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The Chair
Standing Committee on Natural Resource Management (Climate Change)
Parliament House
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Sydney, NSW 2000

NSW Business Chamber
incorporates

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NSW Business Chamber appreciates the opportunity to provide comment to the Standing Committee on Natural Resource management (Climate Change) Inquiry into Sustainable Natural Resource Management and the Impact of Climate Change.

NSW Business Chamber has nearly 30,000 members and is affiliated with over 110 Chambers of Commerce throughout NSW, representing a further 11,000 businesses. NSW Business Chamber members are located across NSW and are both product and service delivery focussed enterprises.

Increasingly NSW businesses in drought affected areas like the Riverina, working with the NSW Business Chamber in developing options for a sustainable response to climate change. It is vital to the competitiveness of NSW that business is supported to build capability and position their businesses to succeed in the face of climate change, by managing risks and acting on new market opportunities.

Responding to global warming will be one of the great policy challenges facing all governments in coming years. The world is warming and this will have implications for our ecosystem starting with the availability of a reliable and sustainable water supply, crop yields and eventually, the very shape of global coastlines and human health.

Whilst estimates about the extent of global warming are varied, there is little doubt it will become an escalating cost to the world economy over coming decades. The Stern Report, commissioned by the UK Treasury, argues that society must treat the costs associated in mitigating global warming as a longer term investment in the sustainability of modern economies.

"Mitigation – taking strong action to reduce emissions – must be viewed as an investment, a cost incurred now and in the coming few decades to avoid the risks of very severe consequences in the future.... The benefits of strong, early action considerably outweigh the costs"¹.

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¹ UK Treasury; Stern Report, Executive Summary, 2006



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Data from the World Resources Institute Climate Indicators Tool (CAIT) indicates that 68% of all emissions relate to what could be called “economic emissions”, namely 24% power, 14% industry 14% transport, 8% buildings and 5% other energy emissions².

This reflects the fact that CO₂ emissions per head are strongly correlated with GDP per head. This is significant as statistically Australia has one of the highest emissions per capita. If structural changes are not made in the economy our prosperity will forever be linked to these emissions.

In recent years, the NSW Government has established a State Greenhouse Plan, developed the NSW Greenhouse Gas Abatement Scheme, supported the establishment of a States-only National Emissions Trading Scheme (NETS) and established a target of reducing greenhouse emissions by 60% by 2050 as part of the State Plan.

Policies such as the introduction of carbon rights legislation, the Australian Building Greenhouse Ratings Scheme, the native Vegetation Act and the Building Sustainability Index (BASIX) have all reflected the Government’s commitment to address the issue of climate change.

Though business at times express concerns about the practical applications of some of these measures, NSW Business Chamber considers that they are directionally correct based on a need to have national, consistent, simple solutions. For example the continued operation of the Federal Mandatory Renewable Energy Targets scheme (MRET) and NSW equivalent in conjunction with a national emissions scheme is an example of over-regulating and creating inconsistent and complex solutions.

A national approach to this issue is essential and this organisation considers that NSW has a critical role in advancing this through COAG.

Climate Change Regulation

Improving Federal-State relations will increase Australia’s ability to contribute meaningfully to the climate change challenge, but more significantly for the economy and business, will reduce the impact of “green tape”.

Recent research by NSW Business Chamber has shown that Australian businesses face up to five layers of environmental regulation – international law, national law, state law, local councils and the judiciary – and this has produced a dramatic increase in areas and types of environmental actions needed to be taken by business.

“Green tape” over the next twenty years is expected to be as significant to the profitability and competitiveness of business, as “red tape” has been over the past twenty years. Left unchecked, the desire to improve climate outcomes will make “green tape” a major issue for businesses in coming years with the size and scope of regulation from all layers of government increasing.

An uncoordinated, ad hoc approach to this issue by governments could diminish the goodwill of businesses wanting to improve emissions processes and also result in Australia losing competitive advantage in key industries.

