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Minister for the Environment

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Introduction

Thank you for inviting me here today to speak at the Investor Group on Climate Change (IGCC) Climate Change Investment and Finance Summit. I'm very excited about the wealth of knowledge and the breadth of experience gathered in this room.

I understand the IGCC has turned 10 this year. I congratulate the IGCC on this anniversary.

Climate change is a crucial consideration for Government and investors when making decisions about the allocation of capital. The domestic and global costs and risks associated with climate change must be considered.

We know that climate change will impact the value of physical assets due to impacts from climate and weather-related events.

In addition, we know the value of existing assets will change as policy and technology drives our transition to a low- emissions economy.

We also know that now is the time to have a mature discussion about climate change policy – about what works and what does not. And we need to do so while acknowledging what are realistic targets and what are not.

We are in a period of opportunity. The transformations required are significant. Financing the energy infrastructure of the future is a major opportunity for investors. The Government's emissions reduction policies and our focus on innovation and technology supports this transformation. The challenge for investors such as yourselves is whether you can support it as well.

Today I'd like to speak further about:

1. the commitments Australia has made to reduce its emissions;
2. the recent changes in the Environment portfolio; and
3. the emissions reduction fund and the renewable energy target.

The international context and Australia's 2030 target

As you know, the countries of the world are preparing for the United Nations climate change conference in Paris in December. The Government is working closely with other countries to

achieve a successful outcome at Paris. Climate change is a global problem, so we are working towards an agreement that covers all countries, especially the major emitters.

In that context, the Government is prepared to play its part. We have announced the emissions reduction commitment we will take to Paris. Australia will reduce emissions to between 26 to 28 per cent below 2005 levels by 2030. This is a strong, credible and responsible target.

It reflects our national circumstances, including our growing population and economy. It is in step with the actions being taken by other countries like the United States, the European Union, Canada, Japan and New Zealand.

It is an ambitious target, and meeting it will require real effort by Australia. It will require that Australia halves its emissions per person, and reduce by two-thirds its emissions intensity. Australia's 50-52 per cent reduction in emissions per person will be the equal largest of G-20 economies.

Despite the very real and significant effort required to achieve this reduction, I do note the IGCC has questioned whether the target would deliver a credible signal for capital to manage the transition to a low-carbon economy. The IGCC proposed a 58 per cent reduction by 2030.

A question the IGCC and its members may like to consider is how, in the real world, could this be achieved without major economic dislocation? More particularly, how could this be achieved without negatively impacting on investments?

This is not to criticise ambition, but rather to call for a measured and realistic discussion about targets, with a particular focus on how we achieve them.

After all, this is not about whether we need to reduce emissions – we do. It is about how we do it in the most efficient manner which minimises economic dislocation.

How Australia will meet its 2030 target

Our target is a strong target and one that's achievable for Australia without damaging our economy, destroying our businesses or costing jobs.

We will achieve this target through practical environmentalism – measures that boost productivity, reduce costs, increase technology uptake and improve the environment.

It is a target we will achieve with Direct Action measures, at the core of which will remain the Emissions Reduction Fund and its Safeguard Mechanism. These policies, complemented by the Renewable Energy Target and the National Energy Productivity Plan, will be the cornerstone of Australia's emissions reduction efforts out to 2030 and beyond.

Office of Climate Change and Renewables Innovation

The Government has a strong suite of policies to meet our emission reduction targets.

To better integrate these policies, promote innovation, attract investment and get the best value for taxpayers, I have created the Office of Climate Change and Renewables Innovation within my Department.

The Office brings together the Clean Energy Regulator, the Clean Energy Finance Corporation, the Australian Renewable Energy Agency, the Climate Change Authority and the climate change and renewable energy functions from my Department.

The Office will bring a fresh focus to the role of innovation to support emerging renewable and low-emissions technologies that will drive down emissions.

The new structure will ensure we are able to seize all opportunities to reduce emissions, increase investment in new technologies and support synergies across existing policies. The Office will also drive the direction of climate and renewables research in Australia.

Maximising these resources within the Office provides opportunities to leverage investments. The combined resources of the Clean Energy Finance Corporation, the Australian Renewable Energy Agency, and the Emissions Reduction Fund will provide around \$15 billion of support for clean technology and innovation. This is in addition to the support provided by the RET.

I am delighted that Australian Renewable Energy Agency and the Clean Energy Finance Corporation have moved to my Portfolio.

We want to make the best use of these organisations and their significant resources to ensure their work is synchronised with the RET and the Emissions Reduction Fund.

Technology and innovation will underpin the reduction in emissions required over coming decades to take significant action on climate change. Technology and innovation will also

increase the productivity of our economy and will underpin strong economic growth and future prosperity for all Australians.

In September, a comprehensive \$350 million support package for large-scale solar power was announced by the Australian Renewable Energy Agency and the Clean Energy Finance Corporation that will make these technologies more affordable in Australia.

Bringing these bodies together under the Office of Climate Change and Renewables Innovation will improve the coordination of investment in new technologies, in particular solar and energy storage.

These organisations also have a role in improving the liveability of our cities. The Clean Energy Finance Corporation and the Australian Renewable Energy Agency will invest in projects to reduce emissions, make our cities more liveable and drive innovation that will make energy cheaper and cleaner.

The new Minister for Cities and the Built Environment, Jamie Briggs, will have day-to-day responsibility for this new area of the Environment portfolio, however it has long been a personal passion of mine and I look forward to overseeing this work..

