



Monday, 10 August 2009

Hon Kevin Rudd  
Prime Minister  
Via email

Dear Prime Minister

At Environment Business Australia we recognise that tackling climate change poses political challenges. However, we are firmly of the view that there are major opportunities to build new markets, new industries and new jobs by recognising, championing and investing in the value that post-carbon economies offer. The benefits that accrue from this approach will far outweigh the costs of transition.

The scale and urgency of tackling climate change and other converging economic and security issues, such as peak oil, drought, and ocean acidification mean that 'now' is the time for Australia to show responsible and visionary leadership.

As Australian representatives of the global A\$6 trillion low carbon and environment goods and services sector, we know that there is sufficient technological innovation and available financing to fast-track the major steps that need to be taken.

But Government leadership and intervention are needed to unleash investment into major innovation deployment and infrastructure projects. Targets, timelines, standards and incentives are needed to increase efficiency levels, replace fossil fuels with renewable energy and other cleaner energy sources, and draw legacy CO<sub>2</sub> from the atmosphere. During the transition to a low carbon future we must also do everything possible to minimise further leakage of greenhouse gas emissions. More detail on these recommendations appears in the attached background paper.

The emissions trading scheme is not perfect (and EBA has recommended a number of changes most specifically putting in place meaningful mid-term targets), however, the CPRS is an important step forward as long as the scheme retains sufficient flexibility to react speedily to new scientific data.

Australia is particularly well placed to:

- Play a responsible role in helping the world keep average global temperature rises below 2 degrees Celsius (recent scientific advice suggests this means reducing atmospheric concentrations of CO<sub>2</sub> to below 350 parts per million (ppm))
- Support the international call for 80% reductions in GHG emissions from developed countries by 2050 and at least 25% by 2020
- Remove barriers to innovation by legislating for full cost recovery pricing; remove subsidies that result in perverse outcomes; no longer allow 'free-riders' to exploit pollution and undermine competitive neutrality
- Recognise the national, regional and international vested self-interest in avoiding the worst extremes of climate change and in building the next generation of commercially viable industry
- Champion new standards in Australia and in the international trading regime in order to commercialise and deploy low carbon innovation

At the heart of each of these five steps is improving transparency and governance in financial and capital markets. These five steps will provide clarity for investors and a transitional timeframe for affected industries to weave in new technologies and winnow out the old. They are prerequisites for Australia to benefit from the next great technological era as the 'global green new deal'<sup>1</sup> approach to stimulating economies gains momentum. Some of the benefits of substituting cleaner sources of energy include better transportation systems; more liveable cities; boosted agricultural production; less waste and pollution; improved health; and greater environmental and economic resilience.

Environment Business Australia believes Australia should lead because of our:

---

<sup>1</sup> The United Nations' core theme is the 'global green new deal', the 'green energy new deal' is being championed by the International Energy Agency (IEA)

- Resilience in the face of the global economic crisis
- Abundance of resources to make the transition to cleaner fuels and energy
- Innovation in many key areas of industry
- High vulnerability to climate change impacts and the need to engage all key emitters to help solve the problem
- Strong trading and diplomatic relationships with carbon intensive countries - USA, China, India, Korea and Europe; and our strong working relationships with the World Trading Organisation, United Nations and International Energy Agency
- Large Asian marketplace on our doorstep

Australian leadership on tackling climate change will demonstrate that an energy intensive economy can make the transition to new markets.

Prime Minister, when you launched the White Paper on the Carbon Pollution Reduction Scheme (CPRS) at the National Press Club on 15 December last year, you suggested that any change to Australia's 2050 target of 60% would require a new mandate from the people of Australia. May I request that you urgently seek that mandate either by election or by referendum.

Yours sincerely



Fiona Wain  
Chief Executive Officer  
Environment Business Australia



Robert Purves AM  
Chairman  
Environment Business Australia

*Tel: 02 9358 1800;  
Email: [eba@environmentbusiness.com.au](mailto:eba@environmentbusiness.com.au);  
[www.environmentbusiness.com.au](http://www.environmentbusiness.com.au)*

## **Background**

Acting swiftly, deeply and meaningfully to combat climate change will create one of the best wealth and employment generation opportunities the world has seen.

Environment Business Australia believes that assertive action taken now presents new opportunities to lay the foundation to build new value, prosperity and resilience into economies. The challenge ahead of Australia and the rest of the world therefore is not one of debating the political feasibility of action but finding a way to deliver the outcomes that are required as speedily as possible.

