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 THURSDAY, 31 JANUARY 2019

2019-20 Pre-Budget Submission to the Department of the Treasury

## **Profound threats to our climate and natural world demand serious investment**

The health of our climate, rivers, reefs, forests and wildlife has profound and wide-ranging consequences for our lives and the lives of our families, friends and communities. Our natural world underpins Australia's prosperity but right now we face a climate and extinction crisis.

We are witnessing environmental disasters of unparalleled degree and frequency. Unprecedented fish kills this summer have left more than a million fish dead in the Darling River.<sup>1</sup> Half of the shallow corals of the Great Barrier Reef have died since 2016 from mass bleaching events.<sup>2</sup> In August, fires burnt through the NSW south coast in the middle of winter,<sup>3</sup> while extreme heatwave conditions have shattered temperature records across the country.<sup>4</sup> According to almost every indicator, Australia's environment is in decline.<sup>5</sup>

These environmental disasters are already impacting the lives of Australians. An estimated 3,000 Australians die prematurely from urban air pollution each year.<sup>6</sup> Heatwaves kill people, with our elderly parents and grandparents most vulnerable. Authorities estimate Victoria's heatwave in 2009 contributed to the deaths of 374 people. Figures are not yet available for the heatwave of January 2019. Firefighters and people living in and around the bush are in escalating danger from bushfires. The livelihoods of farmers and tourism operators are threatened as our planet warms.

These disasters are not normal. And they are not bad luck or accidental. They are the direct consequence of bad decisions and short-term thinking by Australia's governments. They are what happens when our environment is put last, degraded, traded off, pushed beyond its limits and ignored. For years, scientists have warned of these disasters. Sadly, they are now a reality.

The World Economic Forum's 2019 Global Risks report lists the top ten risks currently facing the planet and ranks them by the likelihood of them occurring. Of the ten, six are environmental, including the top three: extreme weather events, failure of climate change mitigation and adaptation, and natural disasters.<sup>7</sup>

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<sup>1</sup> <https://www.abc.net.au/news/2019-01-08/second-fish-kill-in-darling-river-at-menindee/10696632>

<sup>2</sup> [https://www.nature.com/articles/s41586-018-0041-2.epdf?referrer\\_access\\_token=8NkIqfu3K7-wqteFKgPsC9RgN0jAjWel9jnR3ZoTv0N\\_6InAAh2XX\\_KaJlo65Vo4OKmkKiySdLsVpHZhIPkvrzF\\_IeTO8xqcE3IWlzEOYpDGjNOod2sAjKwCBqHpweCjTSh-9nVjebQ1AZsnj-WXPfSEwxzjysOqpoOlgRWwchELQdAoB5BbeaR8klkDqTVj8IEGsPAbe3rP8gcu2UOCySSHw7hCEvvinjR3gmcCZHU\\_yT3AHLsT8qEDOxZSKB6XDcOZ95hLm1s8vixn-GvY3UbJ3MEQIhIOG4Y9v6911COK3Lq6g\\_zUntnnc8-cnL&tracking\\_referrer=www.theatlantic.com](https://www.nature.com/articles/s41586-018-0041-2.epdf?referrer_access_token=8NkIqfu3K7-wqteFKgPsC9RgN0jAjWel9jnR3ZoTv0N_6InAAh2XX_KaJlo65Vo4OKmkKiySdLsVpHZhIPkvrzF_IeTO8xqcE3IWlzEOYpDGjNOod2sAjKwCBqHpweCjTSh-9nVjebQ1AZsnj-WXPfSEwxzjysOqpoOlgRWwchELQdAoB5BbeaR8klkDqTVj8IEGsPAbe3rP8gcu2UOCySSHw7hCEvvinjR3gmcCZHU_yT3AHLsT8qEDOxZSKB6XDcOZ95hLm1s8vixn-GvY3UbJ3MEQIhIOG4Y9v6911COK3Lq6g_zUntnnc8-cnL&tracking_referrer=www.theatlantic.com)

<sup>3</sup> <https://www.abc.net.au/news/2018-08-17/drought-bushfire-seasons-starting-earlier-lasting-longer/10132570>

<sup>4</sup> <https://www.theguardian.com/australia-news/2019/jan/14/record-breaking-heatwave-to-hit-australias-south-east-restricting-sporting-events>

