



**Submission to the Inquiry
into
Emissions Trading Schemes**

**by the NSW Legislative Assembly Standing
Committee on Natural Resource Management
(Climate Change)**

May 2008

Prepared by the

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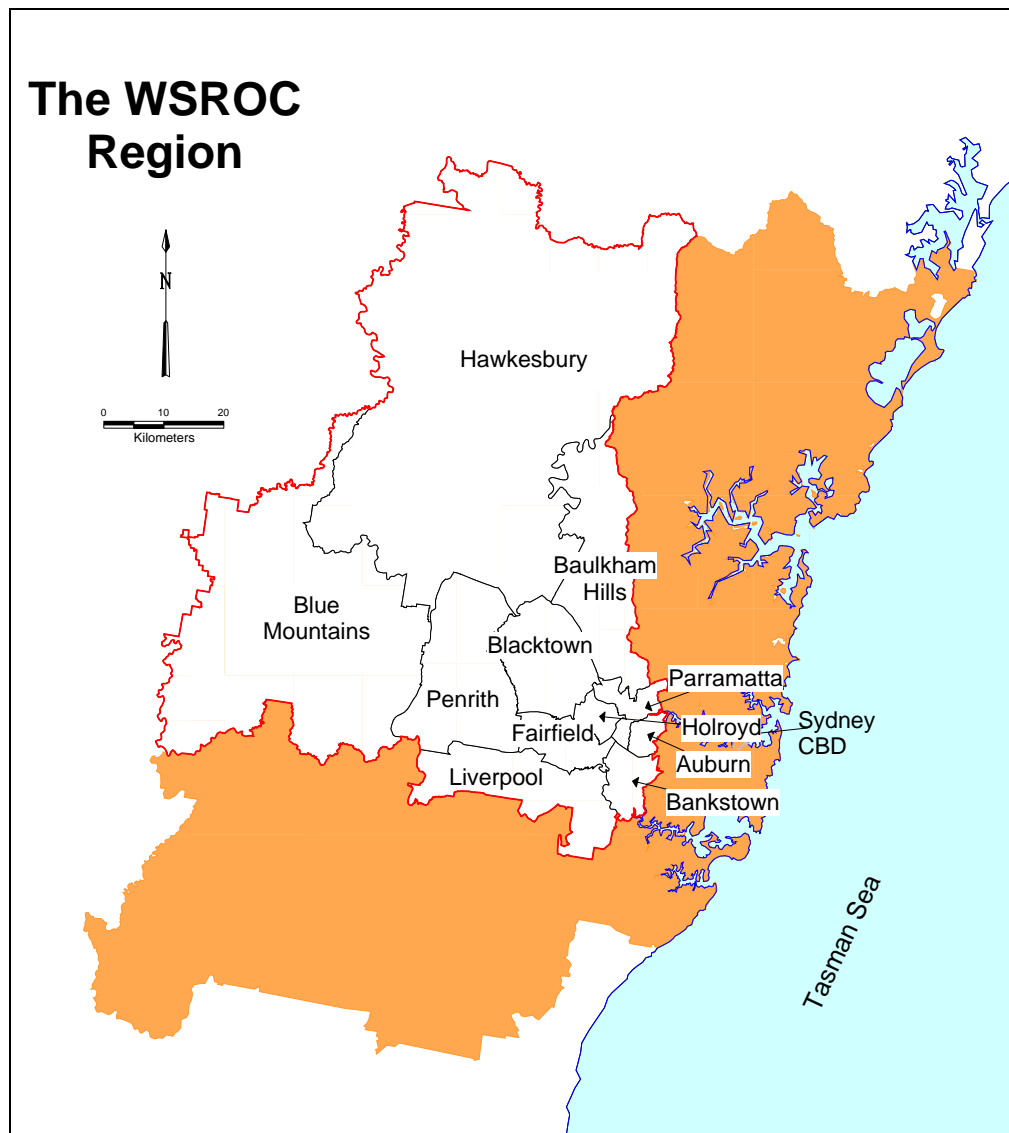
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SUBMISSION TO THE INQUIRY INTO EMISSIONS TRADING

1. INTRODUCTION

WSROC welcomes the opportunity to provide comment to this Inquiry. WSROC supports emissions trading as a important strategy in the effort to contain greenhouse gas emissions.

