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Introduction

Just over one year ago I launched the Australian Government's environment policy: *A Plan for a Cleaner Environment*.

The underlying principle of the policy is the firm belief that protection of the environment and economic growth are two essential elements of a single goal: a stronger Australia. They are not mutually exclusive objectives.

Scientists, researchers, business and industry have a major role to play in a cleaner environment and a stronger Australia.

Research projects conducted by the CRC for Low Carbon Living and its partner organisations into technologies for the built environment sector — into low carbon design, into housing systems and precincts, into energy efficient manufacturing and construction — all demonstrate that there are diverse and innovative solutions to reduce carbon emissions.

The theme of the day is 'The Research Dividend' and I firmly believe that this can be a double dividend: delivering lower emissions and a stronger economy.

Our *Plan for a Clean Environment* rests on four pillars: clean air, clean land, clean water and heritage protection. This plan is an essential element of our national policy framework and encompasses simple, practical actions that will achieve real, measurable results.

Today, I want to focus on two important reforms contained within the clean air pillar of the plan: the abolition of the carbon tax and the implementation of our Emissions Reduction Fund, with a particular emphasis on energy efficiency in the built environment.

1. The repeal of the Carbon Tax

I am immensely proud of what we have achieved as a Government in such a short time.

This Government has kept its commitment to the Australian electorate: we have delivered on our promise to repeal the carbon tax.

We repealed the tax to reduce cost of living pressures on households and cost pressures on businesses.

Modelling by the Australian Treasury suggests that the removal of the carbon tax in 2014-15 means household costs should be on average about \$550 lower than they would be with the carbon tax.

By removing the carbon tax, the Government has also eliminated an administrative and compliance burden on business. Australian businesses were spending millions of dollars every year to comply with the carbon tax.

We were told that the carbon tax repeal would never proceed but it did. We were told we would never pass it but we did. We were told we would never see electricity and gas prices drop but the full savings are being backdated to 1 July 2014.

Importantly, the repeal of the carbon tax has paved the way for the Emissions Reductions Fund.

2. The Emissions Reduction Fund

The Emissions Reduction Fund is the centrepiece of the Government's policy to reduce emissions. It builds on the Carbon Farming Initiative to create incentives for businesses and communities across Australia to reduce greenhouse gas emissions.

The Government has committed \$2.55 billion to the Emissions Reduction Fund to invest directly in Australian businesses that reduce their emissions.

This is a big commitment to the environment and to Australian business.

The Emissions Reduction Fund implements a long-term framework for stable and sustainable climate change policy.

The Government will monitor the implementation of the Emissions Reduction Fund and progress towards Australia's target of a five per cent reduction in emissions on 2000 levels by 2020.

We have set the first review of the Emissions Reduction Fund to be at the end of 2015.

This means that any improvements can be made in response to lessons learnt during its implementation phase and to ensure that the Emissions Reduction Fund policy continues to support innovation and transformation of practices in business and communities.

2.1. How the Emissions Reduction Fund works

The Emissions Reduction Fund has three framework elements:

- *crediting* emissions reductions that have been certified by the Clean Energy Regulator, and are based on methods approved by an independent assurance body;
- *purchasing* of credited reductions by the Regulator through auctions where the lowest bids from proponents are first accepted and payment under the contract is tied to delivery of reductions; and
- *safeguarding* of public money spent on reductions by setting emissions baselines for large facilities.

I am pleased to report that the Carbon Farming Initiative Amendment Bill 2014, which gives legislative effect to the Fund, passed the Senate with amendments on 31 October 2014.

Amendments include increasing the standard contract duration from five to seven years - a key request of business – and powers for the period over which emissions reductions are credited to potentially be increased following review by the expert committee.

2.2. Opportunities for business

The Government's approach is to work positively with business to develop the Emissions Reduction Fund.

The Emissions Reduction Fund offers strong incentives to seek out actions that are in the interests of business as they reduce costs, and in the interests of the environment as they reduce emissions.

The Fund is targeted at achieving specific domestic emissions reductions. It does not put a tax on all emissions across the economy and so does not impose unnecessary costs that can erode business competitiveness or require a complex system of compensation.