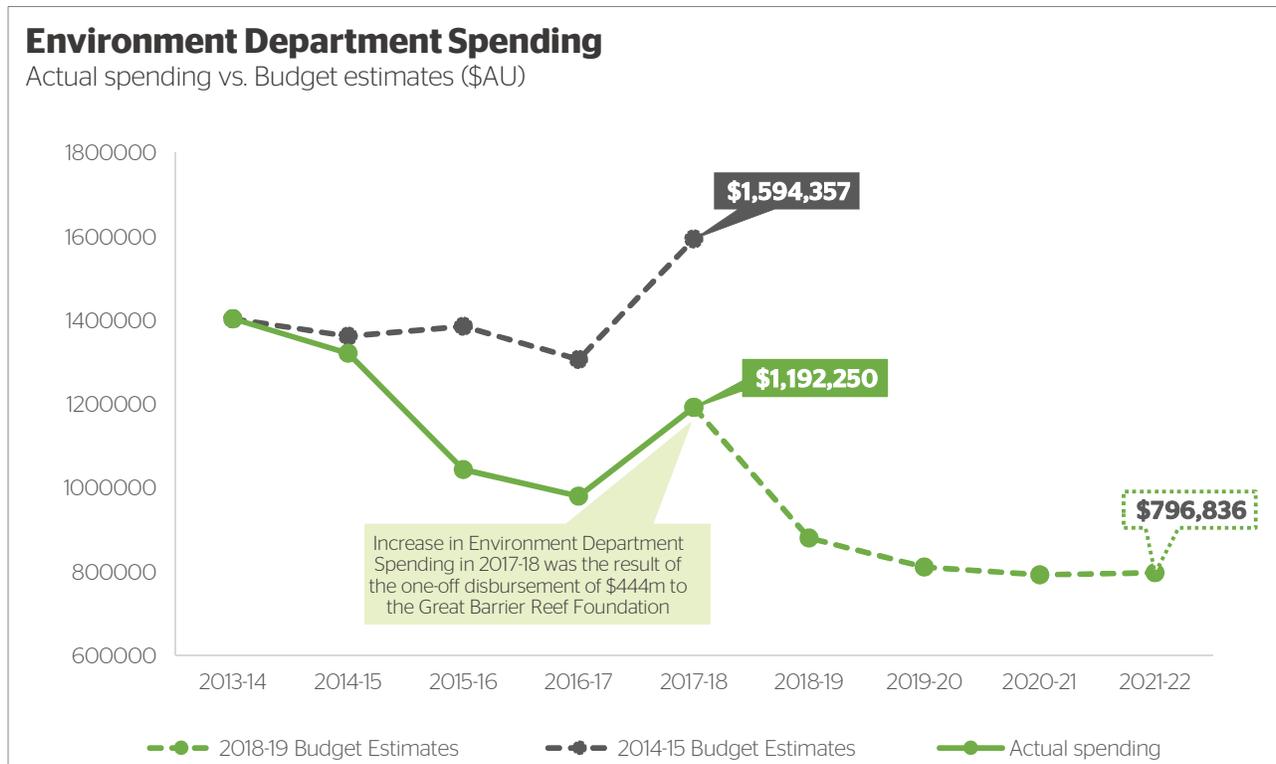
<sup>5</sup> <http://www.oecd.org/environment/oecd-environmental-performance-reviews-australia-2019-9789264310452-en.htm>

<sup>6</sup> Begg, Vos, Barker, Stevenson, Stanley & Lopez, The burden of disease and injury in Australia 2003, Australian Institute of Health and Welfare, Cat. no. PHE 82, Canberra (2007), p234, available at <http://www.aihw.gov.au/publication-detail/?id=6442467990>

<sup>7</sup> <https://www.weforum.org/reports/the-global-risks-report-2019>

Despite these profound threats to our climate and the ecosystems that sustain us and our living world, the federal government continues to cut its investment in our environment and a sustainable future and continues to facilitate environmentally destructive activities such as land clearing and fossil fuel mining and burning.

**Chart 1 - Decline in actual and forecasted Federal Environment Department appropriations**



Decades of neglecting to protect the air we breathe, the water we drink, our wildlife and the places we love, is catching up with us. It has never been clearer that failing to properly invest in the protection and prosperity of our environment and climate is putting every Australian at risk.

The challenges we face are profound, but they are not insurmountable. There are solutions to this planetary crisis but delivering them will require an unprecedented level of investment and commitment from our leaders.

We can set strong national pollution targets and commit to policy that will achieve net zero emissions before 2050.

We can repower Australia with 100% clean, renewable energy by bringing down the cost of renewables and storage and transforming our economy into a renewable energy exporting superpower.

We can double Australia’s energy productivity and remove harmful subsidies that entrench the ongoing use of fossil fuels.

We can create a national energy transition plan and a Transition Authority to accelerate an orderly phase out of coal and other fossil fuels while helping affected communities shift to new, stable and sustainable jobs.

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We can pass a new generation of national environment laws and establish an independent regulator, a national Environment Protection Authority, to enforce them.

We can start planning for the revision of the current Murray-Darling regime to account for the impact of climate change on rivers, wildlife and communities.

We can establish a national environment fund with an annual investment of \$1 billion to expand protected areas, save threatened species and critical habitats and restore landscapes for biodiversity, ecosystem services and climate mitigation.

