

SUBMISSION: Victoria's interim Emissions Reduction Targets**8 May 2018**

Dear the Hon. Greg Combet and panelists,

The federal government's failure to act on climate change exposes Victorian communities to impacts such as intensifying bushfires, droughts, heatwaves, and extreme weather. And the federal government's 'do-nothing' approach to climate change means we need to see greater leadership from Victoria.

Friends of the Earth are a community-driven environment group with over 55,000 supporters. We welcome the Independent Expert Panel's investigation into Victoria's interim Emissions Reduction Targets for 2025 and 2030. We believe our state has an opportunity to show leadership on climate change by setting ambitious, science-based targets.

INTERIM EMISSIONS REDUCTION TARGETS – SCIENCE-BASED & AMBITIOUS

As an independent panel free from political barriers, you have an opportunity to make recommendations to the government that are based on the latest climate science and an accurate assessment of the global carbon budget. We call on the panel to make recommendations that (1) reflect the latest science on climate change, and (2) ensure Victoria contributes its fair share towards the global goal of keeping warming to less than 1.5°C. We also urge the panel to consider the role of drawdown of greenhouse gas emissions.

As these interim targets will set the trajectory for future Victorian governments, and with time running out to avoid run-away climate change, we support deep emissions cuts to put Victoria on a path to rapid decarbonisation.

We believe Victoria must reduce emissions by as much as possible as quickly as possible, and not defer meaningful cuts until after 2030. We urge the panel to consider the following points when formulating recommendations to the state government:

- The Climate Change Authority's recommendation for Australia to cut emissions by up to 65 percent below 2005 levels by 2030.
- For Australia to meet its carbon budget constraints, Professor David Karoly and Professor Clive Hamilton state that Australia would have to reach net zero emissions by 2035.
- The United Kingdom has set a legally binding target to cut emissions 57 percent below 1990 levels by 2032.
- Scotland, with a similar population as Victoria, will cut emissions 66 percent below 1990 levels by 2032 (with the additional aim for a 100 percent renewable electricity sector by 2032).

- California, the world’s sixth largest economy, will cut carbon emissions 40 percent below 1990 levels by 2030.
- The Australian Labor Party—the alternative federal government—has a policy to cut emissions by 45 percent below 2005 levels by 2030.

Victoria’s interim Emissions Reduction Targets must be clearly articulated. The public and stakeholders must understand what the Emissions Reduction Targets mean for various metrics: a percentage; absolute figure (tonnes of GHGs); per capita; and GDP. Friends of the Earth’s preference is for the state government to use a percentage figure to outline its Emissions Reduction Targets but use an set figure of emissions (tonnes of GHG) by a specific date as the basis of policy.

Sound decision making on Victoria’s Emissions Reduction Targets requires the greatest level of accuracy about our current emissions profile. We encourage the panel to account for the emissions associated with aviation, shipping, and land use (including prescribed burning and fire regime associated with logging).

Friends of the Earth encourage the panel to limit any offsetting included in the targets to Victoria. There are known human rights abuses and negative environmental impacts associated with some international offsetting schemes. Limiting offsets to Victoria will mean our state captures the full economic and employment benefits of such a scheme.

POLICY OPTIONS TO DRIVE EMISSIONS REDUCTIONS

In terms of policy tools, there are significant opportunities for Victoria to rein in emissions. These include:

ENERGY

- Powering Melbourne’s train network—the state’s second-largest consumer of electricity—with renewable energy. Solar, wind, and storage will soon power Melbourne’s iconic tram fleet as well as the Laverton Steelworks. Powering the rail network would help the government make headway in meeting the legislated Victorian Renewable Energy Target. It would create a truly sustainable mode of transport for Victorians.
- Increasing and extending the Victorian Renewable Energy Target by setting an additional target of 100 percent renewable energy by 2030. The VRET scheme will create a strong pipeline of jobs and is supported by a wide-range of stakeholders from Victorian Employers Chamber of Commerce and Industry to the Victorian Trades Hall Council.
- The creation of a publicly owned retailer backed by 100 percent renewable energy will be needed to ensure all Victorians have access to clean, fair, and affordable electricity.
- Allocate substantial funds (minimum \$80m per year) to drive the rapid transition and economic diversification in the Latrobe Valley.
- To commit no further public funding or support for new coal technologies (including experimental coal to gas, hydrogen, fertiliser, and carbon capture and storage (CCS) programs.

