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Review of Queensland Government's
Climate Change Strategy
Office of Climate Change -
Environmental Protection Agency
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**Ai Group Comments – Review of QLD Government's Climate Change
Strategy Issues Paper**

Attached are comments from the Ai Group in relation to the Queensland Government's Climate Change issues paper.

In general, Ai Group is supportive of the Queensland Government's efforts to tackle climate change. Climate change is the most pressing issue facing governments of our time, and it is pleasing to see the Queensland Government tackle the issue with the seriousness it deserves.

Notwithstanding, the issues presented in the discussion paper provide a great opportunity for the Queensland Government – in partnership with industry and the community – to take stock of its current activities, and to play an important leadership role for the community.

Our attached comments summarise our overall perspective on climate change issues, and includes a series of practical proposals that would play an important role in supporting the Government's efforts in this area.

We look forward to working with the Office of Climate Change in further developing the strategy.

Yours sincerely

A handwritten signature in black ink, appearing to be 'CR', with a horizontal line underneath.

Chris Rodwell
Director – Queensland



Queensland Government Climate Change Strategy

Response to issues paper by the Australian Industry Group

October 2008

1. INTRODUCTION

The Australian Industry Group (Ai Group) welcomes the opportunity to comment on the Queensland Government's Climate Change discussion paper.

In general, Ai Group is supportive of the Queensland Government's efforts to tackle climate change. Climate change is the most pressing issue facing governments of our time, and it is pleasing to see the Queensland government tackle the issue with the seriousness it deserves.

For its part, the Australian Industry Group has been working closely with its members in leading industry's response to climate change, and supporting governments across Australia in these matters.

The issues presented in the discussion paper provide a great opportunity for the Queensland Government – in partnership with industry and the community – to play an important leadership role.

Ai Group sees this role, especially in the context of the Australian Government's Carbon Pollution Reduction Scheme – as being one of leadership, education, awareness raising, supporting skills development and research. There is also an opportunity for the government to take stock of its current approach on climate change and environmental regulation, and playing a partnering role for industry.

This response has been written within this broader context, and is comprised of the following sections.

1. A summary of Ai Group's perspective on climate change issues
2. Our view on the effectiveness of current Queensland Government initiatives in relation to climate change
3. A series of practical proposals for consideration of the Queensland Government.

2. CLIMATE CHANGE: WHAT IS Ai GROUP'S PERSPECTIVE?

About Ai Group

Ai Group is a leading industry association in Australia. Ai Group member businesses employ around 750,000 staff in an expanding range of industry sectors including: manufacturing, engineering, construction, defence, ICT, call centres, labour hire, transport, logistics, utilities, infrastructure, environmental products and services and business services.

We are an organisation committed to helping Australian industry meet the challenges of change, including the challenges associated with climate change. Our focus is on building competitive industries through global integration, human capital development, productive and flexible workplace relations, infrastructure development and innovation.

Ai Group is closely affiliated with more than 50 other employer groups in Australia alone and directly manages a number of those organisations. Together, Ai Group and its

affiliates represent the interests of approximately 60,000 businesses which employ in excess of 1.2 million staff across Australia and the world.

Ai Group members operate small, medium and large businesses. They include many major Australian and global companies operating in a range of industries.

In Queensland, Ai Group has a long history (over 100 years) supporting and representing a varied group of industries – many of whom have made a major contribution to Queensland's economy, and society in more general.

Firms' attitudes on environmental sustainability

In 2007, Ai Group, together with Sustainability Victoria, undertook the largest ever national industry survey on attitudes towards environmental sustainability.

The report, entitled *Environmental Sustainability and Industry: Road to a Sustainable Future*¹, involved a survey of 810 companies in the manufacturing and commercial construction sectors, representing 10.5 per cent of activity within the two sectors.

Key findings in the study included:

- 78 per cent of companies believed they had a responsibility to contribute to a reduction in carbon emissions, even if it increased costs to the business.
- One quarter of firms identified one or more high risks from climate change, while a further 44 per cent identified medium level risks.
- Loss of competitiveness due to cost pressures was considered to be the highest risk deriving from climate change.
- 73 per cent of large firms had a written environment policy.
- Around 40 per cent of companies indicated they had taken one or more actions to lower greenhouse emissions, undertaking research and collaboration with other firms, investing in new technology and processes, and fully offsetting emissions.
- The majority of companies saw opportunities from climate change to promote their company as socially responsible.
- The most critical priority identified by companies was managing electricity usage, however close to 45 per cent of firms considered reduction of water usage another major priority.
- Only 14 per cent of companies stated they understood the concept of an emissions trading scheme (ETS) well or very well while 40 per cent said they had no understanding at all. Unsurprisingly, therefore, 69 per cent of companies were undecided on their support for an ETS for Australia.
- The vast majority of activity on environmental sustainability has been undertaken by companies using their own funding.