However, the potential impact of a proposed Federally administered Emissions Trading Scheme (ETS) is of significant concern for local government in Western Sydney. WSROC member councils are developing their Natural Resource Management policies in light of both the NSW ETS (NGGAS) and the anticipated National ETS (NETS). A number of councils are also involved in partnership projects in NRM, particularly regarding biodiversity conservation, bio-banking and revegetation where a NETS could have a bearing on project design and viability. Of overall concern is the potential impact on council finances of significant cost increases that may stem from a NETS.

2. COSTS AND BENEFITS OF NATURAL RESOURCE MANAGERS OF NATIONAL AND INTERNATIONAL GREENHOUSE GAS EMISSION TRADING SCHEMES

2.1 Increased Costs for Energy and Local Climate Change Adaptation Strategies

A major concern of Councils is the potential for significant increases in costs for energy (including fuel) that cannot be fully recouped by council because of rate pegging in NSW. Rate pegging in NSW has contributed to the underinvestment by NSW Local Governments in infrastructure and land management that was identified in the Allen Report, commissioned by the LGA.

Natural Resource Management by councils is also vulnerable to budget cuts when financial pressures on councils increase, particularly as other services provided by local government (ie; local roads, waste management, land use regulation, etc) are the sole preserve of councils and so are generally considered essential services for them to maintain. It would be a truly ironic situation if the NETS, which is designed to protect the (global and local) environment, negatively impacts the capacity of local government to implement local natural environment conservation and enhancement measures, including those which can assist in greenhouse gas reductions or climate change adaptation.

However it is likely the NRM strategies implemented by all levels of government will change in response to climate change and the implementation of a NETS and WSROC is not therefore advocating that current NRM strategies remain the same.

Accordingly, the implementation of a ETS should include the diversion of some of the funds raised at a national level, through the auctioning of emissions credits, to local government. These funds should support local expenditures that contribute to reductions in greenhouse gas emissions and local natural environment improvements. Projects supported could include: local facilities for facilitating public

transport use; programs for revegetation and “forest sinks” (see below); local energy generation and efficiency (for facilities, streetlighting, etc).

Councils in Western Sydney are also very concerned that many disadvantaged people in the region may disproportionately bear the burden of increases in direct energy costs (including fuel) and general goods and service costs, where increases stemming from the NETS are passed on to them. Western Sydney is particularly vulnerable to increased fuel costs, as the nature of development in the region requires high car ownership levels and high average travel distances.

Recommendation 1

The NSW Government should lobby the Federal Government to ensure that Local Government is compensated for cost increases in energy use and other impacts of a NETS.

Recommendation 2

The NSW Government should lobby the Federal Government for a share of the income from the auctioning of emissions credits, to go to local government for local projects that contribute to reductions in greenhouse gas emissions and local natural environment improvements.

Recommendation 3

The NSW Government should ensure that, if the Federal Government does not compensate Local Government for cost increases resulting from the NETS, increased costs incurred by Local Government as a result of an NETS are covered by an increase in rates charged by local councils.

Recommendation 4

The NSW should lobby the Federal Government to ensure that increased living costs arising from the implementation of a NETS are borne equitably by households on higher and lower incomes.

2.2 Carbon Sequestration and “forest sinks”.

Carbon sequestration is one of the key strategies to reduce greenhouse gas concentrations in the atmosphere, and “forest sinks” are the only viable process currently available. There is currently some controversy as to the permanence, measurement and sustainability of forest sinks as a carbon offset strategy, particularly in the context of international consistency in ETS.

Australia is one of the few countries places where it is feasible to make significant contribution to carbon sequestration through forest sinks. Many other countries either do not have the land available for significant re-afforestation or enhancement to vegetation, or do not have the political and/or regulatory stability (particularly regarding land tenure) that is required to ensure long term accountability. While other countries may eschew forest sinks in their ETS, Australia should resist any international pressure to conform to a model of NETS that excludes forest sinks as a carbon offset strategy.

