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Minister for Climate Change and Water

Launch of the Carbon Disclosure Project Australia & New Zealand

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Check against delivery

Introduction

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- Andrew Gray (Goldman Sachs JBWere)
- Joanne Saleeba (Investor Group on Climate Change & report author)
- Sue Howell (Carbon Disclosure Project)

Thank you for the invitation to speak to you today.

First of all, I would like to congratulate you all on the release of the Carbon Disclosure Project report for 2008 and applaud the efforts of the companies that participated in the report this year.

Reports like this will become increasingly important in a carbon-constrained world.

The Carbon Disclosure Project shares information on how the largest companies in Australia and New Zealand are responding to climate change and preparing for carbon trading — providing important information to investors, and sharing new and innovative ways of addressing climate change risks and impacts.

It will help to reward those companies that are dealing with climate change risk and preparing for a carbon-constrained world.

This report shows how these companies from Australia and New Zealand are harnessing the opportunities from climate change, particularly those opportunities that will be created by the Carbon Pollution Reduction Scheme and New Zealand's Emissions Trading Scheme.

And it is the opportunities presented by action on climate change that I would like to talk about today.

There have been concerns raised in public debate, here in Australia and in New Zealand, about the risks of the introduction of emissions trading.

But it is also important for us to recognise the vast opportunities that will flow from the introduction of an emissions trading scheme and other strategies for reducing our carbon emissions.

If realised, these opportunities could deliver ongoing benefits for our two great nations.

Australia's geography, geology and economy present significant advantages in the transition to a low carbon world.

We have had 16 years of consistent growth and record employment.

We have a highly skilled, flexible economy that will support this transition.

Our strong policy-making and governance institutions allow us to formulate and implement complex policies.

And our robust science and research capabilities in renewable energy — in addition to a wealth of energy sources — will allow us to harness the opportunities of a carbon-constrained world.

The Carbon Pollution Reduction Scheme will be Australia's central policy tool for reducing greenhouse gas emissions and our carbon footprint.

The scheme will be the most efficient, cost effective and economically responsible way to reduce carbon pollution.

It will be a comprehensive emissions trading scheme, with maximum coverage and features allowing it to link with other trading schemes to enable a truly global carbon reduction scheme.

We are already seeing the effects of climate change. Almost daily we read predictions of impacts and costs that are larger than we previously foresaw.

That means that there will be a strong incentive for other nations to develop similar trading schemes. New Zealand and the European Union already have schemes in place, and Japan and parts of the United States and Canada have them under development.

The Australian scheme — which will come into effect in 2010 — will create a new type of financial commodity in Australia.

Over time, with the introduction of other schemes around the world, this new carbon commodity will become a global commodity traded on the world stage.

Australia can play a key role in this global development.

Financial market development

One of Australia's major opportunities lies in being well placed to provide the necessary financial services to support developing carbon markets in the Asia-Pacific region.

Australia has significant competitive advantages as a potential hub for emissions trading and related financial services in our region.

Prime among these is our capacity as a regional commercial centre with world-class financial institutions, developed capital markets, a skilled workforce, high standards of corporate, financial and regulatory governance, and political stability.

The potential value of such a hub in Australia could be enormous.

The World Bank recently reported that current carbon markets around the world totalled 64 billion US dollars in 2007.

This market has more than doubled in just one year from 31 billion US dollars in 2006.

The volume of carbon traded also almost doubled from 1,745 mega-tonnes of CO₂ equivalent (MtCO₂) in 2006 to 2,983 mega-tonnes in 2007.

Australia also has a wealth of professional experience in developing and implementing trading schemes, such as the New South Wales Greenhouse Gas Reduction Scheme and the Mandatory Renewable Energy Target.

Investment flows into low emissions technology

The Carbon Pollution Reduction Scheme will drive companies to find new and innovative ways to reduce their emissions, which in turn will lead to the development and expansion of lower emissions technology.

A recent article from *Energy Policy* journal predicts that a global carbon market could grow up to 10 trillion dollars — comparable to the size of the oil industry. Such a market would drive large scale investment in renewables and low emissions technology.

The International Energy Agency has estimated that halving global emissions by mid-century will take 45 trillion US dollars worth of investment.

The Garnaut Climate Change Review found that the incentive to mitigate will result in the expansion in those industries where Australia can develop a comparative advantage.

Such industries include electricity generation — from our abundant resources in geothermal, wave and other renewables — through to our national potential for biosequestration.

Australia also has vast renewable energy sources from sun and wind.

