

**Submission
No 48**

INQUIRY INTO CLIMATE CHANGE (NET ZERO FUTURE) BILL 2023

Organisation: The McKell Institute

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Dear Committee Members

The McKell Institute thanks the Committee for the opportunity to submit evidence in relation to the Climate Change (Net Zero Future) Bill. The McKell Institute is an independent and nonpartisan progressive policy research institute. Our work is supported by a broad cross section of stakeholders, spanning civil society, trade unions, industry peaks and private sector organisations.

New South Wales is among the most affected jurisdictions in Australia with regards to climate change impacts. In recent years, major flooding, storm and fire events have cost New South Wales households billions. Insurance premiums have skyrocketed, given increasing natural perils in the state. No longer is climate change a future-challenge — it is impacting everyday people in New South Wales today.

Cynics view any action on climate as a waste of time. Many still argue that, given Australia and New South Wales aren't the only emitters globally and that, proportionately, their emissions are smaller than elsewhere, that we should simply sit idly by and ignore the climate challenge. This profoundly narrow view of the issue ignores both the moral imperative of acting on climate change, and the profound economic and investment opportunities that will reward fast-moving jurisdictions.

New South Wales has, in recent years, had a more pragmatic approach to climate change, with the political conversation around climate change less destructive than we have seen in other jurisdictions.

In our view, this Bill adds to that, strengthening the state's climate framework, carefully balancing the need to act with the realities of the state's political economy.

This submission considers the merits of the proposed legislation within this broader context. I look forward to any opportunity to articulate further the points made in the following submission to the Committee in person.

Yours sincerely,

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CEO

McKell Institute

25 October 2023

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1. Why Climate Action Matters in NSW

Climate change is exacerbating and amplifying a variety of destructive extreme weather events across Australia, contributing to more intense bushfire seasons, severe heatwaves, stronger cyclones, sudden floods, and prolonged droughts. NSW is uniquely exposed to the various environmental risks associated with climate change.

According to the Intergovernmental Panel on Climate Change (IPCC), Australians are already seeing climate change made manifest in their daily lives, mostly driven by the many extreme and devastating weather events that impact communities and ecosystems on a grand scale:

“Climate trends and extreme events have combined with exposure and vulnerabilities to cause major impacts for many natural systems, with some experiencing or at risk of irreversible change in Australia...Further climate change is inevitable, with the rate and magnitude largely dependent on the emission pathway.”¹

While NSW cannot singlehandedly address climate change, there are moral, environmental and, importantly, economic imperatives to take meaningful action as a state.

2. Why a Net Zero Target Is Important for the NSW Economy

Net Zero is an essential policy in order to attract and retain investment in any jurisdiction. Global capital, foreign governments, and consumers are increasingly conscious of climate change and are eager to work with organisations based in jurisdictions with meaningful commitments to carbon reduction. A Net Zero commitment helps to attract economic investment by:

1. **Demonstrating long-term policy stability:** The aim to achieve net-zero emissions by 2050 serves to instil trust and confidence in the private sector. This, in turn, stimulates

investments and innovations in low-carbon technologies and practices throughout the NSW economy.²

2. **Signalling NSW government support for climate action:** NSW has allocated over \$1 billion to collaborate with industries on their path to net zero.³ This includes a substantial \$750 million in funding opportunities offered through the Net Zero Industry and Innovation Program, which supports the advancement of clean technologies, the establishment of new foundations for low-carbon industries, and the transformation of high-emission sectors.⁴
3. **Future proofing the state's economy:** The commitment to achieving net zero emissions is viewed as a strategy to future-proof industries, create job opportunities, and enhance the overall economy. By embracing the advantages of a low-carbon economy, NSW can establish itself as a pioneering innovator today and in the future.⁵
4. **Signalling NSW's openness to future industries, like hydrogen:** NSW's Hydrogen Strategy offers substantial incentives of up to \$3 billion to support the growth of industries, positioning the state as a worldwide leader in green hydrogen production.⁶

These initiatives underscore how NSW's commitment to achieving Net Zero is fostering an environment conducive to building business confidence and attracting investment.

