



**Victorian Government Discussion Paper on:**

**THE GREENHOUSE CHALLENGE FOR ENERGY**  
**Driving Investment, creating jobs and reducing emissions,**  
**December 2004**

**Submission by:**

**Minerals Council of Australia, Victorian Division**

**February 2005**

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### EXECUTIVE SUMMARY

The Minerals Council of Australia, Victorian Division (MCAVic) welcomes the opportunity to comment on the Victorian Government position paper “The Greenhouse Challenge for Energy” released in December 2004.

One of the fundamental aspects of the causal link between climate change and greenhouse gas emissions is that, while the impacts of climate change will be experienced locally, the greenhouse gas emissions that lead to the impacts are global and unrelated to those local impacts. The local externality is caused by a multitude of global actions – not by local actions.

In short, climate change is a global issue requiring a global solution. Victoria’s approach to this issue needs to be nationally consistent and co-ordinated, maintain the competitiveness of Australia’s traded goods and services sectors, and share the burden of greenhouse abatement equitably across the community.

To ensure a nationally consistent and effectively coordinated response to climate change a set of foundation principles should be adopted to serve as benchmarks for such policy responses. The MCA has presented such a set of principles.

Given that Australia is on track to meet its Kyoto commitment for the 2008-12 reporting period it is premature to be making any decisions, including in principle decisions, to proceed with broad, market-based abatement measures. Rather the emphasis should be on developing technologies aimed at finding genuine solutions to the reduction of greenhouse gases.

The minerals industry is committed to be part of the solution to climate change. In partnership with government, the industry is investing heavily in research and development aimed at finding genuine solutions to the reduction of greenhouse gases.

It is imperative that work continue on the low emission technologies for Victoria’s lignite resources. Consequently, the Victorian Government should commit to a new research organisation to follow on from the CRC for Clean Power from Lignite and work with industry stakeholders and the Australian Government to agree the research initiatives and funding arrangements for the new body.

The MCA is committed to working with government to determine a suite of policies and strategies for greenhouse gas emissions abatement that:

- are demonstrably effective;
- are part of a global solution;
- are cost-effective in maintaining and enhancing industry’s international competitiveness;
- are nationally consistent;
- are non-discriminatory;
- are comprehensive; and
- are primarily technology focused, ensuring Australia’s global competitiveness is not harmed.

### 1. INTRODUCTION

The Minerals Council of Australia, Victorian Division (MCAVic) welcomes the opportunity to comment on the Victorian Government position paper “The Greenhouse Challenge for Energy” released in December 2004.

The Minerals Council of Australia (MCA) is the peak, national organisation representing the exploration, mining and minerals processing industry in Australia. The membership of the Council accounts for some 85 per cent of Australian minerals production and over 90 per cent of Australia’s mineral exports. MCAVic is the Division of the MCA that represents the interests of members operating in Victoria.

Members of the MCA are committed to the Australian minerals industry’s framework for sustainable development, *Enduring Value*<sup>1</sup>, which operationalises the International Council for Mining and Metals principles (see **Attachment 1**). For the minerals industry, sustainable development defines our licence to operate and means that investments in minerals projects should be financially profitable, technically appropriate, environmentally sound and socially responsible. Importantly it’s about the interdependency of social, environmental and economic considerations. It is a three-dimensional prism through which the industry can focus on its contribution to the economy and to Australian society.

To build its competitive strength in the highly competitive, dynamic, global economy and market, the minerals industry has undergone a significant period of rationalisation and consolidation, and has built its productivity and competitiveness through vast improvements in its safety and health performance and through embracing a cultural shift in environmental and social stewardship.

The industry recognises its stewardship responsibilities for those assets under its care – physical and ecological, financial and people (both its employees and its host communities); and actively engages the broader community and host community stakeholders for mutually beneficial, socio-economic outcomes and improved environmental management performance.

### 2. SIGNIFICANCE OF THE MINERALS INDUSTRY

#### 2.1 The National Context

Australia is endowed with significant, diverse and high quality mineral resources. Minerals exploration, mining and minerals processing form a mainstay of the Australian economy. Indeed the Australian minerals industry is an industry sector of considerable size, economic, regional and social significance, which benefits all Australians, both directly and indirectly.

In summary the Australian minerals industry is:

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<sup>1</sup> Minerals Council of Australia, *Enduring Value*, The Australian Minerals Industry Framework for Sustainable Development, 2004.

