



SENATOR THE HON PENNY WONG
MINISTER FOR CLIMATE CHANGE AND WATER

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Australia's contribution to a global agreement on climate change

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Introduction

Good afternoon and thank you very much for joining me here today, and to the Lowy Institute for inviting me.

The Lowy Institute has developed a strong reputation for leadership and engagement in international policy debates.

Of course, climate change is one of our most significant economic, environmental and strategic challenges, and it will remain so for the decades to come.

So it is fitting, as we move towards a critical juncture in the international debate on climate change - with Copenhagen in December and the first Major Economies Forum under the Obama administration next week - that we should meet here and now to talk about Australia's international climate change agenda.

Within a few days of being sworn in, I attended the United Nations Climate Change Conference in Bali. Those famously tough negotiations were given a significant boost by Australia's ratification of the Kyoto Protocol, which serves to remind us that what individual countries do does matter a great deal.

Indeed, Australia's new engagement on climate change provided important momentum and helped result in the agreement to the two year Bali Roadmap, which will, of course, culminate at the UN conference in Copenhagen this December.

The Roadmap has focused the world's attention on securing a post-2012 agreement at Copenhagen.

This momentum will not last indefinitely. If we do not seize this opportunity, we don't know when the next one will come.

So the stakes are high for Australia. There is no doubting our national interest is to secure an international agreement.

Our future prosperity and the future of our unique environment depend on it.

Take, for example, Australian agriculture, where projections show that for a 2–3°C temperature increase, pasture growth will slow by roughly 31 per cent and the national livestock carrying capacity will decrease by approximately 40 per cent.

So when politicians say that Australia should wait until after a global deal is struck before taking any action on climate change, they are in effect arguing for Australia to surrender to these effects of climate change.

Because to suggest, as many still do, that Australia should sit back and wait, demonstrates a complete failure to understand what it will take to get a global agreement, and how Australia's interests can best be reflected in that agreement.

There are many uncertainties in global climate negotiations. But two things are certain – if Australia and others take no action now, we will not secure a global agreement. Key developing countries will not take action to restrain or reduce emissions. And we can be certain, then, that climate change will accelerate.

There will be countries whose leadership is essential to building an agreement – particularly the United States. But momentum must be driven by many nations. Leadership must be shown on many fronts.

We must not lock ourselves out of the debate; Australia needs to shape our own destiny. By playing an active role, and by taking action at home to reduce carbon pollution, we are ensuring Australia's national interest is best reflected in any agreement.

Australia can't win from the sidelines.

Our domestic agenda is our platform for Copenhagen, so those who say we should not act now but at the same time profess to want a global agreement are either being dishonest, or are burying their heads in the sand.

Those who say we should not act now are explicitly arguing for Australia to be left behind and forgo opportunities as the world moves to a carbon constraint.

So today I want to talk with you about Australia's view of what a global agreement should look like, and how Australia can contribute to it.

Building a global agreement

A post-2012 agreement needs to be comprehensive, effective and fair.

To be comprehensive, it needs to include all major emitters, and broaden the number of countries taking on commitments.

To be effective, it needs to deliver real emission reductions, and in so doing, set the world on a path to a low pollution future.

To be fair, countries need to take on comparable commitments and actions, considering their national circumstances. Of course, if the agreement is fair, it is more likely that it will also be more comprehensive – with more willing participants.

Specifically, Australia believes we need to reach agreement in three areas.

We must agree on a global goal, we must set specific national commitments to reduce or restrain emissions, and we must ensure there are mechanisms to help the most vulnerable adapt.

Agreement on a global goal provides direction and common purpose.

But that goal will become meaningless without action to reduce or restrain emissions. A future agreement must include economy-wide emission reductions targets by all advanced economies, and specific commitments to action by developing countries.

One of the many complexities we face in shaping a post 2012 agreement is that every nation is in a different position to contribute. The targets that developed countries take on should be comparable, taking into account the specific circumstances of each country.

And all sectors must be covered. This includes the land sector, and in particular ensuring the agreement promotes reductions in emissions from deforestation in developing countries.