² www.wri.org

It could also result in differing levels of government releasing conflicting and overlapping legislation and thereby repeating some of the lessons of the “red tape” experience of recent decades.

The NSW Business Chamber’s climate change position requires a three pronged approach:

- Implement coordinated and straightforward market mechanisms that appropriately internalise the cost of carbon emissions (i.e. a carbon emissions trading scheme).

NSW Business Chamber considers that the benefit of market-based solutions, within a government-regulated environment, is that it encourages better use of resources and less wastage. It also rewards those businesses which invest in new technologies that reduce resource use and thus lower costs.

- Developing simple complementary policy measures and incentives that promote long-term investment, research and development in climate change solutions (i.e. accelerated depreciation),

An incentive mechanism encourages business to move toward improved resource management and tackling climate change as an opportunity, rather than a threat.

- Creating effective and sustainable education programs for business and consumers that outline the benefits of decoupling economic prosperity from emissions growth and practical measures to achieve this (i.e. climate change is not a threat to our livelihood, but a new opportunity).

NSW Business Chamber considers a significant education and assistance campaign is needed to prepare business for its role in tackling climate change. The business community across the State may not fully appreciate the extent of increased costs for utilities such as gas, electricity and water in the coming years as the price of these resources more closely reflects the true cost of the resource, including any externalities. Naturally, businesses will attempt to respond to this by making more efficient use of these inputs.

Sustainable Natural Resource Management

To apply the above approaches to natural resource management the NSW Business Chamber makes the following recommendations:

1. **Retain water trading system.** The *Water Management Act 2000* and the associated reforms to water licences and trading are a significant positive step forward in improving the use of water in NSW. In broad terms, the NSW Business Chamber supports the system, including the water trading scheme.

Already there is strong evidence of better water use across NSW. For example, the rice industry in the Riverina has continually researched and implemented options for water efficiency and growing techniques which over the years have attributed to water savings of over 25%. These have included improved land preparation and water reduction strategies including shorter-season varieties, computer modelling / electro-magnetic surveying to ensure only the exact amount of water is applied, and efficient supply and drainage systems on the farm. The industry has been successful in reducing water use in terms of mega litres per hectare by 30% over the past ten years and increasing rice yield in tonnes per mega litre by 60% in the same period.

2. **Increase transparency in water approval systems.** NSW Business Chamber seeks improvement in the approvals system, particularly as it applies to relocating the extraction point of water licences. Currently it is unclear how the approvals process is undertaken and what considerations are made to reach a final decision.

In particular, the system needs to ensure that the impact on other businesses (both on and off an irrigation channel) and the broader community of permanently relocating a licence is taken into account. While Irrigation Corporations have moved to improve certainty and transparency, this is not the case for those areas outside the Corporation zones.

3. **Take a national approach to water management.** The NSW Business Chamber supports current moves towards a national approach to water management. River systems do not recognise state-boundaries. This means inter-state co-operation and/or national regulation is essential if regional development is to be sustainable in Australia.

National programs such as RiverReach, whereby entitlements remain with licence holders in a region but allocation against the entitlement are able to be sold to the environment, provide an improved scenario for regional communities.

4. **Transitional arrangements for businesses.** NSW Business Chamber considers that transitional support for rural business owners needs to be available, should the new water allocation scheme negatively impact on the viability of their business.

Options for consideration should include short-term financial assistance through access to government business development programs and reduced interest loans for the establishment of a new business and access to publicly funded training and skills development programs related to NSW Strategic Skills needs in line with the NSW State Plan.

The climate change challenge is both the biggest opportunity and biggest threat for both Government and business alike. It is important that an emphasis is placed on developing a collaborative, co-operative and mutually supportive framework that minimises "green tape" and maximises the economic opportunities that will come from effective natural resource management.

If you have any questions related to this submission please contact Kathy Rankin, Senior Manager Policy on (02) 9458 7441 or kathy.rankin@nswbc.com.au.

Yours sincerely



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