3. Net-Zero Commitment in Line with Growing International Consensus

Generally speaking, achieving net zero emissions means realising a balance between the greenhouse gases emitted into the atmosphere and those removed from it. This is essential to avoid the worst impacts of climate change, which include sea level rise, extreme weather events, and biodiversity loss. Achieving net zero emissions isn't the same as eliminating all emissions.⁷

In 2018, the Intergovernmental Panel on Climate Change (IPCC) declared that to adhere to the Paris Agreement's objective of restraining global warming to 1.5°C, the world should aim for net-zero emissions by approximately 2050. This 2050 target was later incorporated into the Glasgow Climate Pact, which was agreed upon during the COP26 conference in 2021. The parties that endorsed the Pact acknowledge that "limiting global warming to 1.5°C requires

rapid, deep and sustained reductions in global greenhouse gas emissions, including reducing global carbon dioxide emissions ... to net zero around mid-century."⁸

According to current scientific findings, achieving the goal of capping global warming at 1.5 degrees Celsius hinges on attaining net-zero CO₂ emissions sometime between 2050 and 2060.⁹ Attaining net zero emissions earlier in that timeframe, particularly closer to 2050, helps to prevent the potential risk of temporarily surpassing or exceeding the 1.5-degree Celsius threshold.¹⁰

So far, **more than 90 nations** have announced these 'net-zero goals,' with even the largest emitters globally, like China, the United States, and India, expressing their commitment to such objectives.¹¹ Furthermore, numerous regions, cities, and corporations have established their own targets in addition to this. Effectively, Net Zero is becoming a pre-requisite for engaging economically with many of the world's most important jurisdictions and organisations.

4. NSW's Unique Exposure to Climate Change

NSW is uniquely exposed to the various challenges associated with climate change. Over recent years, the state has been subjected to a series of a horrific extreme weather events, which are predicted to worsen over coming decades. The Black Summer fire season and 2022 floods were deadly and destructive, costing both residents and the State Government billions. The increasing frequency of less severe weather events, such as hailstorms and 'rain bombs' are also creating major disruptions in Sydney and across the state. Each of these events are worrying from a safety perspective, but also result in considerable costs and insurance premium hikes.

5. Setting Floors, not Ceilings, an Appropriate Approach

The approach of the proposed legislation is balanced, committing NSW to practical and achievable emissions reductions targets, while retaining room for a more expeditious pathway to Net Zero should the economic and technological conditions allow for it. It is important that New South Wales commits to ambitious climate targets. These commitments also require practical pathways towards achieving those targets, and an open-mindedness

about increasing those targets should that be achievable. The McKell Institute endorses the sensible approach to target setting in this Bill.

6. Attempts to Depoliticise Climate a Step in the Right Direction

The McKell Institute strongly endorses the establishment of a Climate Commission, as defined in the Bill. The establishment of a Climate Commission, particularly one composed of independent, well-credentialed experts, able to provide advice to government regarding the pathway to Net Zero, is advantageous for several reasons.

First, it ensures that government is equipped with the best possible advice when it comes to establishing emissions reduction policy. The criteria upon which the Minister is required to consider prior to appointing a Commissioner is sound.

Secondly, the maturation of the Commission will, over time, work to depoliticise climate policy to an extent in NSW. Australia has been poorly served by a debate over climate mired in ideology, rather than a debate focused on economics and technology. There are genuine policy debates to be had around the pathways towards decarbonisation, but too often, climate debate has focused on the degree to which climate change itself is an issue. The establishment of the Commission will ensure that there is a strong focus on practical pathways towards achieving Net Zero, which is partially distant from the day-to-day political debate over climate change itself.

7. Emissions Budget a Significant Step Forward

The McKell Institute is particularly supportive of the language related to the Commission's capacity to provide advice regarding the state's Emissions Budgets (*Division 2:14:2:e, Page 7*). Emissions Budgets are important in helping chart a course towards Net Zero. The Commission's focus on Emissions Budgets will assist the New South Wales Government in its future planning, and ensure the state's carbon emission targets are in line with Australia's overall nationally determined contributions.

8. Conclusion

The Climate Change (Net Zero Future) Bill 2023 is an important piece of legislation that will set NSW on a course for a practical pathway towards Net Zero emissions by 2050. This policy will help the state navigate that pathway; ensure the state doesn't miss out on investment opportunities from climate-conscious global capital; and that NSW takes a strong leadership role in tackling the global issue of climate change, which disproportionately affects NSW residents.

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