## **What are the major market, industry and job development opportunities in tackling climate change?**

### **1. Energy, resources and materials efficiency**

Systemic efficiency improvements throughout the economy would result in significant aggregate GHG reductions and reduced indoor and outdoor air pollution. Households are a good start but the big savings will come from industry, the city/urban built environment, and transportation. Recycling embodied energy, materials, and food and biological waste also makes better use of resources, avoids pollution and decreases GHG emissions.

### **2. Major renewable energy projects linked with a smart grid**

Australia could become a regional hub for minerals processing and manufacturing with mega clean energy parks fuelled by solar thermal, geothermal, marine, and wind energy. These parks would also provide clean baseload electricity via a smart grid that would offer the additional potential of exporting surplus electricity to Asia (note the Desertec Industrial Initiative, a consortium of 12 German companies proposing to supply electricity from solar concentrators in Africa to Europe).

### **3. Drawdown legacy carbon from the atmosphere**

Terrestrial and biological sequestration of carbon offer significant opportunities to draw 'legacy' CO<sub>2</sub> from the atmosphere. Land clearing and deforestation avoided together with replanting of forests and native vegetation; biochar, recycled putrescible waste, 'natural' fertilisers providing carbon and mineral replenishment; improved rangeland management; high phytolith concentration crop selection - these are some of the ways to create major and fast-acting carbon sinks, rebuild degraded soils, and at the same time, improve agricultural productivity.

### **4. Prevent CO<sub>2</sub> emissions from large point-sources such as coal-fired power plants**

Alongside research into carbon capture and geological storage (CCS), fast-track commercial scale research into biomimicry carbon sinks that produce fuels. For example rapidly growing algae in a closed-loop setting can produce high grade biodiesel which in turn may help tackle future liquid fuel supply security issues (and this is most pressing in agriculture where diesel 'fuels' most food production). A biosequestration approach may help bring CCS to sufficient scale in time to be meaningful.

### **5. Better cities and better transport systems**

The electric vehicle technology and infrastructure for private automobiles has reached commercial scale development stage. Cars can be fuelled by renewable energy and act as energy storage batteries downloading energy to the grid in times of peak demand. Taking tailpipes out of the GHG equation offers both climate change and air quality/health benefits. Public transport is underdeveloped and needs to play an increasingly important role in both retrofit and 'new build' of major cities and high density urban areas. A significant shift from road to rail for long-haul freight carriage. The built environment – office blocks, supermarkets, warehouses, commercial centres have yet to capitalise on the major energy, resources and materials efficiency which they can both drive and benefit from.

## **Government needs to play the lead role to catalyse action**

A key role of Government is to reassess public good benefits in light of new knowledge and then to provide policy clarity to achieve the outcomes that society wants. Business will then do what it does best – innovate and commercialise.

In addition to regulatory and fiscal policy, Government's own procurement, investment and management funds could be used to achieve better outcomes by carrying early stage risk in technology transition and by championing commercial scale demonstration of innovation.

Government needs to provide sufficient incentives to major institutional investors (superannuation funds for example) to focus on longer-term returns rather than the very short-term returns that have undermined global financial and capital markets.

## Targets for our future

Last year EBA released '*Targets for our future*'. The full paper with cost/benefit analysis can be seen at [www.environmentbusiness.com.au](http://www.environmentbusiness.com.au). In brief, Australia could, *with the right policy settings and incentives*, achieve significant direct greenhouse gas emissions cuts by 2020:

- 20% from energy, resources and materials efficiency
- 10% by switching from coal to gas for energy generation
- 10% by recycling materials, embodied energy and agricultural/biological waste
- 5% from wind energy
- 2% from solar photovoltaic
- 10% from solar thermal energy
- 2% from geothermal
- 2% from marine energy

As technologies that deliver efficiencies or clean energy are demonstrated and scaled-up they will come down the technology cost curve. The cost and non-cost impacts of pollution and climate change however will however continue to increase.

Increased reductions from 2020 to 2050 can be achieved by further substituting clean energy - solar thermal, marine and geothermal energy in particular are each expected to have significant growth after 2020. Other technologies and approaches are also likely to emerge.

Not included in the figures above is the potential for biomimicry storage of carbon dioxide from coal-fired power plants. The potential to develop biofuels from algae has additional importance as it would remove Australia's reliance on imported oil.

The cost of reducing GHG emissions and making the transition to a clean energy future must be balanced against the new opportunities that will be opened up for employment and the daunting risks that climate change poses to our economy, security, environment, health, water resources, food supply, and quality of life. Many of these risks are not reversible. Let us no longer therefore refer to fossil fuels as the "cheap" option for energy supply.