



Australian Senate

Christine Milne

Australian Greens Deputy Leader

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media briefing

Carbon price agreement: Historic first step towards a clean energy economy

The Australian Greens, the Labor government and the Independent MPs today announced an historic agreement on a climate action package that will put a \$23 per tonne price on carbon pollution, as was first proposed by the Greens, support householders and invest billions of dollars in clean, renewable energy.

This package, which the Greens have helped shape, is the first vital step towards tackling the climate crisis and building a cleaner, healthier, more secure Australia for all of us.

Major steps forward on emissions reduction targets, support for renewable energy, energy efficiency and landscape carbon, closing coal-fired power plants, limiting the use of international offsets and a floor price mean that pollution cuts that were pushed into the distant future under the government's original plans will now be pulled forward into the next few years.

While a climate action package designed by the Greens would have been more ambitious straight away, what we have achieved is a firm foundation for the future. Where the Rudd government's Carbon Pollution Reduction Scheme acted as a ceiling on action, constraining our efforts for decades to come, this carbon price package acts as a platform on which stronger action can be built in the years ahead.

The carbon price agreement:

- Lifts Australia's 2050 emissions target to 80%, lays the foundations for science-based climate action in the coming years and supports the effort to reach an ambitious global climate agreement;
- invests \$10 billion in renewable energy, establishes ARENA, supports energy efficiency and starts planning for a 100% renewable energy future;
- helps the most vulnerable Australians;
- will begin to close coal-fired power stations and prevents the building of new commercial coal-fired power stations;
- ensures that emission intensive industry compensation will be based on rigorous independent analysis as soon as possible;
- limits the use of international offsets;
- begins to shift transport onto a cleaner base;
- makes voluntary action to cut emissions count; and
- invests \$1.7 billion in protecting biodiversity and supporting farmers.

The Greens put climate action back on the political agenda after a federal election campaign during which it was a low priority for both Labor and the Coalition. By establishing a Multi-Party Climate Change Committee to deliver a carbon price as a condition for Julia Gillard to continue as Prime Minister, and by negotiating strongly and in good faith, the Greens have delivered a truly transformative package for the Australian community, economy and climate.

With this first step agreed, the Greens will continue to campaign for the much stronger action we need to effectively and efficiently tackle the climate crisis.

For interviews with Senator Christine Milne: Tim Hollo on 0437 587 562



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Key aspects of the carbon price agreement

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- **Laying the foundations for science-based action, not locking in failure**
 1. The scheme's price and architecture – beginning with a fixed price period starting at \$23 to get Australia moving before agreement can be reached on an emissions target – is the deadlock-breaker proposed by the Greens in January 2010.
 2. There will be no upper limit on emissions reductions, no legislative constraint on increasing ambition within just a few years.
 3. Australia's 2050 emissions target will be lifted to 80% - a big increase from 60% - and caps will be set according to a budgets approach rather than targets.
 4. An independent expert Climate Change Authority will be established to recommend targets and caps for when the scheme moves to flexible pricing. The Climate Change Authority will "have regard to" the government's targets alongside the latest science and global emissions budgets in recommending Australia's annual budget.
 5. Targets will only be set in 2014 (after 3 more years of global negotiations) to commence in 2015 for five years, extended each year by one year (eg 2015-2019, 2016-2020, 2017-2021), not bound by 'gateways' for 15 years into the future.
 6. If the government cannot secure parliamentary support for its targets, a default cap expressed in megatonnes of CO₂ for one year only will be put in place.
 7. There will be a price floor for a period of 3 years when the scheme moves to flexible pricing, ensuring that investors have certainty and insurance against a price fall. The floor will be \$15 in 2015-16, increasing at 4% real each year.
- **Investing billions of dollars in renewable energy and energy efficiency**
 8. The Greens have secured the establishment of a Clean Energy Finance Corporation, to be run by an independent board and funded with a guaranteed \$10 billion over 5 years. At least 50% of this fund will be guaranteed for renewable energy, with renewable energy projects able to bid into the other 50%. The CEFC will not fund any carbon capture and storage projects.
 9. The Australian Energy Market Operator will be tasked with preparing plans for the electricity grid to operate with 100% renewable energy.
 10. All Commonwealth government renewable energy programs (with the exception of the RET) will be administered by a new independent authority, the Australian Renewable Energy Agency (ARENA), for the first time creating a systemic, whole-of-government approach to renewable energy, from R&D to roll-out and planning, at arm's length from the government.
 11. Support for genuine renewable energy will be strengthened by removing energy generated by burning native forests from the definition of renewable energy.
 12. Support for the manufacturing sector, small business, community groups, foundries and more will be delivered with \$1 billion in grants for energy efficiency programs.
 13. A National Energy Savings Initiative (energy efficiency target scheme) will be established on the condition that existing state schemes are removed.
 14. The Energy Efficiency Opportunities Act will be expanded to drive greater energy efficiency for Australia's largest energy users.
 15. There will be an 'opt-in' programme for householders to receive payment of compensation through an accredited energy efficiency scheme.

