

TOWARDS OPPORTUNITY AND PROSPERITY

Round Table on the Environment: Should we Sign the Kyoto Protocol?

The Need for Major Change in Environment Policy

Don Henry
Executive Director , Australian Conservation Foundation

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Today I want to put the case that it's very much in Australia's national interest to ratify the Kyoto Protocol because of compelling environmental and economic reasons.

But first let me underscore the reality of what we are talking about. There is a wonderful Imax film called the 'Blue Planet', where an astronaut looking at the earth at night from space points out the blue line of the atmosphere surrounding the earth. He notes how thin it appears from space and that it is all that separates life on earth from the oblivion of space. Down here on solid ground today, it is hard to image that our atmosphere is not unlimited and can be affected by our activities. And yet each breath we take here today has about 17% more carbon dioxide, a greenhouse gas, in it than when I was born 45 years ago. And that's the same anywhere in the world. If we do nothing by 2040 our children will probably be breathing air with over 50% more carbon dioxide in it added because of human activity.

I'd like to put the case for Kyoto ratification in the context of a new vision for the future of Australia, a future where we truly achieve a sustainable Australia that underpins a dynamic and vibrant society and economy side by side, with a healthy environment for all.

The drive for environmental sustainability can deliver greater economic productivity, new industries and new markets, as well as a clean and healthy environment.

We are at a cross roads where as a nation we can continue with a 1990s debate of environment versus the economy, or view environmental sustainability as a huge opportunity for increased productivity, greater wellbeing, and a clean healthy and beautiful environment to share and cherish with our children.

The federal government's recent 'State of the Environment' report highlights how stark and urgent this choice is.

On most environmental indicators – for example salinity, water quality, land clearing/condition of the bush, native plants and wildlife, and greenhouse gases - our environment continues to deteriorate in Australia. The 'State of the Environment Committee', a group of our leading scientists, concludes that "the state of the Australian natural environment has improved very little since 1996, and in some critical aspects has worsened. They note that "as species are lost and habitats fragmented, degraded or destroyed, we lose our heritage and part of our life support system."

But how do our actions to tackle these environment issues compare with other countries in the world? If we look at the 'Environmental Sustainability Index', a collaboration this year between the World Economic Forum and Yale and Columbia Universities, we can see that on many indicators we are performing poorly compared to other countries. On indicators for action on water quantity, reducing waste and consumption pressures, eco-efficiency, and reducing greenhouse gas emissions out of 142 countries Australia lags respectively at 105, 125, 105, and 134. We are behind Canada, a comparable country, on 15 out of the 20 environmental indicators.

Notwithstanding the strong community concern and awareness about the environment in Australia, with some exceptions, our overall environment performance is poor and should be unacceptable to most Australians. Australia's nature is being damaged, the benefits of clean air, water, food and materials we gain from the environment are threatened, and, with issues such as salinity and inefficient energy and water use, our economy weakened.

Australia has a 'hot, heavy and wet economy', that is one that uses a lot of energy and water, and produces a lot of waste, to create wealth. It was the model for a successful 20th century economy. But it isn't the model for the 21st century. The 21st century requires the opposite, a cool, light and dry economy. That's the real new economy, based on innovation, knowledge, doing more with less, value-adding, being clever.

But there is a happy solution to what is both an environmental and economic problem. We can use environmental sustainability to drive the economy in the same way that we have previously exploited natural resources. During the industrial revolution human productivity increased by 20,000 percent. Then labor was scarce and natural resources abundant. Now labor is abundant and natural resources are either scarce or their over-exploitation has led to severe environmental problems. To tackle both an environmental and economic imperative the productivity of resource use will need to dramatically increase, perhaps by thousands of percent, over the next fifty years.

An efficient economy, one that doesn't waste energy or water nor produce large quantities per capita of pollution such as greenhouse gas emissions, will increasingly be a competitive economy in the 21st century.

Perversely, because of poor energy and water use efficiency and greenhouse performance, Australia has many easy gains to make that can benefit both the economy and the environment.

Our generation still has the opportunity and privilege to choose a path to a sustainable Australia or remain stuck in 'environment versus the economy' struggles of the last century with an increasingly inefficient economy and damaged environment. If we don't act now, future generations will not have this opportunity.

What's this got to do with the Kyoto Protocol and the need for major environment policy reform?

Environmental modernisation through greenhouse gas reduction and eco-efficiency, land and water repair, and conservation of nature and wildlife are the key drivers for an environmentally sustainable Australia.