In many cases, the actions taken to reduce emissions also deliver valuable co-benefits to businesses and the community. As you know from work done in the CRC, adopting technologies that are more energy efficient can reduce the energy costs of businesses and households.

This ‘win–win’ approach to climate change has a direct benefit to both the environment and the community.

Over the past year, the Government has worked with industries through technical working groups to develop emissions reduction methods that will ensure that as many projects as possible can participate in the Fund when the first auction starts next year.

There are 26 emission reduction methods currently available and over 20 more under development.

These new methods will provide incentives for cleaning up our environment through activities such as revegetation, investing in soil carbon, improving energy efficiency, cleaning up power stations and capturing gas from the millions of tonnes of waste deposited in our cities’ landfills each year.

3. Building energy efficiency

Energy efficiency is a key focus for a number of the new methods.

I know I am preaching to the converted when I say that there are significant opportunities to improve energy efficiency throughout the economy, especially in the built environment.

Improving energy efficiency helps reduce Australia’s emissions and improves the competitiveness of our businesses. It also brings benefits to our communities through lower energy bills.

The Government has responded directly to stakeholder suggestions that we look at existing state-based energy efficiency schemes to design energy efficiency methods under the Emissions Reduction Fund.

We have drawn from the New South Wales Energy Savings Scheme to develop methods for three types of energy efficiency projects:

- projects that upgrade the National Australian Built Environment Rating System (NABERS) star rating of commercial buildings;
- projects that improve the energy efficiency of large groups of households or small businesses; and

- projects that reduce emissions from industrial equipment and improve industrial fuel and energy efficiency.

3.1. Improving energy efficiency in commercial buildings

The commercial buildings method applies to energy efficiency projects in offices, large shopping centres, hotels and data centres.

The method uses star rating tools under NABERS to measure emissions reductions from improved energy performance.

The energy performance of a commercial building is rated before the project starts and then rated regularly for the duration of the project to measure reductions in emissions associated with energy use. This is then compared to a business as usual baseline.

The method does not specify the activities that should be undertaken as part of a commercial buildings project. This provides flexibility for businesses to determine what activities are most appropriate for each building.

For example, a commercial buildings project could involve upgrading equipment in the building, such as lighting, air-conditioning or elevators.

It could also involve making changes to the building shell through installing window glazing or insulation to reduce energy use, or adopting better building energy management systems that automatically manage energy consumption.

3.2. Improving energy efficiency in households and small businesses

The energy efficiency method for aggregated households and small businesses is also technology neutral.

Under this method, proponents such as energy retailers would offer goods and services designed to deliver energy savings to a large group of households or small businesses. The proponent would then aggregate the savings under a single project.

The method measures emissions reductions by comparing energy use between the subset of customers that receive the goods and services, with those who do not receive the goods and services.

Here ‘goods and services’ could include anything from the installation of more energy efficient appliances to an information campaign that encourages energy efficient behaviour.

For example, a project could involve an energy retailer sending advice on how to reduce energy consumption to a group of its customers.

Improvements in energy efficiency under this method could be small: at the level of individual households.

However, multiplied thousands of times across the economy, seemingly small initiatives to improve energy efficiency can add up to sizeable reductions in energy use and emissions.

3.3. Improving energy efficiency in industrial systems

The Government is also working with business to develop a method for industrial fuel and energy efficiency.

This method will support a wide range of improvements in industrial facilities, such as upgrading boilers and heating, fuel switching, improving control systems and processes and improving the efficiency of fans and compressed air systems. These projects will improve business productivity, while also cleaning up the environment.

We are keen to hear the views of interested businesses and individuals on all ERF methods, so please check the Department of the Environment’s website for more information as draft methods are released for consultation.

The Government will continue to consult businesses to determine priorities for further method development.

As new methods are developed, more activities can be credited. We welcome suggestions from industry about potential new methods that could reduce emissions at low cost.

Conclusion

The Government is committed to working with researchers, industry and the broader community as we implement the Emissions Reduction Fund.

A plan to address climate change—one that stands the test of time—must protect the competitiveness of Australian businesses.

And I am excited by the technologies and techniques being presented at this conference today. I am hopeful that they will become the emissions reductions methods of tomorrow.