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- the pre-eminent export sector accounting for 37 percent of our total merchandise exports and over 8.5 per cent of Australia's Gross Domestic Product (compared to around 5.5 per cent of GDP for the combined agriculture and food processing industries);
- a significant employer, particularly in remote and regional centres, by:
  - directly employing some 88,000 people, and
  - indirectly employing another 240,000 people more through vitally important supply and demand relationships with Australian manufacturing, construction, utility and service sectors (such as metal products, non-metallic mineral products, transport and logistics, process engineering and construction);
- at the forefront of new investment and the adoption of business innovation, new technology and Research, Development and Demonstration (R,D&D) activity in Australia.

### 2.2 The Victorian Context

Victoria has a very important minerals industry that is not only significant nationally but also critical to many other industries in Victoria that depend upon low cost, reliable energy. It also provides significant employment in regional Victoria.

Minerals are a very significant part of the Victorian economy. According to the national accounts prepared by the Australian Bureau of Statistics (ABS), the Mining industry contributed about \$2.9 billion to the Victorian economy in 2002-03, as measured by its value-added or its contribution to Gross State Product (GSP).<sup>2</sup> The ABS definition of the Mining industry includes Coal mining, Oil and gas extraction, Metal ore mining, Other mining (which includes quarrying), and Services to mining (which includes exploration).

Victoria possesses world-class geological resources in lignite, gold and titanium minerals. The minerals industry of Victoria currently produces:

- more than 65 million tonnes of coal per year;
- about 3,500 kilograms of gold per year; and
- fuels 85 per cent of Victoria's electricity;

Jobs in the minerals industry are highly skilled, well paid jobs. Employment in the Victorian minerals industry is about 3,200 direct exploration and mining employees. These employees are almost entirely located in regional Victoria. In addition, employment in national and international mining head offices located in Melbourne is in excess of 2,000 people.

## 3. MCA AND CLIMATE CHANGE

One of the fundamental aspects of the causal link between climate change and greenhouse gas emissions is that, while the impacts of climate change will be experienced locally, the greenhouse gas emissions that lead to the impacts are global

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<sup>2</sup> Australian Bureau of Statistics, *Australian National Accounts: State Accounts*, Catalogue. No. 5220.0, 2002-03.

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and unrelated to those local impacts. The local externality is caused by a multitude of global actions – not by local actions.

In short, climate change is a global issue requiring a global solution. Victoria's approach to this issue needs to be nationally consistent and co-ordinated, maintain the competitiveness of Australia's traded goods and services sectors and share the burden of greenhouse abatement equitably across the community.

The MCA considers technology to be the key to achieving consistent, large scale emission reductions. The minerals industry is significantly investing in technological measures to minimise the generation of greenhouse gas emissions and welcomed the announcement of the Low-emission Technology Development Fund in the Australian Government's Energy Policy statement of June 2004.

The MCA is particularly concerned with the continuing trend by state/territory authorities to implement greenhouse policy measures in isolation of the broader national perspective and without due recognition to balancing other policy objectives in such areas as projected economic growth, employment, trade, investment, technology and energy.

To ensure the development of a nationally consistent and effectively co-ordinated approach to greenhouse policy, including reporting of abatement activities, a set of principles should be adopted to serve as benchmarks for considering the appropriateness of proposed policy responses. The MCA recommends the set of principles provided at **Attachment 2**.

The MCA is opposed to a blunt, indiscriminate carbon tax and considers that it is premature to be making any decisions, including in principle decisions, to proceed with broad, market based measures with Australia on track to meet its international commitments over 2008-12.

*In summary the MCA supports:*

- *the development of a coordinated national approach to stimulating technology development relevant to Climate Change, building upon work overseas;*
- *continued international debate on the formulation of a long-term global response to climate change. It is emphasised that an effective global response requires commitment to abate emissions from all countries especially large and growing emitters;*
- *industry working with government to determine a suite of policies and strategies for greenhouse gas emissions abatement that:*
  - *are demonstrably effective;*
  - *are part of a global solution;*
  - *are cost-effective in maintaining and enhancing industry's international competitiveness;*
  - *are nationally consistent – Australian industry remains concerned about the risks and uncertainty of uncoordinated and nationally inconsistent State-based measures;*
  - *are non-discriminatory (including not disadvantaging “early movers” and new entrants);*