The inclusion of forest sinks in emissions trading schemes, as is the case with NSW NGGAS, also has the potential for multiple environment and conservation outcomes. A clear link between GHG reduction aims and other environmental strategies for

management of the same land / vegetation communities provides positive re-enforcement for each of the environmental goals. Multiple benefits can potentially make land management for emissions trading more viable.

To achieve mutual policy outcome benefits, the NETS must give priority to forest sinks for *natural vegetation and maximum biodiversity* as against plantings of exotic species. Exotic forest species have a prime role in provision of timber supplies, often at a cost to the environment and may be of questionable sustainability. The inclusion of exotic species planted for timber production in the NETS could create conflict between environmental and economic uses of this resource, potentially to the detriment of the emissions trading value and consequently to the credibility and viability of the use of forest sinks in the NETS.

Recommendation 5

Forest sinks for carbon sequestration should be included in the NETS as an emissions offset strategy, in recognition that Australia represents one of the few viable opportunities for this strategy and that reforestation in Australia is a high priority for biodiversity and conservation outcomes.

Recommendation 6

If forest sinks are included in the NETS, there should be priority to native vegetation and maximum biodiversity as against plantings of exotic species.

3. TRANSITIONAL ARRANGEMENTS FOR PARTICIPANTS IN THE NEW SOUTH WALES EMISSION SCHEME TO A NATIONAL SCHEME

3.1 The Capacity of Local Government's to Integrate the Impacts of the NETS with Management Planning

Currently there is uncertainty as to what will be included in coverage of the NETS. The NGGAS is limited to electricity suppliers and major users, but the options for the NETS may also extend to a range of sectors including industry, "fugitive" emissions, transport, waste, forestry and agriculture. Of these, Local Government would be most concerned with the impact of the inclusion of waste (as a major manager of waste) and transport.

The timetable for development of the NETS suggests that the Federal Government's intentions for coverage will be known by July 2008, and subsequently finalised by the end of the year. However as the NETS is scheduled to begin by 2010, WSROC and member councils are anxious to ensure that there are sufficient resources allocated to developing the capacity within local government to integrate the impacts of the NETS into their management plans, including Natural Resource Management.

Accordingly, WSROC seeks the support of the NSW Government in developing a program of capacity building for councils as soon as there is clarity as to the potential impacts of the NETS will be on local government.

Recommendation 7

The NSW Government, in liaison with local government, should develop a program of capacity building in understanding the NETS and its impact on council land management practices and general operations and as soon as there is clarity as to coverage and operation of the Scheme.

3.2 Existing Projects Structured According to Pre-existing Greenhouse Gas Abatement Schemes (ie CCP and NGGAS)

A number of WSROC councils are currently engaged in Greenhouse Gas Abatement and Natural Resource Management projects involving elements that may be relevant to the NETS, particularly in the areas of energy reductions, waste management and revegetation. These projects and investments are commonly structured to deliver benefits over extended periods of time, well beyond the transition period of 2010 – 2012 (and up to 100 years on the case of carbon sequestration in forests).

Accordingly, councils are concerned that their investments in these areas are not diminished or the viability of these projects threatened by a new NETS regime.

WSROC therefore agrees with and supports the objectives outlined in the draft Transition Arrangements prepared by the NSW Department of Water and Energy, particularly, in this context, the imperative that the transition to new ETS arrangements be 'fair', such that investments made viable as a result of GGAS are not rendered uneconomic by the scheme's replacement with a NETS.

To not support these investments would not only penalize early innovators, but also would send a discouraging message to future innovators in a field where rapid research, development and innovation are crucial to developing the required greenhouse gas abatement strategies needed to reduce emissions levels by the scale indicated by the most recent science on this issue.

Recommendation 8

The NSW Government's objectives for Transition Arrangements, as outlined in the draft prepared by the NSW Department of Water and Energy, particularly the objective that the transition be 'fair' such that investments made viable as a result of GGAS are not rendered uneconomic by the scheme's replacement with a NET, should be reinforced.