced [research material](#) on the types of policy initiatives governments could consider on the road to 2035. We look forward to engaging closely in future with the Climate Change Authority and Federal Government about these policy pathways.

Any questions about this submission should be addressed to Rhys Thomas, by email [Rhys.Thomas@energycouncil.com.au](mailto:Rhys.Thomas@energycouncil.com.au) or mobile on 0450 150 794.

Yours sincerely,

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