



AUSTRALIAN LOCAL
GOVERNMENT ASSOCIATION

Submission in response to *Review of Climate Change Policies*

May 2017

Introduction and background

The Australian Local Government Association (ALGA) appreciates the opportunity to present this submission in response to the *Review of climate change policies* discussion paper.

ALGA is the national voice of local government in Australia, representing 537 councils across the country. In structure, ALGA is a federation of state and territory local government associations. ALGA was established in 1947 and throughout its history has been closely involved in issues of national significance affecting the local government sector as a whole. ALGA has enjoyed a close, productive working relationship with the Commonwealth Government, illustrated by its current membership (through its President) of the Council of Australian Governments, and a number of other Commonwealth-State Ministerial Councils, both formal and informal, which consider different sets of complex policy issues across many sectors of the economy. In addition to its representative role on Commonwealth-State Ministerial forums, ALGA's key functions include participating in policy reviews, providing submissions to and appearing before Federal Parliamentary inquiries, and enhancing opportunities for local government to inform the development of national local government policies.

This submission has been developed in consultation with ALGA's member state and territory local government associations. It should, however, be read in conjunction with state and territory local government association and individual council submissions.

ALGA established its policy position on carbon mitigation in 2010, which is that it supports a market-based mechanism to bring down emissions. While the policy position remains unchanged, ALGA is committed to working with the Government of the day to deliver effective mechanisms and bring down emissions.

ALGA's engagement on matters relating to climate change is extensive and includes representation at the Meeting of Environment Ministers. ALGA recognises and appreciates the diverse nature of climate change as an issue as well as the multi-faceted approach required to address it.

The intention of the Review is to assess the effectiveness of the Commonwealth Government's measures to reduce Australia's greenhouse gas emissions, guarantee

energy security and also to ensure that those measures will enable Australia to meet its international obligations under the Paris Agreement.

The emissions reduction target, of 26-28 per cent below 2005, is an ambitious one, particularly given recent against-trend increases in emissions. Therefore, it is important to ensure the footprint for coverage of Government programs extends to as wide a range of suitable sectors and communities as possible. It is ALGA's primary concern that recent programs have primarily tended to focus on inefficient heavy industry, at the expense of those sectors that engaged positively from an early stage with the challenge of climate change, leading to many lost opportunities.

Linkage to adaptation

While the Review's focus is clearly on emission reduction, it is impossible to speak about the importance of reducing emissions, particularly for local government, without thinking about the need to deal with adaptation. That is, managing the impacts and threats of a changing climate that cannot be avoided. The scale of that task will very much depend on the work done to limit the worst effects of climate change, therefore reducing emissions as quickly and effectively as possible.

These include threats to valuable coastal infrastructure, such as roads, railways as well as residential and commercial land, due to the risk of increasing sea-levels and storm-surges from more powerful weather systems.

ALGA believes that unless measures to bring down emissions across the economy are effective, the impacts of climate change will increase and the consequences for coastal and non-coastal communities, industries and infrastructures and funding required to address them, will only grow.

Local government's previous engagement

Councils have both been leaders in local climate change measures as well as early and enthusiastic adopters of new practices and technology. However, there are resource implications. Councils have sought funding or accreditation through a number Commonwealth programs over the past decade. These programs include:

- Greenhouse Friendly
- The Low Carbon Communities package (including the Local Government Energy Efficiency Program)
- The Carbon Farming Initiative (CFI)

All of these programs involved significant administrative elements that increased internal resource demands. Councils also invested directly in projects that were supported by these programs, or in the case of Greenhouse Friendly, accredited. Local government's participation rate dropped as each new program was introduced. The key reason for this is a decreased level of confidence about the longevity of these programs. It is clear that local government is interested in playing its role to reduce Australia's emissions, however unless the sector is embraced and stability and security is given, councils will not be able to sufficiently play that role.

It is also important to recognise the crucial role played by local government across a range of climate measures. This is both as a practitioner, undertaking work on behalf of their communities, as well as a facilitator to connect those communities to the best available information to boost knowledge and awareness.