And ratification of the Kyoto Protocol presents Australia with a major opportunity to move down this path.

Ratification of the Kyoto Protocol would mean that Australia agrees to the challenge of ensuring our greenhouse gas emissions are capped at an 8% increase on our 1990 levels, supports the needed international effort to reduce emissions worldwide, and is able to access international market mechanisms that let us meet our target with greater flexibility and efficiency. With the exceptions of Australia and the United States, all relevant developed countries have now indicated they intend to ratify the Protocol so that it can enter into legal force later this year.

It's very much in Australia's national interest that the world acts urgently to reduce greenhouse gas emissions. Our scientific community including the CSIRO are telling us that Australia is likely to be badly effected by climate change.

Efforts to repair the Murray-Darling river system will be doubly hard with climate change predicted to cause less rainfall in winter in southern Australia with, for example, by 2050 a predicted 12 to 35% reduction in mean flow into the Murray-Darling Basin.

Climate change is predicted to have a severe impact on Australia's alpine ecosystems with a predicted 18 to 66% reduction in the area of snow cover by 2030 and a 39 to 96% reduction by 2070.

The Great Barrier Reef, the only living thing on earth visible from the moon, is likely to have areas south of Cooktown severely effected by sea temperature rise within the next 20 to 40 years. One of Australia's leading coral reef scientists, Dr John Vernon, said last month that "coral reefs, more than anything else, are first in line for the effects of global warming. It's too late for a lot of areas like the Great Barrier Reef and the reefs of Western Australia – I can't see any escape from that conclusion."

I hope Dr Vernon is wrong and know that as Australians begin to better understand the likely impacts of climate change on treasured national icons such as the Great Barrier Reef they will increasingly demand urgent national and international action.

As one of the nations likely to be worst effected by climate change, Australians face increasing impacts on our economy as well. Reduced agricultural production in southern Australia because of less winter rainfall; increased storms, cyclones, droughts and associated insurance costs; and impacts on our tourism industry because of damaged natural environments are all predictions being made with a high degree of certainty by the scientific community.

We can't tackle climate change alone. At the end of the day it's mainly going to be greenhouse gas emissions from Europe, the United States and developing economies including India and China that will determine the future of Australia's climate. Probably more than any other country on earth, it's in Australia's interest that an international agreement is ratified to start the process of reducing greenhouse gas emissions as soon as possible.

By taking a leadership position with ratification of the Kyoto Protocol and concerted action in Australia, we are also presented with many economic opportunities. We can reap the benefits as we make existing industries more efficient and foster new clean technologies and industry. The sustainable energy sector in New South Wales is growing at a rate of over 25% per year, with sales and jobs in this billion dollar industry growing faster than tourism, information technology, manufacturing and coal mining. The environmental services industry worldwide is growing rapidly and worth billions of dollars.

Meeting greenhouse gas emission reduction targets can also help drive innovation in Australia. We're currently a world leader in solar, have a young but growing wind power sector, and have major opportunities to drive energy efficiency and greater competitiveness through all dimensions of our economy.

If we delay ratification of the Kyoto Protocol we will be unlikely to participate in new international markets systems that allow emissions reduction to be achieved more flexibly and at less cost through activities in other developed and developing countries. Substantial sections of the Australian economy will be disadvantaged compared with countries which ratify the Protocol. Further, we're already seeing early signals from some European countries that questions of border tariffs and trade barriers may emerge as others in the world more keenly perceive the urgency for global action on climate change.

Mr Ian Johnson, Vice-President of the World Bank, noted this year that “the Kyoto Protocol is leading the way in addressing environmental problems of global scale and significance. It’s pioneering of market based mechanisms demonstrates how markets can begin to internalise global environmental externalities and work for sustainable development.”

Australia arguably has achieved the easiest greenhouse gas emission reduction target of any country. Our +8% on 1990 levels emissions target combined with an ability to count emissions from Australia’s high rates of land clearing in the 1990 baseline figure has led most analysts to the view that gradual adjustment to a cleaner and more efficient economy is all that is required.

I want to flag today that the Australian Conservation Foundation will increasingly press the international community to remove Australia’s “land clearing exemption” from our Kyoto target because to date it has provided no discouragement to our high and damaging levels of land clearing, the prime cause of dryland salinity, and risks providing a loophole that other countries, such as developing nations with high rates of forest destruction, will want to exploit as they are convinced to join the Kyoto Protocol.