We can put Australia on a path to halve the ecological footprint of our economy by 2030.

If the federal government takes these actions, Australian workers and businesses will thrive. Renewable energy and clean transport will drive job creation. Workers in our declining coal and gas industries will have a renewed future. Banks and energy companies will have the certainty to invest in the renewable energy projects and new clean technologies. Exports like renewable hydrogen will make Australia a global clean energy superpower and renew entire communities struggling as coal mines close. Farmers can plan for the future, using their fair share of water and avoiding devastating climate conditions. Small business operators that rely on national parks and iconic Australian ecosystems like the Great Barrier Reef will have certainty that those places will continue to attract tourists for decades to come.

Investing in nature and clean energy through the federal budget is an investment in the future of all Australians. It will create new industries, lasting jobs and solve the climate and extinction crises.

But there can be no more delay.

Budgets are about choices. With this budget the Federal Government must chose to deliver a scale of investment and reform that rises to meet the environmental challenges we face.

## Budget Priorities

PRIORITIES	HOW TO MAKE IT HAPPEN
<b>1. Cut pollution</b>	<ul style="list-style-type: none"> <li>1.1 Set pollution targets, commit to policy and secure independent expert advice to achieve net zero emissions before 2050</li> <li>1.2 Provide adequate international support</li> <li>1.3 Clean up transport</li> </ul>
<b>2. Go 100% clean energy - and beyond</b>	<ul style="list-style-type: none"> <li>2.1 Restore the funding cut from ARENA</li> <li>2.2 Maintain renewable energy investment momentum</li> <li>2.3 Make government lead by example on transition to renewables</li> <li>2.4 Establish a Smart Energy Communities Program</li> <li>2.5 Bring down the cost of on-demand renewables and storage</li> <li>2.6 Make Australia a renewable energy superpower through exports</li> <li>2.7 Double Australia's energy productivity</li> <li>2.8 Remove subsidies that entrench the use of fossil fuels</li> </ul>
<b>3. Shift away from polluting coal</b>	<ul style="list-style-type: none"> <li>3.1 Rule out subsidising coal mines, including the Carmichael mine, and amend the investment mandate of the Northern Australia Infrastructure Fund</li> <li>3.2 Establish a national energy transition plan and a Transition Authority to phase out coal and support impacted communities</li> </ul>
<b>4. Create strong laws to protect life</b>	<ul style="list-style-type: none"> <li>4.1 Establish a National Environment Protection Agency</li> <li>4.2 Establish a National Sustainability Commission</li> </ul>
<b>5. Re-connect habitats</b>	<ul style="list-style-type: none"> <li>5.1 Establish a national environment fund with an annual investment of \$1 billion</li> <li>5.2 Improve tax incentives for conservation</li> </ul>
<b>6. Help communities and nature thrive</b>	<ul style="list-style-type: none"> <li>6.1 Secure carbon in biodiverse landscapes</li> <li>6.2 Reinvest in National Climate Change Adaptation Research</li> <li>6.3 Restore our rivers to good health</li> <li>6.4 Reinvigorate national water reform</li> <li>6.5 Value nature in Government decision making</li> </ul>

## 1. Cut pollution

### 1.1 Set pollution targets, commit to policy and secure independent expert advice to achieve net zero emissions before 2050

Central to the policies needed should be a mechanism that incentivises a cut in pollution across the whole economy, this could be market driven and/or regulatory. Further, it should be complemented by policy that incentivises investment in clean energy such as an expanded and extended Renewable Energy Target (as mentioned below), and reverse auctions that drive competition in the market and result in new clean energy facilities at lowest cost. Continuing as usual is not in the interest of Australia's environmental, social or economic health.

Policy development should be informed by independent climate change science and policy expertise. The Climate Change Authority should be re-funded and re-invigorated with climate change policy and analytical expertise so that it can provide independent climate change policy advice. At the same time, the CSIRO's funding should be re-established to support their critical work on climate science, research and monitoring.

### 1.2 Provide adequate international support

As a developed country, Australia has a role to play in assisting developing countries to ensure the success of the Paris Agreement. ACF and other organisations believe Australia should contribute at least AU\$3.2 billion per year by 2020 to the Green Climate Fund, in addition to existing foreign aid commitments. This is a fair and reasonable share of the US\$100 billion per year goal set for developed nations. Funding to help developing nations reduce climate pollution and adapt to the unavoidable impacts of climate change is critical to the success of the Paris Climate Agreement.

Investment (\$million) - forward estimates

ITEM	2019-20	2020-21	2021-22	2022-23
<i>Australia's contribution to the Green Climate Fund</i>	2,600	3,200	3,200	3,200

### 1.3 Clean up transport

The contribution of vehicle pollution to Australia's overall pollution must be addressed. Transport is currently responsible for over 19 per cent of Australia's climate pollution, second only to electricity generation. Transport is also one of Australia's fastest growing sectors for climate pollution. As of 2017 transport pollution had increased 57% since 1990, and by 2030 transport pollution is projected to be 82% higher than 1990.<sup>8</sup> If not addressed, transport could become Australia's biggest source of climate pollution. It is also a significant contributor to health damaging noxious pollution.