Our quality of life depends so much on the environment in which we live. Our cities must be greener and smarter. We need to be able to move around them easily and this requires long term planning and infrastructure to ensure clean air, clean land and clean water.

Our vision is divided broadly into three pillars: long-term planning, infrastructure and greening our cities.

Opportunities include improving the energy efficiency of buildings and public lighting, as well as boosting the uptake and supporting low emissions transport and electricity. Australia leads the world in researching and developing some of these technologies like improved photovoltaic cells and solar thermal applications.

The Emissions Reduction Fund and the Safeguard Mechanism

The Emissions Reduction Fund provides positive incentives for the community and businesses to reduce emissions in ways that lower energy use and input costs and increase productivity.

It is a policy that is appropriate to Australia's economy, geography, and national circumstances.

And it is already achieving results. At its first auction in April this year, 107 projects were contracted to deliver 47 million tonnes of abatement at a price of \$13.95 per tonne. These cover projects across the forestry, waste, agriculture and transport sectors.

To say I am enormously pleased with this result would be an understatement. I think it demonstrates the great potential of the Emissions Reduction Fund to deliver real outcomes by focusing on positive support for emissions reduction, rather than the carbon tax model which penalised businesses as well as mums and dads. At the end of the day, it is the policy that delivers the results that counts.

We will be adding further projects to these at the Fund's next auction at the beginning of November.

There is a wealth of information available on how businesses can benefit from the Fund. I encourage you to look into these investment opportunities and learn more.

As you know, an important element of the Emissions Reduction Fund is the safeguard mechanism. Currently being finalised, the safeguard mechanism is designed to ensure that emissions reductions purchased by the Government are not offset by significant rises in emissions above business-as-usual levels elsewhere in the economy.

It does this by setting an emissions limit – or baseline – on Australia's largest emitters in a way that supports economic growth and allows businesses to continue normal operations.

The Government has consulted widely on the final design of the safeguard mechanism. The safeguard mechanism will cover only the largest-emitting facilities in the economy that emit 100,000 tonnes or more of emissions. Around 140 businesses will be covered. This will ensure that we safeguard emission reductions while minimising unnecessary red tape for small businesses.

The Fund is just one of the Government's measures that will help reduce emissions. Other measures, including those that will sit under the National Energy Productivity Plan, will also play a role.

The National Energy Productivity Plan

When we announced our 2030 emissions- reduction target, the Government confirmed that action would be taken to deliver a 40 per cent decrease in the amount of energy used per unit of GDP between 2015 and 2030.

The National Energy Productivity Plan will include measures to make energy choices easier and will encourage improvements in the efficiency of appliances, equipment, buildings and transport. It will support and encourage businesses to show leadership in improving energy productivity.

The plan will encourage innovative efforts by government and businesses, and will see the development and application of new technologies that deliver more efficient, lower-cost energy services for consumers.

My colleague Josh Frydenberg, the Minister for Resources and Energy, will have more to say about the National Energy Productivity Plan in coming months. It is an exciting policy. We all know that working smarter by doing more with our energy makes good economic sense and good environmental sense.

The growth in renewable energy generation

I now come to the issue of renewables.

The Renewable Energy Target (RET) forms an important part of the Government's plan to cut emissions and support a strong and sustainable renewable energy sector.

The contribution of renewable energy to our overall energy mix is rising. Renewable energy generation has almost doubled as a result of the RET scheme. Today, renewables contribute around 14 per cent of Australia's electricity generation. This will rise to 23.5 per cent by 2020 under the RET.

Putting this into perspective, the revised target – passed with the support of the Opposition and the Senate cross-benchers – requires the same amount of large-scale renewable energy to be built in the next five years as has been built over the past 15.

Such a marked increase will be a significant factor in transforming our energy mix, and make a strong contribution to meeting our five per cent emissions reduction target in 2020.

This is a major challenge – one which the renewable sector is determined to meet.

The challenge for investors such as yourselves is to help the renewable sector make it happen.

We are entering a period of unprecedented opportunity for renewable energy. Advances in technology will play a major part in progressing the renewable agenda in the years ahead.

We have seen significant steps forward in 2015. Advanced solar, energy storage, wave energy and other technologies have come far and have so much more potential.

I am excited to see what the future holds and I am confident that Australians will lead the way with creative and innovative solutions.

There is much to be done and many more opportunities to grasp. But this should not come at the cost of our competitiveness or our lifestyle. That is why we reformed the RET.

Conclusion

I'd like to finish by reiterating that there will be many exciting opportunities for investing in a low-carbon future for Australia, with certainty locked in for the RET, strong 2030 emissions-reduction targets, low-cost abatement opportunities purchased through the ERF and continual advancement in emerging renewable and low-emissions technologies.

We have set ambitious yet responsible emissions-reduction targets and will be part of the crucial international talks in Paris at the end of the year. And as we meet our goals, we will aim to do more.

We will focus on innovation through the Office of Climate Change and Renewables Innovation, which will support an integrated and innovative approach to reducing emissions.

We have a plan to make our cities greener and more liveable. Renewable energy will have an important part to play in this.

And with more auctions under the Emissions Reduction Fund, we will open up new opportunities for businesses and the community to reduce emissions across Australia.

Underpinning our environment policy is the notion that a clean and healthy environment and a strong economy are equally important. They are not mutually exclusive - we do not have to choose one over the other. We can have both.

I wish you all the best for the Summit. Thank you.