



energy efficiency
COUNCIL

**Energy Efficiency Council submission to the
Senate Standing Committee on Environment and
Communications inquiry into the Climate Change
Bill 2022 and Climate Change (Consequential
Amendments) Bill 2022**

12 August 2022

Summary

The Energy Efficiency Council supports the introduction and passage of the Climate Change Bill 2022 and the Climate Change (Consequential Amendments) Bill 2022. Establishing Australia's emissions targets in legislation provides clear signals to business and the community that action and investment to reduce emissions is required, providing confidence to consumers and investors and building momentum for the transition to net zero emissions.

The Council supports the increase to Australia's climate ambition in the targets established by this Bill and encourages all parties to increase ambition as circumstances and opportunity permits. The Council recommends that targets for each economic sector be established to complement the overall national target, and that the Climate Change Authority be tasked with advising the Parliament on sectoral targets.

The Council further suggests that the Emissions Reduction Objective be included in further legislation, including the National Electricity Law, and that advice provided to Parliament as part of the requirements under this Act include consideration of a range of additional matters.

Recommendation 1:

The Energy Efficiency Council recommends that the Climate Change Bill 2022 be amended to require the Climate Change Authority to provide advice to the Minister and Parliament on appropriate targets for each economic sector.

Recommendation 2:

The Energy Efficiency Council recommends that the emissions reduction objective be included in the National Electricity Law.

1. Introduction and overview

The Energy Efficiency Council welcomes the opportunity to make a submission to the Senate Standing Committee on Environment and Communications' inquiry into the Climate Change Bill 2022 and Climate Change (Consequential Amendments) Bill 2022.

The Energy Efficiency Council (EEC) is the peak body in Australia for energy efficiency and energy management. The EEC is a not-for-profit membership association for businesses, universities, governments and NGOs, advocating for healthy, comfortable buildings; productive, competitive businesses; and an affordable, reliable and sustainable energy system for Australia.

The EEC welcomes and strongly supports the Climate Change Bill 2022 and Climate Change (Consequential Amendments) Bill 2022 ('the Bills'). The Bills provide clear signals to the community and business about Australia's commitment to reducing emissions, allowing greater certainty for investment in clean energy technology. The Bills also provide an important authorising environment for policy and programs that allow Australia to meet its commitments under the Paris Agreement.

The EEC also strongly supports the reporting and disclosure of advice provided to the Minister under this Bill. Achievement of Australia's targets requires accountability, and public disclosure of the advice regarding Australia's targets and progress is an important part of that accountability.

2. Australia's emissions reduction targets

2.1 National targets

The Bills express Australia's Nationally Determined Contribution in domestic legislation, setting a minimum reduction in emissions of 43 per cent below 2005 levels by 2030 and achieving net zero emissions by 2050. The EEC strongly supports the increase in Australia's climate ambition, and also supports legislating these targets.

However, while these targets are consistent with the pre-election position of the Government, the EEC encourages all parties to continually look for opportunities to raise Australia's climate ambition. The impacts of climate change are affecting Australians sooner than many anticipated, meaning the case for enhanced climate action grows more urgent by the day.

Australia's climate policy should recognise three linked aims:

1. Reducing greenhouse gas emissions to net zero or net negative emissions as soon as possible,
2. Minimising the total, cumulative emissions added to the atmosphere and oceans prior to achieving net zero, and
3. Achieving an economic transformation that establishes Australia as a clean energy superpower in an efficient, just and equitable manner.

These aims are supported by national targets that are as ambitious as possible. The Bills provide for national targets that may be adjusted upwards and the EEC would support raising Australia's pre-2050 climate ambition at the earliest possible opportunity.

Energy efficiency and energy management present the most readily-available and cheapest forms of emissions reduction. Deployed effectively, they will also

underpin the economic transformation required to achieve a net zero energy system at least cost and will make a major contribution to the achievement of Australia’s targets. While the Bills at hand do not create particular policies or programs, increased focus on energy efficiency and energy management in the delivery of Australia’s interim target could quickly uncover additional opportunities to reduce emissions at low cost, improving productivity, equity and competitiveness.

2.2 Sectoral targets

National, economy-wide targets are an important top-level metric that define the overall planned emissions trajectory. However, the transformation of the economy to a net zero system will not occur uniformly across economic sectors. Some sectors are more straightforward to decarbonise than others. For example, decarbonising residential building operations is achievable with technologies that are commercially available today, through energy efficiency and electrification using renewable energy. Other sectors – such high-temperature manufacturing processes – are likely to require decarbonisation technologies that are still under development.

Due to the uneven nature of decarbonisation across the economy, it is important that those sectors that can decarbonise relatively quickly are given clear signals to do so. This will allow harder-to-abate sectors time to develop and implement their decarbonisation strategy as technological development permits. The EEC suggests that planning to achieve net zero should differentiate targets between sectors to encourage decarbonisation as rapidly as is possible within each sector.

Sectoral targets are an important tool for businesses within each economic sector to better understand the expected future emissions profile for their sector and enable businesses to benchmark their performance against peers. Sectoral targets allow a common but differentiated responsibility and make the most efficient use of resources directed to the decarbonisation task.