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- *are comprehensive* (in addressing all greenhouse gases, all emission sources and sinks and recognising the full suite of strategies including adaptation and abatement). All parts of the Australian economy need to make an equitable contribution to the international effort to reduce greenhouse emissions;
  - *are primarily technology focused*, ensuring Australia's global competitiveness is not harmed; and
- *promotion of a nationally consistent and coordinated approach to managing climate change, and particularly measures for greenhouse gas abatement, through COAG.*

### 4. VICTORIAN GOVERNMENT POLICY OBJECTIVES

The Victorian Government's stated energy-related greenhouse policy objectives are to:

- i) reduce greenhouse gas emissions from the production and use of energy; and to
- ii) identify and pursue policy paths which:
  - facilitate Victoria's transition to a carbon-constrained future;
  - protect Victoria's economic interests by maintaining a secure, reliable and affordable supply of energy;
  - create an attractive environment for investment in the energy sector and the wider economy; and
  - ensure the Latrobe Valley's long-term future.

Given that Victorian industry and jobs are dependent upon the reliable supply of low cost electricity; that climate change needs to be addressed; and that we have a world class endowment of lignite resources in the Latrobe Valley, the policy objectives are reasonable. However, these policy objectives need to be seen in a national and global context if effective measures to manage climate change are to result.

As stated earlier, to ensure a nationally consistent and effectively coordinated response to climate change a set of foundation principles should be adopted to serve as benchmarks for such policy responses. The MCA principles at **Attachment 2** are proposed.

### 5. COMMENT ON THE VICTORIAN GOVERNMENT POLICY POSITION

#### 5.1 Emissions Trading

**Comment is sought on:**

- the principles that are guiding Victoria's engagement in the inter-jurisdictional working group on emissions trading.
- key design features of a national emissions trading scheme, including views on: the process for setting an emissions cap; feasible coverage of greenhouse gases;

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method of permit allocation; feasible coverage within the stationary energy sector; emissions liability point; trade-offs between investment and environmental certainty; permit duration options; options for offsets; and approaches to emissions permit allocation.

When considering emissions trading regimes a least cost outcome to the Australian economy as a whole is required. This is only possible if the instruments of policy are applied evenly and comprehensively to all emissions across all jurisdictions.

An efficient and effective strategy would be for Australia to be in step with global efforts to reduce greenhouse gas emissions and to prepare for adaptation, if the global efforts fall short. Any Victorian policy proposals should be based on sound principles developed at the national level. See the MCA principles, **Attachment 2**.

Given the market failure in the case of greenhouse where emissions are not adequately factored into the market, it is submitted that market based mechanisms will result in more efficient economic outcomes, that is, abatement at lower cost when compared to regulated outcomes or taxation imposts.

Emissions' trading is one possible policy approach, but on the basis of sound principles, it will only work if it applies globally as climate change is a global issue and requires a global solution.

However, given that Australia is on track to meet its Kyoto commitment for the 2008-12 reporting period it is premature to be making any decisions, including in principle decisions, to proceed with broad, market-based measures. Rather the emphasis should be on developing technologies aimed at finding genuine solutions to the reduction of greenhouse gases.

The general focus and momentum of the recent World Energy Congress in Sydney was "beyond Kyoto". This is because the Kyoto Protocol's impact is only around 1 per cent of the growth in global emissions. Cuts across the board of 50-60% in emissions are needed to avoid the worst predictions of global warming. Thus, the current reductions for 2008-2012 are purely cosmetic.

### 5.2 Emissions Reporting

#### Comment is sought on:

- the form and frequency of reporting and disclosure.
- the nature of the information that should be reported.
- the most appropriate mechanism(s) to facilitate reporting and disclosure.
- how best to avoid the risk of duplication of reporting arrangements for different purposes.

In developing any regulatory process for the reporting of emissions it is most important that the principle of minimum effective regulation be adopted. If a reporting scheme is to be introduced it must add value rather than just add a burden on industry.

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In addition, it is important that any scheme does not duplicate other reporting regimes applying nationally such as the “Greenhouse Challenge Program”, and the “national pollutant inventory”, or to state based regimes such as the EPA’s SEPP for air quality management (greenhouse gas emissions), or particular licence conditions that may apply to individual enterprises. Rationalising these reporting regimes should be a goal.