The Emissions Reduction Fund

ALGA has been consulted by the Commonwealth Government on the design and implementation of the Emissions Reduction Fund (ERF). Through those opportunities, ALGA has stressed a number of key concerns, and while some have been addressed, most remain without resolution. These are creating significant impediments to participation, not just for local government, but many other sectors. They are therefore limiting access, reducing the footprint of reduction activities and creating lost opportunities to deliver reductions.

ALGA called for the inclusion of energy-efficiency in the ERF and was pleased when relevant methodologies were developed to enable the inclusion of such measures, but, embracing these components in a more fulsome way would deliver a range of benefits. Energy-efficiency is one of the key methods by which emissions produced by electricity generation, the largest single contributor to Australia's carbon emissions, can be forced down. Boosting low-scale and household energy-efficiency will also contribute to reductions in household electricity bills and reduce demand on the grid.

The former Minister for the Environment was enthusiastic about councils and other local government-related bodies engaging in project aggregation. The advice provided to ALGA has shown that this is not an attractive or, in many cases, viable option. Key concerns included the regulatory and reporting burden and the costs attached to undertaking that activity.

Mechanism

In its first submission, ALGA highlighted its concerns about the reverse-auction mechanism outlined to drive the ERF. The intention of the mechanism is to support a competitive auction whereby the greatest emission reduction delivered for the lowest per-tonne price would be the successful bid. This is a fundamental issue for local government and other non-commercial and small business sectors. Heavy industry, being much less efficient and with greater economic flexibility, was able to provide bids that other sectors could not compete with.

The reverse auction mechanism rewarded the previously inefficient, over those already displaying efficient practices. Given the work undertaken on energy-efficiency and waste measures, that meant a considerable number of sectors and specific proven projects were not considered competitive.

Funding options

Local government is a responsible steward of public funds, and so understands the need to ensure the expenditure and management of those funds is of the highest standard. One of the key impacts that local government has felt was the requirement for ERF projects to be new projects, and not currently funded under other Commonwealth Government programs. As noted earlier, local government was an active participant in many previous programs, with many projects currently operational. However, those projects, or expansions of those projects would not be eligible under the ERF. This is another significant impediment to early-adopters, and should be reconsidered.

Sectoral approach

In its submissions on the design of the ERF, ALGA recommended that the fund and the auctions be broken into sectors. This would ensure that smaller and non-commercial entities could participate and that the coverage of the fund would maximise reductions across the economy.

The discussion paper breaks down activities by sector, but the Commonwealth's lack of interest in designing the ERF in that fashion has certainly impacted its effectiveness. ALGA remains strongly of the view that a sectoral approach is the only way to expand the footprint of the ERF and argues that directing funding specifically for projects within the community and non-commercial sectors can only benefit long-term, particularly when the peak of reductions from heavier emitters is reached.

The ERF is the Commonwealth's primary method to drive down emissions, and ALGA has expressed its strong concerns about the structure and focus of the ERF. It is especially relevant in the face of meeting the reductions contained in the Paris Agreement, and ALGA continues to believe that the ERF's coverage and mechanism must be changed in order to achieve those ambitious reductions. Within local government, particularly in the waste sector, there are multiple projects across country, which, in isolation might not contribute a great deal, but combined would give a significant boost to those national efforts.

The ERF's design indicated the focus on short-term heavy reductions, at the expense of a longer-term strategic and sectoral approach that would more readily expand the footprint of emissions reduction and support broader reforms and innovation. This process is an opportunity to address those identified deficiencies in the ERF. ALGA, and the local government sector broadly, remains committed to working with the Commonwealth to drive the necessary changes. With an ambitious target under the Paris Agreement, the Commonwealth needs all sectors of the economy engaged and playing their roles. This submission has sought to highlight a range of issues that have held back local government and other smaller-scale and non-commercial sectors from more effective participation.



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