

MYTH

Other countries aren't acting so why should Australia move ahead of the rest of the world?

FACT

All major economies are acting on climate change, driving clean energy investment and developing new green industries. There is absolutely no risk of Australia moving ahead of the rest of the world; the far greater risk is that Australia gets left behind.

Hundreds of policies to limit pollution, unlock clean energy investments and promote other low pollution technologies are being implemented in all major economies.¹

Driven by this unprecedented level of global action, clean energy investments now regularly outstrip investments in traditional power generation. For example, over the two years 2008-09, 46 per cent of total new global electricity capacity came from renewable energy sources such as wind and solar.² Globally, between 500,000 and 3 million people³ are now employed in the renewable energy industry, and investment in 2010 reached an unparalleled US\$243 billion, a 30 per cent increase from 2009.⁴ This has not happened by accident. It is the direct result of governments putting in place policies to reduce pollution and build new clean energy industries. Over 100 countries now have some type of renewable energy target and/or promotion policy⁵—nearly twice as many as five years ago. Even the Productivity Commission put Australia, at best, in the middle of the pack. If we fail to recognise that other countries are moving quickly to reduce their economic dependence on pollution and do not take similar steps, Australia's international competitiveness risks being eroded. Australia does not risk leading; Australia risks being left behind.

Given the breadth of action occurring globally, listing all the examples of action is impossible in such a short document. However, it is important to highlight that:

1. Pollution pricing already exists in many countries and it is growing:

Emissions trading schemes exist in over 30 European countries and in New Zealand. NSW

already has a pollution pricing scheme, California is implementing a pollution trading scheme, and another scheme already covers 10 US states. Emissions trading schemes are under development in China, South Korea and in several Canadian provinces. Effective carbon taxation also exists in Canada, China, Denmark, Finland, the Netherlands, Norway, India, Japan, Sweden and the United Kingdom, and is under discussion in Indonesia and South Africa. (See Table 1)

Table 1: Approximate carbon taxes in EU countries. Cross country comparison of carbon taxes is challenging as countries apply them to different fuels, industries and pollution sources in different ways. These estimated pollution taxes should therefore been seen only as indicative. This table covers countries in Europe and does not cover current equivalent carbon taxes in Canada, South Africa, Latin America and China.

COUNTRY	INTRODUCED	APPROXIMATE LEVELS (AUD/tonne)
FINLAND	1990	\$27
NETHERLANDS	1990	\$19
NORWAY	1991	\$15 to \$60
SWEDEN	1991	Standard rate: \$133 Industry rate: \$30
DENMARK	1992	\$16/tonne
SWITZERLAND	2007	\$32
IRELAND	2010	\$20
UK	2011	Proposed price floor in ETS: \$25 in 2013 (increasing to around \$47 in 2020)

factsheet PRICING POLLUTION

A STEP IN LINE WITH MAJOR ECONOMIES

2. Currently proposed Australian regulation of pollution sources is still behind that of other nations:

In the UK, regulations are being implemented that would prevent new coal-fired power stations being constructed unless they are equipped with carbon capture and storage. Canada and a number of US states (California, Washington, Montana and Illinois) are implementing, or already have, regulation that will ensure all new coal-fired power stations must meet the level of pollution intensity of gas generation. By mid-2009, China had shut down over 50 GW of

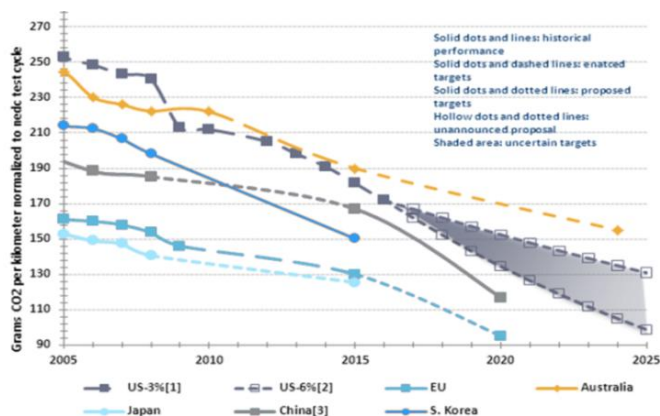
polluting power generation—roughly equivalent to Australia's entire generation stock. The US Environmental Protection Agency is phasing in regulation for large stationary sources of pollution under that country's Clean Air Act. These regulations are projected to reduce pollution from its power sector by nearly 50 per cent by 2030.

3. Australia is a laggard on promoting energy efficiency:

Most major economies have national energy efficiency targets and governments have put in place a myriad of regulation and incentives to boost energy productivity. This contrasts sharply with Australia, where the rate of energy efficiency improvement is falling and putting us even farther behind.⁶ The nation's energy efficiency improvement between 1990 and 2006 reduced final energy intensity by around only 0.2 per cent per year. In contrast, Canada, Germany, the Netherlands, New Zealand and the United States all show improvements of 1 per cent or more per year over the same period.

These policies are not limited to stationary energy sources: regulations that drive greater transport fuel efficiency exist or are being introduced in the EU, China, Japan, South Korea and the USA—all are significantly stronger than those proposed in Australia (Figure 2).

Figure 2: Illustration of global trends in vehicle pollution standards (based on NEDC test cycle)⁷



[1] Based on 3% annual fleet GHG emissions reduction between 2017 and 2025 in the September 30th NOI.

[2] Based on 6% annual fleet GHG emissions reduction between 2017 and 2025 in the September 30th NOI.

[3] China's target reflects gasoline fleets scenario. If including other fuel types, the target will be lower.

¹ Numerous studies are available on the current extent of global action. Primary sources for this fact sheet include:

- DB Climate Change Advisors, *Investing in Climate Change 2011, The Mega-Trend Continues: Exploring Risk and Return*, Deutsche Bank Group, Washington D.C., February 2011.
- Department of Climate Change and Energy efficiency, *Status of Global Mitigation Action, Current targets and policies in key countries*, Department of Climate Change and Energy efficiency, Government of Australia, Canberra, 2011.
- REN 21, *Renewables Global Status Report*, REN 21, Geneva, September 2010.
- Ross Garnaut, *Update Paper 2: Progress towards effective global action on climate change*, Garnaut Climate Change Review, Melbourne, February 2011.
- International Energy Agency, *Policies and Measures Databases*, Paris, 2011, <http://www.iea.org/textbase/pm/index.html>

² REN 21, *Renewables Global Status Report*, REN 21, Geneva, September 2010.

³ DB Climate Change Advisors, *Investing in Climate Change 2011, The Mega-Trend Continues: Exploring Risk and Return*, Deutsche Bank Group, Washington D.C., February 2011.

⁴ Bloomberg New Energy Finance, *Who's Winning the Clean Energy Race?* The Pew Charitable Trusts, Washington DC, 2011.

⁵ REN 21, *Renewables Global Status Report*, REN 21, Geneva, September 2010.

⁶ Prime Minister's Task Group on Energy Efficiency, *Report of the Prime Minister's Task Group on Energy Efficiency*, Government of Australia, Canberra, July 2010. ⁷ See: International Council on Clean Transportation, *Passenger Vehicle Greenhouse Gas and Fuel Economy Standards: A Global Update*, 2007. Graph from International Council on Clean Transportation, *Global passenger vehicle standards: 2010 Update*, 2010, <http://www.theicct.org/passenger-vehicles/global-pv-standards-update/>.