Low-carbon technology is another crucial element of achieving these goals, an area where Australia is demonstrating real leadership, particularly through our strong investment in carbon capture and storage technologies.

As I said, the third priority for an agreement is effective mechanisms for funding and supporting adaptation in the poorest and most vulnerable countries, including in the Pacific.

In securing global agreement, we cannot afford to repeat the mistakes of the past.

We need to take it one step at a time, not letting ourselves point the finger of blame, but rather building trust, and building confidence in the outcome we need.

An agreement that looks perfect on paper, but that remains unratified and unimplemented by its signatories, will do nothing for our planet.

Developing the agreement is not a theoretical exercise. It must enable the world to get on with the hard task of reducing emissions.

Countries have strongly held views and entrenched positions.

There is a need to build greater trust, particularly between developed and developing nations.

And this is a negotiation – in which too many nations are cautious about showing their hand too early, or too openly.

Without strong political leadership, and breakthroughs on some key issues during this year, we cannot be expected to reach the agreement Australia and the world needs.

Helping shape a global solution

Australia can and is making a significant contribution to building an agreement through our work to progress the negotiations and through our broader efforts on deforestation, carbon capture and storage, and adaptation.

If we are going to curb global emissions we need to deal with deforestation, and we need solutions on energy.

Deforestation accounts for approximately 18 per cent of global greenhouse emissions, with around 13 million hectares of the world's forests being cleared each year.

Instead of an economic imperative to remove forests in developing countries, we need an incentive to preserve them.

And if we are to stabilise greenhouse gas concentrations at 450 parts per million or lower, then we need to ensure that the post-2012 agreement provides incentives for developing countries to reduce emissions from deforestation and forest degradation (REDD).

During my visit to the US, I launched Australia's proposal on how emissions reductions from the forest sector in developing countries could be included in a future international climate change agreement. The response I received to Australia's proposal, from a wide range of nations and stakeholders, was very encouraging.

And at the recent round of climate change negotiations in Bonn, Australia's proposal was well received as a comprehensive contribution to accelerating progress on many of the more difficult policy aspects of the REDD debate.

It is clear that there are significant capacity constraints in developing countries which will need to be addressed for a robust forest carbon market to operate effectively. An area of particular need is in carbon accounting and monitoring.

Australia's \$200 million International Forest Carbon Initiative is a key contribution to the capacity building effort.

Under the Initiative, Australia also has a strategic partnership with the Clinton Climate Initiative and other organisations which is seeing Australia's National Carbon Accounting System leading the way for rolling out national forest carbon monitoring systems.

Our close partnership with Indonesia also shows a new model of cooperation between developed and developing countries on climate change issues. Our joint submission at the UN Climate Change Conference in Poznan in December was the first on REDD between an Annex I Party and a G77 country.

I should note that some people seem to be suggesting that it is not appropriate for us to give this such a high priority. I would simply say that the more we can encourage reduction in emissions - wherever they occur, whether they are in Australia or in the forests of some of our poorer, developing country neighbours - that is a positive outcome. Not just for Australia, because we have so much to lose from climate change, but for the globe. At the same time the substantial investments necessary to achieve these reductions will accelerate development in the countries concerned, a win for everyone.

Just as we have to deal with deforestation, there is no avoiding the fact that the world needs energy, and coal is the greatest single contributor to greenhouse gas emissions created by human activity.

Demand for coal as a source of electricity generation is growing.

So while we must continue to invest in developing renewable energy, any global solution to climate change, must include a lower emissions solution on coal.

Last week in Canberra, the Prime Minister formally launched the Global Carbon Capture and Storage Institute.

In seven months, Australia has obtained the support for the Institute from 85 governments, corporations and institutions around the world.

This Institute will drive the dissemination of CCS technology and know-how around the world - a practical example of technology transfer in action.

As the Prime Minister said last week, the Institute will help us reduce emissions at home, and contribute to a global solution by building momentum for the deployment of CCS technology.

Our work on deforestation and CCS is focused on practical solutions to reducing emissions.