FORESTS AND LAND USE

- The creation of the Great Forest National Park (GFNP) and East Gippsland Emerald Link Reserve. Victoria is home to the world's most carbon-dense forests. Protecting them is a simple first step towards avoiding emissions and will help forest ecosystems and species that depend on them cope with climate change impacts.

TRANSPORT

- A commitment to a community focused transport plan for the future of Melbourne. The transport sector is the second largest—and fastest growing—source of emissions. It is essential for Victoria to shift the balance of funding from roads to critical public transport infrastructure such as Melbourne Metro 2 to provide zero-carbon transport options for the community.

DRIVING A WHOLE-OF-GOVT RESPONSE TO CLIMATE CHANGE

Each year, the Victorian government allocates billions of public investment in infrastructure, government-supported programs, and services.

While the government has a clear grasp of expenditure on education, health, infrastructure, or law enforcement, there's currently limited knowledge around climate change expenditure and the ways in which climate change impacts will affect the budget in coming decades.

The Victorian budget has evolved over the years to deal with the changing context and issues. The Cain government modernised the Victorian budget in the 1980s. It brought greater transparency to the process by linking expenditure to a broader economic strategy and later including social justice thinking. Victoria became the first state to adopt accrual accounting under Premier Kennett.

In 2017, ratings agency Moody's warned that states and cities that fail to account for climate risk face credit rating downgrades. The G20's Financial Stability Board states climate change is a material risk and endorses climate-related financial disclosure to manage them. It is advantageous for the Victorian government to adopt climate-risk accounting measures as they are adopted by other jurisdictions and the business sector.

Friends of the Earth believe it is time to modernise the budget process to ensure governments account for the impacts of climate change and meet legislated Emissions Reductions Targets.

The Victorian *Climate Change Act 2017* introduces a new set of policy objectives and an updated set of guiding principles to embed climate change in government decision making. Friends of the Earth have identified three key ways in which the Victorian government can modernise the budget to meet obligations under the *Climate Change Act 2017*:

- *Increased investment*: Strategic investment in climate mitigation activities from the state government will be needed to put Victoria on a trajectory to achieve interim Emissions Reduction Targets as well as the legislated target of zero-net emissions by 2050.
- *Greater transparency*: There's a clear need for the government to understand how expenditure contributes towards direct mitigation, indirect mitigation, adaptation, and disaster response. This analysis can form a baseline and allow government departments and stakeholders to track trends.
- *Better accounting*: Adopt carbon emissions valuation (i.e: an internal shadow carbon price) to account for the greenhouse gas emissions liabilities of state government activities. This would be incorporated into cost-benefit analysis of government programs and investments.

In terms of immediate steps, Friends of the Earth are encouraging:

- The government to make a public commitment to delivering Victoria's first 'climate budget.'
- The Department of Treasury and Finance to undertake an audit of budget 2018-19 to understand how much expenditure is being allocated to *direct* mitigation; *indirect* mitigation; adaptation; and, disaster response.
- The Department of Finance to trial the application of a carbon emissions valuation (i.e: shadow carbon price) over the next financial year. This would apply a set carbon price to the greenhouse gas emissions linked to government activities. The trial would allow the government and Department of Treasury and Finance to put a dollar figure on the greenhouse liabilities of government.
- The establishment of a responsible unit within Department of Treasury and Finance to drive the process and report back to government and departments. The position would be a 0.5 FTE position at VPS level 4-5.
- The government to direct Infrastructure Victoria and the Victorian Managed Insurance Authority to conduct an audit of critical infrastructure to understand the risks associated with climate change impacts (i.e: heatwaves, rising sea levels, flooding, etc).
- Establish a Transition Authority to ensure adequate resourcing is available to drive Victoria's transition to a zero-carbon economy.

EARLY ACTION A PRIORITY

Victoria can build on its legacy of climate action by committing to science-based Emission Reduction Targets that are in line with the global goal of limiting warming to below 1.5°Celsius. This means reducing emissions by as much as possible as early as possible and not deferring meaningful cuts until after 2030.

The science of climate change is getting more concerning and more accurate. The impacts of climate change are becoming more obvious too, with alarming melting of the polar icecaps, bleaching of the Great Barrier Reef, and parts of Victoria seeing record hot and dry conditions. The level of ambition required of developed countries and states is on an upward trajectory. Ambitious

BARRIERS TO REDUCING EMISSIONS

There are few technical barriers to Victoria achieving deep emissions cuts. The effectiveness of renewable energy, energy efficiency, business models, public transport, forest protection, and smart urban planning for cutting emissions is well documented.