Moreover, an efficient and least cost reporting scheme can only be developed if it is consistent with current national reporting requirements – such as under the Greenhouse Challenge Program – and emerging international standards, such as the World Business Council for Sustainable Development and the World Resources Institute *Greenhouse Protocol*.

### 5.3 Energy Technology Innovation

#### **Comment is sought on:**

- priority areas for energy-greenhouse RDD&C in the Victorian context.
- the relative responsibilities of the private and public sectors in RDD&C.

The minerals industry is committed to be part of the solution to climate change. In partnership with government, the industry is investing heavily in research and development aimed at finding genuine solutions to the reduction of greenhouse gases.

This includes geo-sequestration, coal gasification, coal gas to liquids, reductions in aluminium industry PFC (perfluorocarbon compounds) emissions, renewable energies, alternative fuels and the hydrogen economy, and involvement in a range of cooperative research and leadership programs, including:

- the Co-operative Research Centre (CRC) program, including the CRC for Clean Power from Lignite, the CRC for Coal in Sustainable Development and the CRC for Greenhouse Gas Technologies;
- Australian coal industry’s Coal21 initiative for reducing emissions from the use of coal in electric power generation. This program is aimed at fully realising the potential of advanced technologies to reduce or eliminate greenhouse gas emissions associated with the use of coal, and will also explore a collaborative partnership with State and Federal governments, the coal and electricity generation industries and the research community;
- The Global Carbon Sequestration Leadership Forum, which is a global initiative that brings together 15 countries, including Australia, to develop sequestration as a practical and sustainable greenhouse solution;
- International Partnerships for the Hydrogen Economy, which brings together 15 countries and the European Commission in a partnership that seeks to organise and implement effective, efficient and focused research, development, demonstration and commercial utilisation activities related to hydrogen and fuel cell technologies.

The development of these technologies is critical if we are to achieve reductions in greenhouse gases whilst also seeing the economic development required to achieve poverty reduction in developing economies.

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Australia is already committed to developing a solid platform for the future in a RD&D program of new technologies for:

- reducing greenhouse gas emissions per unit of output; and
- improvements in energy efficiency, cleaner production and alternative energy sources to complement Australia's, indeed the world's, indisputable reliance on fossil fuels.

The Australian Government's Low-emission Technology Fund will provide \$500M to leverage at least \$1B in private investment to demonstrate breakthrough low-emission technologies with significant long-term abatement potential. The 2004/05 Federal Budget provided \$248.3M for a range of new measures to manage climate change and \$215.2M to maintain existing programs administered by the Australian Greenhouse Office. This includes:

- \$334M (total) for emissions management; spread across: low emissions technology and abatement (\$26.9M), action on energy efficiency (\$27.4M), enhanced industry partnerships ('challenge plus') (\$31.6M), local greenhouse action (\$13.8M), greenhouse action in regional Australia (\$20.5M), Office of the Renewable Energy Regulator (\$10.6M) and support for existing emissions management programs (GGAP, Renewable and Remote Power etc.) (\$203.6M);
- \$14.2M for a national climate change adaptation program.

The Victorian Government is an active participant in the development of low emission technologies through the CRC program. The 2004 Victorian Budget provided \$0.70M for the CRC for Clean Power from Lignite and \$0.75M for CRC for Greenhouse Gas Technologies (geosequestration). The Government undertook to support a new CRC to replace the CRC for Clean Power from Lignite when its term expires in June 2006.

However, the new CRC did not receive the support of the Australian Government in the latest round of new CRCs. Consequently, research and development into low emission technologies for Victoria's lignite resources will cease in 2006 unless a new organisation can be formed to continue the work.

It is imperative that work continue on the low emission technologies for Victoria's lignite resources.

The Victorian Government should commit to a new research organisation to follow on from the CRC for Clean Power from Lignite and work with industry stakeholders and the Australian Government to agree the research initiatives and funding arrangements for the new body.

The Victorian energy technology innovation strategy is directed to small scale, renewable and other alternative sources of energy. It fails to recognise the critical RD&D challenges facing the low emissions technologies associated with our lignite resources. The MCA is concerned that the strategy fails to recognise the importance of the low emissions technologies as well as the emerging technologies.