But as I said a moment ago, a global agreement must also help countries adapt to the climate change that is already locked in, particularly in the most vulnerable countries.

Through the Government's \$150 million International Climate Change Adaptation Initiative, Australia is working with vulnerable countries in our region, and, in particular, Pacific Island countries, to demonstrate an evidence-based approach to adaptation action.

As part of this initiative, the Foreign Minister and I recently announced the \$20 million Pacific Climate Change Science Program, which will link Australian scientists and regional colleagues to improve the understanding of climate change in the region.

The work of the Initiative reinforces Australia's position on adaptation in the post-2012 framework: more financial support for adaptation; priority to the most vulnerable; and effective evidence-based adaptation action.

All these efforts come together to support our work in the formal UN negotiations, where Australia has an important influence, including through our role chairing the Umbrella Group of countries, coordinating key developed countries, including the US and Japan.

In this capacity, Australia continues to urge all developed countries to follow our lead and announce specific commitments to reduce emissions as soon as possible to build momentum in the negotiations.

We are also helping to stimulate progress with submissions on other issues, including comparability, and, crucially, the legal architecture of an agreement.

Given the varying national circumstances within the major economies – indeed all countries – Australia recognises that there will need to be a spectrum of effort with respect to mitigation contributions.

At recent UNFCCC negotiations in Bonn, Australia submitted a new proposal that a series of schedules could be adopted as annexes to the post-2012 treaty to capture Parties' mitigation commitments and actions. The schedules could be country-specific, akin to the World Trade Organisation approach, or reflect the efforts of groups of countries undertaking similar commitments or actions.

The submission generated strong interest including from the US, Canada, Japan, key European member states, and among some key developing countries. The schedule approach Australia proposed is seen as having particular promise as a means of securing mitigation action by the major emitters. While the commitments that Parties make must be different, because national circumstances are different, the schedules would provide a unified vehicle for recording and acknowledging those various commitments.

Australia will continue to develop ideas on the schedule approach and other elements of the post-2012 treaty.

These efforts will help define the shape and architecture of the whole post-2012 outcome.

Why what we do at home matters

All these efforts are essential, because they mean Australia is serious and constructive in helping to shape a global solution.

But by far, what matters most as we try to secure a global deal is what we do at home, because the basis for any global agreement must be the actions taken by individual nations.

Australia has spent many years getting to the point of finally having a plan to reduce emissions before the Parliament.

It has been a long and hard road, and there have been many roadblocks and delays along the way.

In fact, last month marks the tenth anniversary of the Howard Government's first paper on emissions trading – though history would show that Government could never get past its own scepticism to deliver this crucial reform.

Over the past decade, the debate has been extensive, including with the work led by Peter Shergold under Prime Minister Howard, and the Rudd Government's lengthy consultation in preparing a Green Paper, a White Paper, and draft legislation on the Carbon Pollution Reduction Scheme.

We are poised to implement a four-fold increase in the Renewable Energy Target, so that the equivalent of all household electricity comes from renewable sources by 2020. We are making huge investments into energy efficiency, carbon capture and storage, and renewable energy.

Now that we have finally come to this point, we must press on.

There is no going back to the drawing board, there can be no more wasted years.

Because in addition to the climate imperative, there is an enormous economic imperative. The Australian Parliament has a responsibility to provide the certainty necessary to enable the billions of dollars of investment that is required over the next decade.

As Greig Gailey, the president of the Business Council, said recently:

"Climate change is a multi-decade investment challenge. Uncertainty is the great enemy of investment."

How far each of our nations is prepared to go domestically will shape the agreement and govern how it is implemented.

If we want an agreement that starts to reduce emissions across the globe, its provisions must be firmly rooted in domestic national action. This link is well understood in the United States.

During my recent visit to the US, the striking feature of debate – across the political divide – was the common understanding of the need to align domestic and international climate change policy responses.

The US has learned the hard way through its experience with Kyoto.

Having signed an international agreement, without a domestic scheme to implement that agreement, the US was not able to ratify Kyoto.