In relation to the survey findings for Queensland, the State is ahead of all other States in ranking the opportunities ahead of the costs when it comes to the impact of climate change. Queensland also had the highest proportion of firms who believe they have a responsibility to lower carbon emissions, and who are more likely to adopt measures in this area.

¹ Ai Group and Sustainability Victoria (2007) *Environmental Sustainability and Industry: Road to a Sustainable Future*

Ai Group's principles on climate change

While scientific knowledge is always contestable, the weight of scientific evidence is clear. Although the risks and costs of reducing greenhouse gas emissions are substantial, they are easily outweighed by the risks and costs associated with *not acting* to reduce the build up of greenhouse gas emissions.

Ai Group acknowledges that Australia (and Queensland) should play its part in meeting the global challenge of climate change. We also acknowledge that the challenge of reducing the accumulation of greenhouse gases in the earth's atmosphere requires a truly global response. It would be futile if Australia reduced its own emissions only to see them shift to other countries where a requirement to reduce carbon pollution was absent.

Trade-exposed industries

Overwhelmingly, Ai Group's membership is exposed to intense international competition in export markets and in the domestic market.

Many members are deeply concerned at the prospect of a unilateral increase in costs resulting from the introduction of the CPRS. Such concerns are particularly prevalent given recent rises in other business costs and the ongoing gloom surrounding the global economy.

Many of Ai Group's members operate in sectors whose competitive margins have been eroded by the combined impact of cheaper production from emerging economies and the commodity-price fuelled Australian dollar.

These businesses are well and truly in the firing line of the extra costs associated with direct and indirect emissions from Australian production.

All trade exposed businesses face a risk of carbon leakage to some degree. Businesses most immediately at risk range from the producers of metals and construction materials to the full range of energy intensive manufacturers in areas such as paper and packaging, plastics, chemicals, metals processing and fabrication, glass, food processing, miners and energy processors.

The diversity of Queensland's trade exposed industries is highly significant, involving businesses of all sizes, in all parts of the State, operating in both high-margin and low-margin parts of the economy.

The Risk of Excessive Regulation

The market-based approach of the CPRS should assist in containing regulatory costs. There are however two significant risks that could easily compromise the overall effectiveness of Australia's (and Queensland's) climate change strategy.

These are the risk of duplicating, overlapping and uncoordinated regulation; and the risk of poorly designed law or supporting regulation giving effect to the CPRS.

Ai Group believes that the Queensland government (along with other State and Territory Governments) should combine under the leadership of the national government to make serious efforts to deliver a coherent approach to climate change policy. We are encouraged that this sentiment is evident in the discussion paper.

At present, a vast array of policy instruments, incentives and targets – across Australia - are causing confusion and adding cost for business.

The array of environmental regulations currently facing business are driving up compliance costs and creating a complex basket of regulatory burdens that are, in most instances, ultimately paid for by the consumer.

Linked to this are audit and reporting requirements, which already demand a significant proportion of executive time and are likely to grow significantly under CPRS, unless regulatory simplification occurs.

Ai Group supports the current COAG process to rationalise renewable energy targets and assist the states and territories with the implementation of a truly national emissions trading scheme. However, it is essential this process delivers tangible results.

Within this context, Ai Group believes state governments are often best placed to play an important role in providing consumers and businesses with relevant information, in promoting good practice and in leading by example.

Innovation

There are significant opportunities for increasing the level and intensity of business innovation arising from firms responding to climate change issues. Such innovation can range from the introduction of new business processes, developing and/or applying new technologies, and applying sustainable management techniques across all areas of business operations.

Skills

Responding to climate change will require a fundamental shift in Australia's approach to management and workforce skills. Reducing greenhouse gas emissions means new processes for industrial and agricultural production, new research and investment in low emission technologies, new patterns of consumption, and innovative thinking in almost every aspect of business life.

Climate change demands not only the development of new skills to support new jobs in new industries, it also demands a retooling of the skills of the Australian workforce, as existing jobs and industries are re-oriented.

Support for low income families

It is important to recognize that the structural changes to the economy arising as a result of an emissions trading scheme will potentially have a significantly negative impact on low-income households. As such, Ai Group supports appropriately designed schemes which provide compensation for such households.

