



Evolving climate policy – where to next?

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Scorched by unprecedented bushfires, our nation badly needs a global solution to climate change. Evolving emissions policy, as the PM has suggested, can deliver a more ambitious, durable and trade-neutral approach, and get investment flowing to the industry and the infrastructure we need for a prosperous future. Success requires clarity about what we're trying to do, and smart policy design that suits the enduring needs of the community and industry.

Many fear that the recent fires are the 'new normal'. The truth seems to be both better and worse than that. The specific circumstances that produced the most dire bushfire season in recorded Australian history won't recur every year. But an underlying increase in average temperatures and shift in rainfall patterns has made more severe bushfires more likely. That shift is guaranteed to deteriorate.

Australia is currently dealing with a 1°C increase in global average temperatures over preindustrial levels. The goal of the Paris Agreement is to keep the total increase to no more than 1.5°C – with significantly greater impacts than today and requiring difficult, costly adaptation. But the initial set of commitments nations have made under Paris puts us on course for 3°C or more. Global central banks say that would seriously threaten the world economy.

It is absolutely true that Australia (1.1% of global emissions in 2016) can't halt climate change alone. Nor can China (23.5%), the United States (11.8%) or the European Union (7.3%). Emitters of Australia's size or smaller account for more than 30%. It takes ambitious action by all countries to achieve a net zero emissions world. The logic of Paris is for nations to commit to the greatest action they can, then keep upgrading those commitments towards net zero as mutual confidence grows and technology improves. Australia's national interest lies in everyone driving that positive spiral by going beyond minimalist compliance with current commitments. If we don't lift our weight, it takes the moral and political pressure off emitters of all sizes and makes a global solution much harder.

We can contribute by charting our own course to net zero emissions by 2050, backing it with policies that preserve equity and competitiveness, and cooperating internationally to improve technology and promote success.

Australia has many places to start. The Commonwealth is developing a long-term emissions strategy, an electric vehicle strategy and a technology roadmap; and has options to expand its investment in clean innovation. The States all target net zero 2050 and are developing plans to deliver; greater cooperation and coordination on those plans is needed. The next Integrated System Plan for electricity will be finalised in June. Internationally, Australia has joined a collaboration on harder-to-decarbonise industrial

sectors, and the UK is asking all nations to bring deeper emissions commitments to the Glasgow climate summit in November.

Policy-making needs a clear sense of what matters and what doesn't.

Being seen to 'do something' is not enough: quality matters. The [policy principles](#) offered by Ai Group and the Australian Climate Roundtable, covering environmental integrity, economic efficiency, trade competitiveness, social equity and more, should guide any policy.

Electricity is already transitioning, but badly needs clear integrated long-term climate policy to attract sufficient investment to meet our needs and support net zero. But the rest of the economy accounts for two thirds of Australian emissions and needs workable pathways too.

Trade matters. Losing competitiveness via uneven international climate policies has long been our greatest reservation about Australian efforts. Different trade risks are now also opening up: Europe pushes climate in trade deals, and is developing a carbon border adjustment – potentially, tariffs on carbon-intensive imports. Smart policy design can manage these trade risks, allowing Australia to show leadership while maintaining competitiveness.

Some current shibboleths may be dispensable. Carryover credits for past overperformance don't help with the long-term transition to net zero, and controversy over them threatens to shut Australia out of international cooperation. Carbon price aversion should be rethought – what justifies it today beyond the inertia of past politics? Carbon prices are key policies for major economies on every continent except Antarctica – and Australia; an emissions trading scheme for China's huge power sector starts this year. Should Australia rely solely on government regulation and public spending to reform our economy? Many different pricing models are available, not just those developed by Howard, Rudd and Gillard.

We need creative thinking. The fate of Australia's fossil fuel exports lies ultimately with our customers' decisions about their energy systems in light of changing technology and preferences. We need to be ready for those decisions. The recently announced National Hydrogen Strategy is a great first step towards an economic hedge. It is an industry whose growth prospects are the inverse of the expected long-term decline in fossil exports in a world that successfully limits climate change.

The trauma and tragedy of the bushfire crisis is shaking climate politics and policy out of its rut. Evolution is needed. And all of us have a responsibility to shape it.

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