The Australian Conservation Foundation sees an urgent need for stronger voices across Australian society urging ratification of the Kyoto Protocol and real action, not words, to substantially reduce greenhouse gas emissions in Australia. Progressive business voices should be an active and informed part of this community debate. We need to build a more informed constituency in the Australian public that understands the threats that climate change presents to our society and is prepared to add their voice for action and do their bit.

We should be subjecting the arguments against ratification to closer scrutiny. Why is it that the aluminium industry in Australia strongly opposes ratification of the Kyoto Protocol? One of the larger aluminium producer in the world, Alcoa, a member of the United States Pew Center for Global Climate Change, in their current climate change policy states that “Alcoa has concluded that available evidence indicates greenhouse gas emissions from human activities affect climate change. We recognise the risk of significant climate change is an issue of vital importance requiring action and have committed to reducing Alcoa’s greenhouse emissions to 25% below 1990 levels worldwide by 2010.”

“Alcoa supports cooperative action by all countries that:

- Reduce emissions to levels that will prevent dangerous changes to the world’s climate systems utilising least cost global actions;
- Encourage leadership from developed countries to enable all countries to contribute to effective management of greenhouse gas emissions.”

In Australia today we have a unique opportunity to modernise our economy and repair our land and waters in ways that bring both substantial environmental and economic benefits. Microeconomic and labour reforms of the 1980s and 1990s have helped position Australia’s economy well for today. But as our environment is increasingly damaged and other countries achieve cleaner and more efficient economies we risk losing our competitive edge.

The Kyoto Protocol and the global effort to reduce greenhouse gas emissions provide a vital opportunity for us to use environmental sustainability to continue to strengthen our economy and protect the environment.

We are stuck in a rut of poor environmental performance and old fashioned thinking that sees environment as a threat to, not the opportunity it is, to drive economic performance. There is a lot of talk by all levels of government but the action is not of a scale and purpose to properly tackle the issues. A

lack of national leadership and a lack of effective cooperation between all levels of government is currently keeping us in that rut. COAG, while it has recently adopted a National Salinity Action Plan and is just starting to examine national electricity markets, could do much more to foster coordination.

What can we do now to make the vision of a sustainable and vibrant Australia a reality?

1. Australia needs to ratify the Kyoto Protocol this year.
2. We need a sustained effort to environmentally modernise our economy by:
 - Implementing our Kyoto target through national laws and incentives, assisted by flexible market mechanisms such as cap and trade emissions trading and a revenue-neutral carbon tax;
 - We should commit to stronger renewable energy targets of 5% of electricity being supplied by renewable sources, excluding large-scale hydro and the burning of native forests, in 2005, 10% in 2010 and 20% in 2020;
 - We should commit to increase Australia's energy efficiency by bringing Australia's per capita energy consumption in line with the OECD average by 2005.
3. Environmental modernisation should be seen as a core function of all activities of federal government and should be addressed with federal government leadership, and the development of key policies and action plans by the Council of Australian Governments.
4. A strategic long term commitment to land and water repair is required including nationally legislated targets and incentive programmes to tackle salinity, land clearing and environmental flows in rivers.
5. Land and water repair and biodiversity conservation should be seen as a core function of all activities of federal government and should be addressed with federal government leadership, and the development of key policies and action plans by the Council of Australian Governments.
6. As with competition policy, COAG should adopt an environmental sustainability policy for Australia and establish bodies, including a National Sustainability Council, reporting to the Prime Minister and COAG to implement these sustainability reforms. As part of this initiative, the federal government's Natural Heritage Trust should be reformed with funding for community activities and groups maintained while requiring all proposed government (federal, state and local) expenditure to be implemented as part of the sustainability policy. Further additional untied commonwealth funds should be available to the states to support sustainability reform.

We face two vitally important and linked opportunities as a nation right now. The need to environmentally modernise our economy and to turn around environmental degradation. These are among the greatest challenges to Australia in this 21st century. A sustainable Australia presents the opportunity to save the Great Barrier Reef from climate change, to turn around and repair the degradation to our greatest inland river system the Murray-Darling, and to foster a vibrant and competitive clean and efficient economy, and give us all meaning as we pursue a truly worthy endeavour.

We are the privileged generation to face this challenge and opportunity. We still have time and we can make the changes needed. Let's just get on with the job of achieving a sustainable Australia!