### 5.4 Mandatory Renewable Energy Target (MRET)

The MCA supports the Australian Government's decision not to extend MRET beyond the period originally agreed by the Australian Parliament. In short, MRET should not be changed to perpetuate inefficiencies and distortions in the market. Suggestions of any expansion of the mandated penetration of renewable technologies merely add to the sovereign risk of production and investment in the traded goods and services sector.

From a principled point of view, the MCA does not support the use of economic policies and/or measures that mandate the use of a particular fuel source, technology or production technique, nor attempts to define technology options over such an extended period.

The MCA considers that there are strong grounds for fiscal incentives for technology development, particularly related to RD&D, to provide for remedies to market failures with minimal distortion and optimum effectiveness. The MCA considers that the MRET scheme falls well short of the criteria for minimum, effective intervention, in that MRET:

- is a legislated, costly and inefficient consumer transfer;
- is a high cost greenhouse measure and a non-transparent and inefficient industry development measure;
- is a relatively expensive greenhouse gas abatement measure compared with other Australian initiatives (the MRET Review Panel acknowledged this);
- if expanded or if the current safeguard controls were to be in any way relaxed, would simply increase the cost of the scheme to the traded goods and services sector, which is unable to pass on these costs - the Australian minerals sector, including the smelting and refining industries such as alumina, aluminium and base metals, cannot pass on costs so the full impact of an MRET or any extension would particularly damage Australia's future investment opportunities in smelting and refining;
- in mandating additional market conditions or limits within the electricity market, impose a cost to the Australian economy; and
- may account for additional jobs in the renewable sector and contribute to its growth, but, as the MRET Review Panel Report acknowledges, those the additional jobs would not compensate for the likely job losses elsewhere in the Australian economy.

### 5.5 Renewable Energy

**Comment is sought on:**

- the issues that the State Government should consider in progressing development of the Renewable Energy Strategy.

Renewables have an important role to play in providing additional power to the Victorian electricity network both now and into the future. This contribution is important and encouraged. However, renewables will never replace the base load power needs of Victoria, which will continue to be predominantly supplied by fossil fuels. Currently, renewables represent a high-cost alternative in most locations. In

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addition to encouraging the development of renewable sources of energy, the MCA supports the development of Australian industry expertise in areas such as coal gasification, geo-sequestration, coal gas to liquids, related renewable energies, alternative fuels, complemented by industry's involvement in a range of Australian and multilateral cooperative research and leadership programs.

The establishment of a renewable energy target of 10% of Victoria's energy consumption is a stretching target and one that will be very difficult to achieve. However, aspirational targets are valuable in directing public policy. However, care is needed to ensure that they are clearly aspirational and not made mandatory.

Initiatives to encourage up to 1000MW of wind energy and the development of geothermal energy in Victoria are commendable. However, the MCA does not support the provision of assistance to the renewables industry on an "infant industry assistance" basis. The industry should ultimately be capable of standing on its merits in the market.

### 5.6 Energy Efficiency

#### **Comment is sought on:**

- issues that Victoria should take into consideration in implementing the nine elements of NFEE Stage 1.
- measures additional to the nine elements of NFEE Stage 1 that should be pursued through the Victorian Energy Efficiency Strategy and through NFEE Stage 2.

The key issue that should be considered by Government in implementing the National Framework for Energy Efficiency is the need to change the attitude and behaviour of Victorians to the importance of energy efficiency programs.

Demand management has an important role and a lot more work is required to deliver the savings that are possible with more efficient use. However, the effort must be applied to changing the attitude and behaviour of people. The technology to deliver the energy efficiency savings, whether it is in industry or homes are well understood and many have been available for decades. However, demand management programs have consistently failed to gain a foot hold with ordinary Australians.

Just as water conservation has recently struck a cord with Victorians the same outcome is needed with energy. As with water, cost is not a strong determinant to changing attitudes and behaviours. A public campaign by Government to create an obvious collective benefit (reduced emissions) from conservation of energy is required.

### 5.7 Interim Measures

#### **Comment is sought on:**

- whether an interim Victorian policy is needed in advance of the operation of a national emissions trading scheme.

➤ if so, what policy options should be considered.

Australia is already committed and on track to meet its net 108 per cent of 1990 emissions by 2012 obligation under the Kyoto Protocol and therefore there is no discernable imperative to participate in a global emissions trading system during the Kyoto Protocol first (and only so far) commitment period (2008-2012).