3. HOW EFFECTIVE ARE CURRENT QUEENSLAND GOVERNMENT CLIMATE CHANGE INITIATIVES?

In general, Ai Group is broadly supportive of the Queensland Government's approach to climate change, as outlined in the discussion paper.

In particular, we support:

- Integration of efforts to avoid duplication with Commonwealth Government climate change initiatives, and recognising the importance of the State Government working within the COAG framework to ensure a consistent, holistic approach across all levels of government.
- The Queensland Government's efforts on providing information on the projected impacts of climate change, raising awareness and improving understanding of climate change
- Emphasis on "least cost abatement", through the Marginal Abatement Cost Curve (unique to Queensland), to assist government, the community, and industry identify least cost and cost effective measures to reduce greenhouse gas emissions.
- Support for an emissions trading scheme as being the primary vehicle for delivering greenhouse gas reductions.

However, improvements can be made, and considerable opportunities exist for the Queensland Government to take stock of its current initiatives in helping prepare Queensland businesses for the challenges of climate change.

The Queensland Government's approach to climate change also needs to be set within broader government objectives, as outlined in *Toward Q2: Tomorrow's Queensland*. This policy blueprint outlines a series of high-level goals for the Queensland Government to achieve, such as:

- *Strong* – Creating a diverse economy powered by bright ideas.
- *Green* – Protecting our lifestyle and environment

As outlined in the discussion paper, the Queensland Government already has a series of initiatives addressing climate change.

Many of these programs fit neatly into the box of education and awareness-raising – such as the EcoBiz scheme.

Others, such as the Smart Energy Savings Program help enterprises better understand their own energy efficiency. The program needs to be continued to be set in a supportive – rather than punitive tone which encourages companies to think more about their energy use. This is particularly important given introduction of an ETS. We support the initial delaying of the program by 12 months, pending the introduction of the ETS.

There is also funding available to support businesses to be innovative on environmental sustainability – such as the Smart Energy Savings Fund, and the Queensland Sustainable Energy Innovation Fund.

On other initiatives, we have significant reservations. For example, we hold strong reservations over the policy announced in *ClimateSmart 2050* in 2007 (and articulated in the *Sustainable Housing* discussion paper) regarding the phasing-out of the installation of electric hot water systems from 2010. We believe measures such as this fail to take into account the intended effect of a market-based emissions trading scheme, and may have unintended consequences in relation to consumer costs, water usage and industry.

We also hold strong reservations about renewable energy targets, including the Queensland Government's 10 per cent *Renewable and Low Emission Energy Target* by 2020 (requiring electricity retailers to purchase a set amount of energy from renewable or low emission sources) and the Australian Government's national mandatory renewable target. As much as possible we should avoid overlaying the ETS with such policy instruments, as they are selective and either are not needed and wasteful (because they would be reached under the ETS anyway) or they will impose higher costs than the ETS (for a given amount of emissions reduction).

4. WHAT ARE SOME PRACTICAL PROPOSALS THAT COULD BE CONSIDERED BY THE QUEENSLAND GOVERNMENT?

Outlined below are some practical proposals that could be considered by the Queensland Government in supporting Queensland firms in addressing climate change.

<p>Industry Action Plans</p>	<p>Similar to Industry Action Plans in workplace health and safety, these plans could involve the development of industry engagement strategies in key industry sectors, such as manufacturing, construction, tourism, transport etc.</p> <p>The action plans would be responsible for identifying key barriers in relation to climate change, and developing education/awareness resources focused on those particular sectors.</p>
<p>Industry Climate Change Workshops</p>	<p>Similar to the workshops for the wine and tourism sectors, workshops could be rolled out to other industry sectors – such as the manufacturing and construction sectors. The focus on these workshops would be “winning the hearts and minds” of companies in those sectors”, and assist those companies improve energy efficiency, and reduce their own carbon footprint.</p> <p>The workshops would provide two-way information sharing – getting the industry to understand the impacts of climate change on their specific sector and helping individual businesses and workers to understand climate change issues. The workshops would also provide a good networking opportunity for participants, which would help overall learnings as well. The workshops would also assist the Government better target resources and messages towards different industry sectors.</p> <p>The delivery of the workshops would be funded by the Queensland Government, but be delivered by industry bodies.</p>
<p>“Sustainability” pack</p>	<p>A “sustainability pack” could be developed for companies to help manage climate change in their own enterprise. In many companies, the Environment/Safety Manager manages sustainability issues, as well as the company’s compliance with EPA regulations etc. Such a resource would provide the officer (or others in the company) with resources to spread the expertise across the company more generally. The sustainability pack would include tips for engaging staff on energy efficiency, and help staff understand their own environmental footprint.</p>
<p>Streamlining regulatory obligations</p>	<p>Currently, there are multiple government agencies with some responsibility in environmentally-related regulation and support. Such state-level agencies include: the EPA, Queensland Water Commission, the Department of Mines and Energy, Local Government authorities, water service providers, and the Department of Tourism, Regional Development and Industry (for financial incentives, for example).</p> <p>Despite the multiple government agencies with an interest in this issue, there is usually just one person in the company (eg the Environment Manager) who is responsible for managing the compliance activity across the different agencies.</p> <p>Managing the multiple compliance, auditing and reporting requirements across the different agencies can be very time consuming for these individuals, and</p>