Just last week, President Obama's Assistant on Energy and Climate Change, Carol Browner, said:

"The position we can take in Copenhagen will be driven by what we are prepared to do domestically."

Clearly, the US position will be fundamental to efforts to forge a global agreement.

But Australia's efforts to put in place domestic emissions trading legislation, through the CPRS, are also being keenly watched around the world.

Passage of the CPRS legislation would ensure that Australia has a plan in place to meet its international commitments.

Passage of the legislation would mean the Government could take a target to Copenhagen, knowing the country has the capacity to deliver that target in an economically responsible way.

To major developing countries, it would send the signal that Australia is serious about delivering the emissions reductions to which we have committed – and therefore encourage action from them.

South African Minister for Environmental Affairs, Marthinus Van Schalkwyk, said in January:

South Africa, along with other developing countries, is saying that it is willing to face up to its responsibility for the future. It will be critical that all developed countries respond by showing leadership and taking on their responsibility.

To other advanced economies, it would send the signal that we are taking on comparable emissions reduction commitments which we can deliver.

Matthias Machnig, State Secretary for the German Environment Ministry and one of the country's top climate negotiators, visited Australia in January and emphasised the importance of Australia putting in place emissions trading.

Hopefully it is a very bold and ambitious scheme, but to my mind the most important thing is to say that the Australian Government is going to go for emissions trading because it is a step towards the system that we need — a global carbon market.

For all nations, it will help build confidence that, even in one of the world's most resource-intensive economies, we can start to reduce emissions while continuing to grow our economy.

By contrast, failure to pass CPRS legislation will send exactly the wrong signal to the negotiations.

Some have argued the legislation should not be passed given current economic circumstances.

Others have argued that if legislation is deferred, there will somehow be stronger momentum next year, or the year after, to take on more ambitious emissions reduction actions.

Both these views ignore where we are this year, and what is at stake at Copenhagen.

Just as with Australia's ratification of Kyoto, Australia provided an important boost to global negotiations in establishing the Bali Roadmap, so now can Australia deliver momentum at Copenhagen by passing the CPRS.

As Malcolm Turnbull himself said before becoming Opposition Leader last year:

"Our first hand experience in implementing ... an emissions trading system would be of considerable assistance in our international discussions and negotiation aimed at achieving an effective global agreement."

By contrast, however, failure to pass this legislation will have exactly the opposite effect.

It will undermine confidence in the capacity of Australia, and other advanced economies, to implement the measures we say we are committed to.

It will strike a serious blow to efforts to build a global carbon market to help secure the lowest cost abatement around the world, and to help fund the transition of developing countries to lower-carbon economies.

And it will damage momentum, confidence and trust at the moment when it is needed most.

We have a unique historic opportunity at Copenhagen. If we miss it – domestically or globally – we may not have the same chance again for a very long time.

We must all learn from the United States' experience with Kyoto.

We cannot sign up to targets if we have no means of delivering them.

We cannot propose targets with confidence without the Carbon Pollution Reduction Scheme, and we cannot implement an international agreement in an economically responsible way without the Carbon Pollution Reduction Scheme.

The CPRS represents an opportunity to go to Copenhagen with a responsible position – with a clear plan to deliver on the targets we put on the table.

This reform is the foundation of our position at Copenhagen.

So let me be perfectly clear:

If Australia falls at this hurdle, we risk being seen as returning to the years of the Howard Government Kyoto sceptics, when we were part of the problem, not part of the solution.

Wrecking this reform is about much more than Australia's domestic political debate. Wrecking this reform shortens the odds of not getting a global deal on climate change.

So the Opposition Leader must decide whether he wants to simply revive Mr Howard's legacy on climate change, or create a legacy of his own.

Conclusion

Sitting back on the sidelines and saying no is no way to ensure Australia gets the agreement it needs to combat the risk that climate change poses.

It is no way to deliver our national interest.

We cannot duck this any longer, we cannot kid ourselves that the world will give Australia what it needs, if we just sit back and watch.

We have to face up the reality that our decisions now will have consequences for generations to come.