As stated earlier, climate change is a global issue that requires a global solution. A national scheme of emissions abatement measures (organised by the States) will lead to a sub-optimal outcome but if contemplated should only proceed if all of the states and territories are involved in an equitable manner.

There is absolutely no justification to implement a scheme that would apply to Victoria alone. Moreover, the Productivity Commission<sup>3</sup> recommended in its recent draft discussion paper that the COAG “should immediately take a greater role in addressing fragmentation and uncertainty in relation to greenhouse gas abatement policies.”

## 6. COMMENT ON VICTORIA'S FUTURE ENERGY SYSTEM

Given the world class endowment of lignite in the Latrobe Valley; the favourable economics of its extraction; the limited reserves of natural gas; and the unfavourable economics of renewables and their limited scope; the long term role for Victoria's coal in the energy mix is assured. That is, unless the State determines to pursue the nuclear option.

Demand management has an important role and a lot more work is required to deliver the savings that are possible with more efficient use. However, the effort must be applied to changing the attitude of Victorians to energy efficiency.

Work undertaken to secure long term access to the Latrobe Valley lignite resources indicates that coal will continue to play a significant role in Victoria's energy future. As the existing power stations reach the end of their effective life and are taken out of service they will be replaced by new low emission technology power stations that continue to utilise the brown coal. These low emission technologies will likely include geo-sequestration of CO<sub>2</sub>. It is expected that the current amount of coal mined in the state will remain steady over the very long term.

New base load coal fired power stations using low emission technologies, gas, renewables and effective energy management programs in industry and homes will all be required for the future energy needs of Victoria.

## 7. CONCLUSIONS

Climate change is a global issue requiring a global solution. Victoria's approach to this issue needs to be nationally consistent and co-ordinated, maintain the

<sup>3</sup> Productivity Commission, National Competition Policy Discussion Draft, page 279.

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competitiveness of Australia's traded goods and services sectors, and share the burden of greenhouse abatement equitably across the community.

There is no justification for the introduction of a State based or national emissions trading scheme at this time. In fact, Australian industry is concerned about the risks and uncertainty of uncoordinated national and state-based measures. It is important to address this by demonstration of effective industry - government cooperation to develop and implement properly a national greenhouse gas abatement strategy which maintains the competitiveness of industry and promotes Australia's economic growth.

The MCA considers technology to be the key to achieving consistent, large scale emission reductions.

It is imperative that work continue on the low emission technologies for Victoria's lignite resources. Consequently, the Victorian Government should commit to a new research organisation to follow on from the CRC for Clean Power from Lignite and work with industry stakeholders and the Australian Government to agree the research initiatives and funding arrangements for the new body.

The establishment of a renewable energy target of 10% of Victoria's energy consumption is a stretching target and one that will be very difficult to achieve. Care is required by government to ensure that the target remains aspirational and not made mandatory.

The key issue that should be considered by Government in implementing demand management programs is to change the attitude and behaviour of Victorians to the importance of energy efficiency programs.

The MCA is committed to working with government to determine a suite of policies and strategies for greenhouse gas emissions abatement that:

- are demonstrably effective;
- are part of a global solution;
- are cost-effective in maintaining and enhancing industry's international competitiveness;
- are nationally consistent;
- are non-discriminatory;
- are comprehensive; and
- are primarily technology focused, ensuring Australia's global competitiveness is not harmed.

# Attachment 1

## ICMM Sustainable Development Framework:

On May 29th 2003, the International Council on Mining & Metals (ICMM) approved ICMM's Principles and resolved that ICMM corporate membership includes a commitment to measure corporate performance against these principles.

The Principles are central to ICMM's sustainable development framework. They are based on the objectives set by the minerals industry in Toronto in 2002 and draw on the landmark MMSD report. They reflect the values and the policy directions that will help ensure that the industry continually improves the sustainability of its operations. They will also guide the design of the industry's performance measurement processes in conjunction with the Global Reporting Initiative.