Other jurisdictions are more advanced in setting a sectoral approach for each sector. For example, Ireland has set reductions for individual sectors varying between 25-75% reduction by 2030:

Sector	Reduction	2018 *	2030 ceiling *
Electricity	75%	10.5 MtCO ₂ eq	3 MtCO ₂ eq
Transport	50%	12 MtCO ₂ eq	6 MtCO ₂ eq
Buildings (Commercial and Public)	45%	2 MtCO ₂ eq	1 MtCO ₂ eq
Buildings (Residential)	40%	7 MtCO ₂ eq	4 MtCO ₂ eq
Industry	35%	7 MtCO ₂ eq	4 MtCO ₂ eq
Agriculture	25%	23 MtCO ₂ eq	17.25 MtCO ₂ eq
Other**	50%	2 MtCO ₂ eq	1 MtCO ₂ eq

Source: Government of Ireland, [Government announces sectoral emissions ceilings, setting Ireland on a pathway to turn the tide on climate change](#), media release, 28 July 2022

The Australian Government's target already foreshadows a sectoral target approach, with a goal of achieving 82 per cent renewable energy in the National Electricity Market by 2030 – a case of substantial emissions reduction in a sector able to decarbonise relatively quickly.

In this context, the EEC recommends that the Minister and Parliament should be advised on appropriate decarbonisation targets for each sector, based on the availability of technically and economically feasible pathways for emissions reduction in each economic sector. Pursuing the greatest possible decarbonisation in each sector will support achievement of national targets and provide the greatest possible chance of identifying and pursuing opportunities to increase the ambition of economy-wide climate action.

At this stage, the EEC recommends that *advisory* sectoral targets are provided to the Minister and Parliament. This will assist in coordination across government – providing greater clarity about where government effort and resources should be prioritised to support achieving sectoral (and national) targets.

The Climate Change Authority is well-placed to provide this advice to the Minister and Parliament, in conjunction with its advice on Australia's economy-wide target. Since 2014, the Authority's advice to government on achieving emissions targets has been constructed using a sectoral approach, noting the opportunities available for emissions reduction in each area.

Recommendation 1:

The Energy Efficiency Council recommends that the Climate Change Bill 2022 be amended to require the Climate Change Authority to provide advice to the Minister and Parliament on appropriate targets for each economic sector.

3. The Emissions Reduction Objectives

The Bills establish 'Australia's greenhouse gas emissions reduction targets' as a legal concept and inserts the objective 'to contribute to the achievement of Australia's greenhouse gas emissions reduction targets' into the Objects section of a range of existing Acts.

This is a constructive addition to the climate policy landscape that will create a clear authorising environment for pursuing emissions reduction in many areas of Commonwealth operations. However, to achieve net zero emissions, action to reduce emissions must be taken across the whole economy. This means that action to reduce emissions will need to occur in every Commonwealth portfolio.

The EEC strongly supports this initiative and suggests consideration could be given to inserting the emissions reduction objective into a broad range of Acts – especially those that facilitate economic development.

An additional priority is to include the emissions reduction objective into the objects of the National Electricity Law (NEL), as we understand is currently under consideration. The absence of the emissions reduction objective in the National Electricity Law has made it more difficult for energy market regulators to make energy market rules that support decarbonisation, as this objective has hitherto been outside the scope of their legislated objectives.

While the NEL is a national law, requiring concurrent passage by state and territory parliaments, the EEC recommends that consideration be given to incorporating the emissions reduction objective into the NEL.

Recommendation 2:

The Energy Efficiency Council recommends that the emissions reduction objective be included in the National Electricity Law.

Reforms to the National Electricity Objective (NEO) also present the opportunity to address longstanding issues that, if addressed, will help ensure an efficient and equitable transition, notably:

- Ensuring the NEO focuses on total costs to consumers, rather than unit prices of energy, and
- Ensuring that the NEL promotes social equity.

4. Enhancing advice to Parliament

The Bills provide for improvements in the information that will be available to the Parliament and the nation in assessing Australia's climate ambition and progress against its targets. However, the key role of the Parliament in making laws to achieve the emissions reduction targets in the Bills means that Parliament should also receive quality advice about climate change.

While the Bills include a range of matters that will form part of the Minister's annual climate change statement, Parliament could benefit from further advice to assist in consideration of climate change laws and programs. Such matters could include:

- Technological developments relevant to climate change mitigation and adaptation;
- Effectiveness of strategies and tools for mitigation and adaptation;
- Costs and benefits of strategies and tools for mitigation and adaptation;
- The impacts of climate change and mitigation and adaptation tools, strategies and policies on social equity;
- Identified opportunities to increase ambition of climate action, and
- Identified opportunities to reduce the cost of emissions reduction.

The EEC suggests that expert advice on these matters be considered with each annual statement made to Parliament, improving the information available to the Parliament and public about matters relating to Australia's climate targets and policies.

Further information

For further information on any matters raised in this submission, please contact the EEC's Acting Head of Policy, Alex St John, at alex.stjohn@eec.org.au.