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16. There will be progress to reform the National Energy Market rules to remove the bias towards increasing energy supply and support demand side management.
- **Ensuring that compensation to polluters drives transformation** (instead of paying polluters to keep polluting)
 17. 'Contracts for closure' will ensure that 2000MW of coal fired power generation will be shut down by 2020. This represents closing the equivalent of more than the massively polluting Hazelwood power station in Victoria.
 18. Total free permits to coal generators will be reduced by \$1.8 billion and limited to 5 years, down from 10 years previously.
 19. Treasury modelling confirms that an initial carbon price of \$23 a tonne is enough to ensure that no new commercial scale coal fired power plants will be built in Australia unless and until carbon capture and storage can be proven.
 20. Compensation for gassy, highly-polluting coal mines will be reduced by approximately \$200 million and will be delivered as government funding separate to the carbon price package.
 21. The Productivity Commission will be tasked with overseeing compensation to emissions intensive trade exposed industries (EITE) with a clear view to moving towards the Garnaut-style principled approach of compensating trade exposed industries to the value of lost competitiveness, rather than lost profits. The Commission will report first by 2014, including analysis of whether the level of compensation is having a negative impact on our ability to reduce emissions.
 22. EITE compensation will only be guaranteed at original levels for 5 years (instead of 10 under the CPRS). The notice period required before reducing compensation rates in line with Productivity Commission recommendations (after 2014) has been reduced to 3 years which can run concurrently with the 5 year minimum period.
- **Helping the most vulnerable Australians**
 23. All members of the MPCCC have consistently committed to full and fair support for householders, and the Greens advocated for the strongest possible support for the most vulnerable Australians.
 24. Households containing individuals with a relevant concession card and who are certified to have a medical condition or disability which would result in higher essential electricity costs are eligible for additional assistance – an Essential Medical Equipment Payment of \$100.
 25. Assistance has been designed so that rents for public housing tenants will not increase as a consequence of the assistance provided.
 26. A \$200 million Low Carbon Communities fund will be established to help low-income households and community groups manage rising energy costs through energy efficiency upgrades. This is based on a proposal from social justice groups, including Uniting Care and Brotherhood of St Laurence, brought to the table by the Greens.
- **Limiting the use of international offsets**
 27. During the fixed price period, all emissions reductions will take place domestically as there will be no international trading.

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28. Once flexible pricing (emissions trading) starts, more than 50% of permits must be generated domestically, with a hard limit for each liable entity for at least 50% of their permits to come from domestic emissions reductions.
 29. In addition, there will be qualitative restrictions on the use of international permits (for example, no credits from nuclear power), ensuring that any credits from overseas will account for verifiable and trustworthy emissions reductions.
- **Supporting the effort to reach a global climate agreement**
 30. Where the CPRS undermined global negotiations by locking Australia in to targets far into the future that were unacceptably low, this carbon price package demonstrates to the world that Australia is serious about cutting pollution, is increasing its 2050 commitment, and is open to increasing its 2020 target. Increasing the chances of an ambitious global agreement increases the likelihood of Australia adopting ambitious national targets when we move to flexible pricing.
 - **Beginning the shift to clean transport**
 31. The fuel tax credit for miners, which means mining companies pay less for their fuel than everyday Australians, will be cut by 6c a litre. The credit will remain for agriculture, fisheries, forestry and trucking.
 32. For the first time aviation fuel will pay an effective carbon price.
 33. The Productivity Commission will review fuel excise arrangements with a view to moving to a regime based on the carbon content of fuels.
 34. There will be wide community consultation on mandatory vehicle carbon dioxide standards before they are determined and released by the end of this year.
 - **Protecting biodiversity and supporting farmers**
 35. \$1.7 billion is allocated to support biodiversity and land managers.
 36. The Carbon Farming Initiative (CFI) will provide an incentive for a wide range of activities which protect and enhance carbon in the landscape.
 37. A Land Sector Carbon and Biodiversity Advisory Board will be established to oversee the funding of biodiversity conservation and CFI related activities.
 38. An ongoing Biodiversity Fund (\$948 million over first six years, up from \$40 million under the CPRS) will be established.
 39. Natural Resource Management (NRM) groups will be funded to update regional plans to highly professional, nationally consistent standards to deal with planning challenges created by the CFI.
 40. A carbon farming skills package will support jobs and provide advice to farmers and graziers and an Indigenous carbon farming fund will support Indigenous peoples' participation.
 41. \$250 million will be used to purchase of CFI credits not yet recognised internationally (such as from soil carbon projects).
 - **Making voluntary action count**
 42. In addition to ensuring that GreenPower and other recognised voluntary mechanisms are automatically taken off the cap, and allowing voluntary cancellation of carbon reduction units, the Climate Change Authority will examine and advise on appropriate methodologies for expanding recognition of voluntary action.

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