### ICMM Principles

As members of ICMM or as companies that have otherwise agreed to take on the same performance obligations as ICMM members, we seek continual improvement in our performance and contribution to sustainable development so as to enhance shareholder value. In striving to achieve this, we will:

1. Implement and maintain ethical business practices and sound systems of corporate governance.
2. Integrate sustainable development considerations within the corporate decision-making process.
3. Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities.
4. Implement risk management strategies based on valid data and sound science.
5. Seek continual improvement of our health and safety performance.
6. Seek continual improvement of our environmental performance.
7. Contribute to conservation of biodiversity and integrated approaches to land use planning.
8. Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products.
9. Contribute to the social, economic and institutional development of the communities in which we operate.
10. Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders.

ICMM corporate membership includes a commitment to measure corporate performance against these principles.

## Attachment 2

### Principles for Managing Climate Change

#### Objectives

- ⇒ Australia to contribute to global action, in managing climate change, to reduce greenhouse gas emissions and develop and promote adaptation measures.
- ⇒ Australia to encourage the international community through global, bilateral and unilateral measures to pursue global action to reduce greenhouse gas emissions and adapt to the impacts of climate change.
- ⇒ Australia to develop a strategic national framework for greenhouse gas emission abatement and adaptation, founded in high level principles of sustainable development<sup>4</sup> and sound science, utilising advances in technology, recognising the interdependency of global trade and commerce, and underscoring the critical necessity for the internationalisation of effective abatement measures and commitments.

#### Principles

In accordance with the 1992 Rio Declaration, there is sufficient scientific evidence to be concerned at the impacts of anthropogenic greenhouse gas emissions on the world's climate system although it is recognised that there are uncertainties in the science of climate change. The science of global warming needs to be continuously reviewed and evaluated.

Australia's strategic national framework for greenhouse gas emission abatement and adaptation, in managing climate change in a global context, to be founded in the following high-level principles:

- Internationalisation: pursue global action to reduce greenhouse gas emissions which is consistent with the United Nations Framework Convention on Climate Change and its ultimate objective of stabilisation of greenhouse gas concentration in the atmosphere at a level that:
  - would prevent dangerous anthropogenic interference with the climate system;
  - is within a time frame sufficient to allow ecosystems to adapt to climate change;
  - would ensure that food production is not threatened;
  - enables economic development to proceed in a sustainable manner;
  - is in accordance with common, but nationally differentiated responsibilities and respective capacities; and
  - distributes the burden equitably across the international community.
- Certainty: take a medium (to 2012) and long-term perspective (say, 2030).
- Consistency: be consistent:
  - across state, territory and Australian Governments to ensure their policies do not distort investment flows and create barriers to trade between States/Territories;

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<sup>4</sup> Sustainable development – defined in terms of the Bruntland Commission – “meets the needs of the present without compromising the ability of future generations to meet their own needs” – and developed around the three pillars of economic progress, social responsibility and environmental management.

## Attachment 2

- with Australia's overall economic policy of achieving high levels of sustainable economic growth; and
- with other national policy aspirations including: population growth, international trade and investment, energy supply and demand, regional development and environmental and social responsibility.
- Cost effective:
  - develop cost effective actions that enhances Australian industry's competitiveness and promotes business opportunities in a way that does not expose Australian industry to costs its competitors do not face;
  - promote investment in eco-efficiency;
  - adopt commercially feasible greenhouse gas abatement options;
  - promote continuous improvements by utilising as soon as commercially practicable new best practice greenhouse adaptation and abatement technologies; and
  - promote relevant R&D/technology and sustainable industry development.
- Non-discriminatory:
  - not discriminate between particular projects and locations and between existing and new entrants;
  - not disadvantage "early movers" in Australian industry that have implemented greenhouse gas abatement measures;
  - be trade and investment neutral in a way that does not expose Australian industry to costs its competitors do not face; and
  - be size and ownership neutral regarding positions reached.
- Comprehensive: address all greenhouse gases, all emission sources and sinks and recognise the need for developing a full suite of strategies including adaptation and abatement strategies.
- Equitable: distribute equitably the cost burden of emission abatement and adaptation across the community, including providers of goods and services and consumers.
- Market measures:
  - be based as far as is practicable on appropriately designed market measures – such measures provide a more economically efficient and least costly means of achieving abatement and adaptation goals; and
  - greenhouse business programs should be evaluated in a framework of market failure principles with:
    - interventions justified on market failure grounds (such as to promote R&D) aimed at improving the efficiency of competitive markets; and
    - interventions that constrain industry development - such as taxes (including the equivalent cost under emissions trading) on business inputs - being evaluated against the same market failure principles.