



THE HON GREG COMBET AM MP

Minister Assisting the Minister for Climate Change and Energy Efficiency

**Address to the Voluntary Carbon Markets Association
Voluntary action and the National Carbon Offset Standard**

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Thank you for the invitation to give the key note address at this, your inaugural conference on voluntary carbon markets.

The very fact that the Voluntary Carbon Markets Association was formed only 18 months ago and is today hosting its first conference, is testament to the significant work that has already taken place to grow the voluntary market.

In my short speech today, I intend to address two key issues.

Firstly, I will discuss the Government's policy position on climate action and on the Carbon Pollution Reduction Scheme (CPRS), which has been the subject of much public interest and media commentary of late.

Secondly, I will address ongoing developments and opportunities in the voluntary carbon market, and the important roles that we all have in supporting the future prosperity of this market.

This Government has been a strong supporter of market based responses to climate change through both the voluntary and compliance markets.

We remain strongly committed to the CPRS and there is a very clear reason why. Quite simply, putting a price signal is the only way to meet the scale of emissions reductions necessary to respond to climate change.

You will of course be familiar with the Government's emissions reduction commitments for 2020 – to reduce Australia's emissions between 5 to 15 per cent and 25 per cent on 2000 levels by 2020, and that there is in fact bipartisan support for these targets.

While the scale of the task at hand will be well known to people in the room, I want to put some of the facts on the table:

- Without a clear plan to meet those targets - strong growth in emissions could be expected to accelerate as the Australian economy grows and as population increases towards some 25 million in 2020 (as estimated by the ABS);¹
- Without the CPRS, Australia's projected baseline of emissions to 2020 is 121 per cent of 2000 levels, or a rise in emissions from around 570 Mt today to almost 670 Mt in 2020;
- The abatement challenge under the -5 per cent target is 144Mt CO₂-e in 2020;
- 144 Mt is roughly two thirds of Australia's total current emissions from the generation of electricity, roughly twice our road transport emissions, or the equivalent of the emissions displaced by 35 snowy hydro schemes.

We are faced with the reality that the abatement challenge to 2020 and beyond is huge. And we need a market based mechanism to meet this challenge.

We see the voluntary market as an important complement to the CPRS- that would allow households, companies and individuals to play their part in meeting the challenge of climate change.

In a forum such as this it may seem unnecessary to justify taking action on climate change. But the reality is that the two major political parties in Australia have polar opposite positions on climate action.

¹ See Australian Bureau of Statistics 2008, series 3222.0 Population Projections, Australia, 2006 to 2101. The average of the ABS projected populations at the start and end of the 2019/2020 financial year is 25,123,357.

I can assure you, the Government's decision to delay the CPRS was not made lightly. The Government worked hard to develop a world-leading emissions trading scheme to move Australia onto a low carbon pathway.

We spent two years developing the Green Paper, the White Paper, the Treasury undertook significant economic modelling, and the Government drafted comprehensive legislation to underpin the CPRS.

This legislation was passed by the House of Representatives and the Government undertook lengthy negotiations with the Opposition to ensure bipartisan support for the CPRS legislation to be passed in the Senate.

In fact, as a result of the negotiations, we did secure bipartisan support necessary to pass the CPRS. But the events of November 2009 fundamentally changed the political landscape in which we had been operating.

The election of Mr Abbott as leader of the Opposition overrode the bipartisan deal that had been struck in the national interest with the former Opposition Leader Malcolm Turnbull.

My personal belief is that the position taken by Mr Abbott is totally irresponsible for a leader of an Australian Political Party. His claim that climate change is 'absolute crap' and his determination to avoid addressing the issue is a position that no responsible leader of an Australian political party could take.

Perhaps ironically, Mr Abbott's position on the CPRS has been also been supported by the Greens. Their decision not to support the CPRS has also contributed to the situation we are now in.

The Greens had the power to help pass the CPRS in the Senate – to ensure that Australia would have a price on carbon pollution – and rather ironically they chose to vote it down.

Simply put if the Greens had voted for the CPRS it would now be law.

As a result of these actions by Mr Abbott and the Greens, the Government made the tough decision to delay the introduction of the CPRS until the political circumstances - both domestic and international – improve.

That is the simple and regrettable, political reality.

But this does not mean that the Government's commitment to taking action, and to preparing Australia for a low carbon future is diminished.

In the short term the Government will boost existing investments in clean and renewable energy and support greater energy efficiency measures in order to reduce greenhouse gas emissions.

Following announcements in the budget, the Government's total investments in renewable and clean energy and energy efficiency total more than \$10 billion. Of course the public appetite for taking action on climate change also remains very strong. The voluntary market holds one of the key drivers for facilitating that action.

A critical role for the Government is to work in partnership with you by maintaining or establishing the policy settings you need to make the voluntary market work effectively.

A number of these policy settings flowed from the CPRS and particularly from the agreement negotiated with the Opposition in November last year.

The Government established a framework that ensured that all purchases of GreenPower would be additional by ensuring that abatement from GreenPower is recognised in cap setting for the CPRS.

The Government also committed to a new mechanism to recognise action that households take on energy efficiency in setting future CPRS caps, to be backed by the cancellation of Kyoto units.

Firms or individuals could also purchase and then retire CPRS permits backed by a Kyoto unit – delivering emissions reductions beyond the limits set by the CPRS caps.