	<p>limits the time they may have in, for example, leading and managing sustainable change in an enterprise.</p> <p>With this in mind, consideration could be given to:</p> <ul style="list-style-type: none"> • Developing a “one-stop-shop” for environment and resourcing planning for the Queensland Government, through assigning individual “case-managers” within the Government who would be a single point of contact. This case manager would be responsible for navigating the various reporting requirements across Government and local Councils. • Reducing the reporting requirements for good performers – for example, in the water reporting area. Good water savings could be rewarded with annual (instead of quarterly) reporting to councils.
<p>Innovation and energy efficiency</p>	<p>As recognised in the State Government’s statement <i>Toward Q2: Tomorrow’s Queensland</i>, Queensland has the highest proportion of “innovative-active businesses”.</p> <p>Innovation should be applied to energy efficiency/climate change practices.</p> <p>With this in mind, the Queensland Government should review its current grant and incentive programs, and assess whether innovation and environmental sustainability are adequately captured.</p> <p>Moreover, the Queensland Government could accelerate industry’s uptake of new technologies by encouraging companies implementing innovative solutions to share their insights. This support could be in the form of financial incentives or advertisement, to compensate for the loss of these companies’ competitive advantage.</p>
<p>Revamp of Business programs (eg EcoBIZ)</p>	<p>A revamp of government programs such as EcoBIZ should be considered. Whilst the program has had some success in facilitating firms to become more eco-efficient, opportunities exist for a much greater level of participation.</p> <p>The current low level participation by industry in the EcoBIZ program has been attributed to: a reluctance by industry to participate in government programs; the dual role of EPA being a “regulator” as well as a “business adviser” may not be conducive to encouraging businesses to participate in a program run by a regulator; and the lack of resources (including adequate skills and time) available to companies (in particular SMEs) to enable them to participate</p> <p>Only about one-half of firms in the manufacturing and construction sectors have specific staff with environment responsibilities, with only about one-half of these employing only one person in that role.</p> <p>With the above in mind, a revamp of the EcoBiz program should be considered to ensure appropriate support to businesses, including consideration of a new framework for delivery of the scheme, with outsourcing of key components to partner agencies, such as industry and trade bodies.</p>
<p>Skills Development</p>	<p>Reducing greenhouse emissions and improving energy efficiency will require both the development of new skills to support new jobs in new industries and also a ‘re-tooling’ of the current skills of the Australian workforce as existing jobs and industries are re-oriented. This is recognised in the discussion paper.</p>

	<p>This will require thorough assessments of skills requirements with training providers working closely with industry in identifying emerging demands for training. It will also involve the Commonwealth and state and territory governments coordinating policy and funding initiatives across traditional lines of education and training responsibilities.</p> <p>Working in close partnership with industry, linkages between the training and higher education sectors need to be improved to:</p> <ul style="list-style-type: none"> • facilitate greater communication between researchers and training stakeholders and organizations • support efficient up-skilling and re-skilling of existing workers who will increasingly move between the sectors <p>To accelerate the development of appropriate skills, Ai Group supports:</p> <ul style="list-style-type: none"> • the development of national training products • the development of the skills of trainers and identification of appropriate facilities • the delivery of training in new and emerging areas in anticipation of broad based demand. • Consideration should be given to establishing a green skills audit fund for companies working in industries designated as 'high environmental impact' to determine their future skills needs.
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5. CONCLUSION

In summary, Ai Group welcomes the opportunity to comment on the Queensland Government's Climate Change discussion paper, and looks forward to participating further in Government deliberations on climate change policy.

To discuss the submission in more detail, please contact:

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