For example, a report from Invest Australia highlights that solar radiation is Australia's largest potential energy source — and that over 9 per cent of Australia's land surface receives in excess of 1,950 kilowatt hours per square metre (kWh/m²) of sunshine each year.

Our scientists are among the best in world. We have the potential to become world leaders in clean energy technology.

With energy demand soaring and abatement efforts gearing up around the world, the benefits could be substantial.

The Australian Bureau of Agricultural and Resource Economics predicts that Australian energy consumption will continue to grow at a rate of 1.6 per cent per year until 2030.

According to a report from the United States Energy Information Agency, world energy consumption is projected to increase by 50 per cent from 2005 to 2030.

The Climate Institute recently predicted that investment in the renewable energy sector in Australia could reach \$20 billion by the year 2020, and the global market in renewables could reach \$254.5 billion by 2017.

In addition, incentives to mitigate in the agriculture sector — a large contributor to GDP and one of our largest employers — could make Australia a leader in the development of environmentally sustainable agricultural practices.

Environmentally profitable alternatives are increasingly being developed as economies increase their abatement efforts.

Those alternatives include biomass production for renewable energy and biogas production from methane.

The Garnaut Climate Change Review suggests that the incentive to mitigate will — over the long term — contribute to expanded agricultural production and stimulate new technologies and better land management practices.

The opportunities from climate change are enormous. Swift action on our part to capitalise on increasing low emissions energy demand could be a tremendous boost to our economy.

Creating a green collar economy

As I said earlier, the move to a low carbon economy will create opportunities in both existing and new industries, which will call for new skill sets and jobs.

To support the innovation unleashed by the carbon price signal, Australia will need engineers, innovation managers, entrepreneurs, commercialisation specialists and venture capitalists.

To support the national adaptation task, we will need engineers, architects, urban planners and natural resource managers.

The CSIRO modelling in the report *Growing the Green Collar Economy* indicates that employment sectors with high potential environmental impacts will grow strongly, with projected increases of more than 10 per cent in the next ten years.

CSIRO predicts this will add 230,000 to 340,000 new jobs to the agriculture, construction, manufacturing, mining and transport sectors. In the case of construction and transport, growth will exceed the national average.

The Government recognises the need to build the critical resources, knowledge and expertise necessary to effectively respond to climate change.

We are already acting to make sure Australia is well positioned to meet the changing skills requirements.

We are also working to provide incentives for our talented scientists and professionals to stay in Australia or to come back from overseas.

First, up to \$2 million over four years is available to professional associations and tertiary institutions under the *Climate Change Adaptation Skills for Professionals* small grants program to help integrate climate change adaptation into training for professionals such as engineers, planners and architects.

Second, the Government's *Skilling Australia for the Future* policy is responding to the existing skills shortages and to the emerging need for skills in responding to climate change.

Skills Australia has also been established to provide advice to the Government on Australia's current, emerging and future workforce skills needs.

However, this critical task of equipping our labour market with the skills, education and training required for a smooth transition to a low carbon future will require the efforts of all levels of government, the education and training sector, business and the wider community.

Next Steps

In finishing, I would like to bring you all up to date with the progress of the Carbon Pollution Reduction Scheme.

In designing the scheme, we recognise the importance of working closely with the community.

Over the past six months, my Department and I have been engaged in ongoing consultations and discussions with business and the community.

In response to the Green Paper, we have received around 1,000 submissions, which have provided substantial and very helpful feedback on the Government's proposals.

I am pleased that many businesses, including many represented here, have made constructive contributions to these discussions.

Your ongoing efforts and your engagement with me and my Department will help the Government to produce effective policy responses to climate change.

I know that you will all continue to speak constructively with us on all the implications of climate change — economic, environmental and social — and on the development of the Carbon Pollution Reduction Scheme.

The Government's final policy decisions on all design aspects of the Carbon Pollution Reduction Scheme will be included in a White Paper to be released at the end of the year, after which a further series of consultations will occur.

An exposure draft of the legislation for the scheme will be released in late 2008, and we intend to pass legislation in the 2009 winter sittings of Parliament.

Conclusion

The scheme is part of our long-term agenda to prepare Australia for a carbon-constrained world.

By moving now, we will create great opportunities — the opportunity to become the carbon financial hub for the Asia-Pacific; to innovate early and take advantage of the myriad opportunities to export the knowledge we gain; and the opportunity to create hundreds of thousands of new 'green collar' jobs.

The Government is committed to this agenda, to allow Australia to reap the rewards.

Once again I congratulate you all on the release of the 2008 Australia and New Zealand Carbon Disclosure Project report.