Just as the Government remains committed to the CPRS, this also extends to all its aspects including the arrangements for GreenPower, household action and retiring permits.

As part of the November package, we also released the National Carbon Offset Standard (NCOS), to begin on 1 July. For the first time, the NCOS establishes a Government endorsed national benchmark to guide firms in setting their carbon footprints and offsetting their emissions.

The NCOS states that a suite of carbon permits would be eligible for carbon neutrality purposes. These included Clean Development Mechanism permits under the Kyoto Protocol and other international permits as well as CPRS permits including from forestry.

The NCOS also allows firms to come forward with new approaches for other domestic offsets that are not currently counted towards our Kyoto target including soil carbon and forest management.

Given the ingenuity of stakeholders in this arena, I am sure there will be many new abatement proposals put forward for consideration.

We do recognise that CPRS permits including from forestry will not be available for use under the NCOS in the medium term. Firms will however still be able to use the NCOS and other eligible permit sources to become carbon neutral.

The Government is also aware that this current lack of domestic permits is a source of concern to many people in this industry. I can assure you we are actively considering this issue. But as I'm sure you'll appreciate, I'm not going to speculate now about the future outcome of Government's consideration of this.

What I can say is that we are interested in hearing from you and we are keen to discuss your views and your suggestions on domestic permits. The Department of

Climate Change and Energy Efficiency is currently talking to people including some of you about this issue. We are keen to continue and broaden these conversations.

The events of the past few months have shown us that progress on climate change cannot be taken for granted, that reform is difficult.

This is an aspect where the voluntary market can play such an important role.

You can help to educate and inform the public about climate change and the sorts of changes we can all make to reduce our emissions.

You can provide the mechanisms whereby individuals, households and individuals can take action including by buying a carbon neutral product.

Under the NCOS, for the first time in Australia, consumers will also be able to support firms that offset the carbon footprint of their entire operations using a Government endorsed approach.

The development of the NCOS owes a big debt to the Greenhouse Friendly program, established nearly 10 years ago.

I congratulate the businesses and organisations who were the Greenhouse Friendly trail blazers, leading the way in offering carbon neutral products to their customers.

Under Greenhouse Friendly, companies have promoted their products and services in almost every facet of the business sector.

As a partnership, Greenhouse Friendly resulted in consumers having access to carbon neutral electricity and gas products, paper, air travel and holidays. And then there were the products that helped us to furnish our homes, paint our fences and even let us relax with a truly green beer on a hot afternoon.

But the landscape has changed, and our policy framework needed to evolve with it – our Kyoto ratification meant that Greenhouse Friendly abatement was no longer considered additional to our Kyoto target.

The Government responded with the NCOS and its Carbon Neutral program, which is commencing on 1 July.

It will include access to a new NCOS Carbon Neutral logo that will assure consumers that the organisations or products bearing the logo meet the carbon neutrality requirements of the program.

Arrangements are being put in place to ensure a seamless transition from Greenhouse Friendly to the NCOS carbon neutrality program and the Government is consulting on these transitional arrangements with affected firms.

Unlike the Greenhouse Friendly™ program, the NCOS Carbon Neutral program will not be administered directly by the Government – but will instead be administered by an independent third party on a cost recovery basis.

I am pleased to inform you that the Government is now negotiating with a third party independent organisation on arrangements to deliver the NCOS Carbon Neutral certification program.

We expect the announcement of final arrangements very soon, before the commencement of the NCOS on July 1.

Australian businesses, particularly farmers, will have the opportunity to develop offset credits from a range of activities that reduce emissions while providing other natural resource management benefits - such as the management of native vegetation and soils, and rehabilitation of rangelands.

An independent, expert Domestic Offsets Integrity Committee is being established to advise the Secretary of the Department of Climate Change and Energy Efficiency on NCOS methodologies.

Some of you may have seen the nationally-advertised call for expressions of interest for this body, the membership of which will be announced soon.

Once established, the Domestic Offsets Integrity Committee will play a role in designing the guidelines for assessing NCOS offset methodologies and registering and crediting offset projects.

The Department will soon release a stakeholder discussion paper on these issues which will include a program for stakeholder engagement.

As mentioned earlier, I understand that the scope of offsets eligible under the NCOS has become an issue following the failure of the Senate to pass the CPRS.

A number of these issues are already under active consideration and I will personally take back your comments and concerns for further discussion with Minister Wong.

And you will have another opportunity to feed in your views through the consultations on the development of offset methodologies under the NCOS.

In closing I want to leave you with two clear messages.

First, the climate change challenge facing Australia and the world requires everyone to play their part.

The Government is firm in its conviction that the most effective and efficient way to achieve Australia's bipartisan emissions reduction targets is through the CPRS.

We remain of the view that putting a price on carbon pollution is essential to establish a vibrant carbon market in Australia and to create new opportunities for abatement providers.

And second, the voluntary offsets industry has a key role to play in supporting the case for change – for action on climate change.

Through the National Carbon Offset Standard, the Government is providing greater integrity to the voluntary market – both in relation to offsets and carbon neutral products available for consumers and businesses alike.

Your businesses play an important dual role. You deliver abatement – but you also play a critical role in helping to educate and inform the public about climate change and the sorts of actions we can all make to reduce our emissions.

And companies and organisations working to achieve carbon neutrality are showing leadership and commitment. They are demonstrating to their clients and the broader community that they are prepared to go the extra mile.

The Government applauds this commitment.

Thank you.