The main barriers to reduction emissions are political. Blockages from vested interests who benefit from polluting activities stand in the way of the ambitious actions needed to tackle climate change.

Poor leadership from the current Federal government and previous Victorian government has stalled efforts to tackle climate change across the board. The Matthew Guy opposition does not currently have a climate change policy and voted against the Victorian *Climate Change Act 2017* as well as the *Renewable Energy Jobs & Investment Act 2017*.

IMPACTS & BENEFITS

Failure to take ambitious action to rein in Victoria's emissions hinders global efforts to tackle climate change. Failure on this front exposes communities, ecosystems, and our economy to climate change impacts.

The benefits of ambitious Emissions Reduction Targets are manifold. It will require, among other things, accelerating the rollout of renewable energy and efficiency technology (and practices) that will create jobs, put downward pressure on power prices, and give Victorian entrepreneurs a foothold in new industries.

For example, modelling by E&Y estimates the Victorian Renewable Energy Target will create 10,000 jobs while cutting emissions in the electricity sector by 16 percent. The scheme is expected to save households \$30 on their power bill each year. Small-medium businesses will save \$2,500 a year and big business will save up to \$140,000.

Protecting forests to preserve their vast carbon stores create new opportunities for the tourism sector, open space for Melbourne (a city with a booming population), as well as provides helps ecosystems and the species that depend on them a chance to adapt to the changing climate.

REGIONAL & LOCAL ISSUES

Firstly, we encourage the panel to engage Traditional Owner groups to ensure that their perspective is heard on the issue of climate change and is part of the government's response.

It is essential for the panel and the government to consider the ways in which climate change impacts; the benefits of action; and implications of action affect communities across the state.

The rollout of renewable energy is an excellent form of jobs creation and economic development. Renewable energy development creates jobs and economic stimulus during construction phase and ongoing operations and maintenance jobs for the community. Solar and wind farms provide drought-proof income for farming communities, are among the largest contributors for rates to local councils, and usually have community benefit schemes.

The continued rollout of renewable energy across Victoria will benefit domestic manufacturing and strengthen the supply chain. Beneficiaries include wind tower manufacturing in Portland, transformer manufacturing in Glen Waverley and Benalla, and warehousing and training in Lyndhurst. (Similarly, the rollout of public transport infrastructure is jobs rich during construction and while operating).

Unlike the renewable energy sector whose benefits are dispersed, Victoria's fossil fuel sector is concentrated in a few regions, such as the Latrobe Valley. For this reason it is essential for the government to resource economic development, retraining, and transition planning.

Since 2017, Friends of the Earth have spent a lot of time on the road meeting with people in rural and regional communities. When asked about climate change, community members have told us "the seasons are changing." They are aware of climate impacts and have an appetite for what are often very creative solutions.

In Donald, for example, people are concerned about extreme weather events such as heatwaves and dry spells that can result in crop failure. Work is currently underway on a levy to protect vulnerable parts of town from flooding. On the other hand, one local entrepreneur is trying to build a solar-powered data farm.

In the town of Tarnagulla, community members are concerned about increased bushfires—an issue compounded by the fact the CFA has shrunk from 40 people to just ten. Yet a town hall meeting organized by locals has built consensus around the need for a solar-powered refuge for the community during extreme events.

In urban areas such as Brunswick, challenges are felt with increasing extreme heat days, the Urban Heat Island effect and an aging population.

These cases reinforce the point that there is no ‘one-size-fits-all’ solution to climate change. Each town, district, and community faces its own challenges and has its own vision for how to respond.

The thing that unites them, though, is the need for state government support. That is why Friends of the Earth are building the case for the state government to deliver Victoria’s first climate change-focused state budget. Ambitious Emissions Reduction Targets are needed to prevent climate change impacts from getting worse. And a climate budget is needed to put the state on a rapid decarbonisation pathway.

CONCLUSION

Friends of the Earth commend the submissions of Environmental Justice Australia, Environment Victoria, Darebin Climate Action Network, and hundreds of community members who are concerned about climate impacts and want to see Victoria act as a role model for cutting emissions. We also commend the Victorian Trades Hall Council’s submission as well as those of other unions that underscore the need for governments to support workers as Victoria transitions to a zero-carbon economy.

Friends of the Earth Melbourne look forward to seeing the panel’s summary of responses in June 2018 and final advice to the government in February 2019.

Kind regards,

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