ACF welcomes the work on vehicle emission standards currently being undertaken by the Ministerial Forum on Vehicle Emissions however it is imperative that this work delivers new CO2 emissions standards and noxious pollution standards that bring Australia in line with other developed countries as quickly as possible. In addition, government support for low and zero emission vehicles such as electric vehicles (EVs) is critical to support their uptake and should include \$3.2 billion of investment to support EV growth over the period 2018 to 2030 (including to support the roll-out of fast charging infrastructure, remove the luxury car tax on EVs).

<sup>8</sup> Climate Analytics, Australia's Vehicle Fleet: Dirty and falling further behind

## 2. Go 100% clean energy - and beyond

### 2.1 Restore the funding cut from ARENA

A critical element of Australia's contribution to pollution and climate change is our use of highly polluting energy like coal and gas. To transition Australia's energy mix, we must rapidly shift to clean energy to power our homes and businesses. There are technological barriers we need to overcome, which is why agencies such as the Australian Renewable Energy Agency that fund research and invest in new technology and innovation are so important.

Funding cuts to ARENA should be reversed in the long-term interest of Australia's energy transition with \$1 billion added to ARENA's budget, an extension of ARENA's work to 2030 and an expanded remit that includes energy efficiency and driving down the cost of renewable hydrogen technology and 'on demand' renewable energy.

Investment (\$million) - forward estimates

ITEM	2019-20	2020-21	2021-22	2022-23
<i>Funding the Australian Renewable Energy Agency</i>	499.9	237	468.3	135

### 2.2 Maintain renewable energy investment momentum

The current growth trajectory for the large-scale Renewable Energy Target (RET) scheme only runs until 2020, although the scheme will remain in operation until 2030. This puts pressure on companies to quickly deliver new projects to maximise their time under the RET umbrella, but only gives a limited investment horizon beyond this point. While the closure of coal-fired power stations will go some way to encouraging new investment, extending support for clean energy sources would provide stability for large scale infrastructure renewal. Incentives and strong, certain investment signals are needed while the old, outdated and excess capacity is being withdrawn to ensure ongoing investment.

Extending and expanding the Renewable Energy Target for 3-5 years would act as an interim measure to maintain momentum in the renewable energy industry and avoid a fall in renewable energy investment after 2020, while longer term policy is developed and implemented.

### 2.3 Make government lead by example on transition to renewables

The government should lead the clean energy transition by example and commit to power a portion of the government's own energy use through renewable energy, fulfilling this commitment by running reverse auctions and signing Power Purchase Agreements or Contracts for Difference. This will also support new clean energy projects.

### 2.4 Establish a Smart Energy Communities Program

Energy efficiency, renewable energy and the smart grid are the new frontier, not only for local environmental conservation but also economic development and community empowerment. There are now over 80 community energy groups and over 50 operating community energy projects. 27% of the voting public now live under a solar roof.

However, red tape and an outdated energy market are holding back further rollout of smart energy. More than 35% of households - including renters and apartments - are not able to put solar on their roof. Community energy means they can still invest in our energy system, even without their own rooftop. But to date projects have been hampered by outdated market rules and regulations that get in the way of innovative communities wanting energy independence.

With just \$140 million in federal funding over the forward estimates period the Government could unlock over \$2 billion in investment in local smart energy projects, helping to create local job opportunities to reduce power bills while cutting greenhouse gas emissions.

The Smart Energy Communities program would leverage the efforts of existing volunteers, willing contributions from the private sector and community enthusiasm for renewables, to support all Australians to access innovative and emerging energy technologies.

Ensure all members of the Australian community, including renters, apartment dwellers, people on low incomes and people in regional and remote communities can access the benefits of energy efficiency and clean energy.

- An Indigenous Communities Clean Power Program that helps lift these communities out of energy poverty and ensures they benefit from the clean energy revolution.
- A Solar for Renters & Low-income Households package.
- Working with all States and Territories to implement mandatory minimum energy performance standards for rental properties.
- Small-scale Renewable Energy Scheme MUST be maintained.
- Support community energy initiatives across the country, by creating a Community Power Network that includes fifty regional clean energy hubs.

Investment (\$million) - forward estimates

ITEM	2019-20	2020-21	2021-22	2022-23
<i>Smart Energy Communities Program</i>	40	40	30	30

## 2.5 Bring down the cost of on-demand renewables and storage

The government should invest in a "Sunshot" style initiative, like the policies implemented in the United States, targeted at significantly driving down the cost of on-demand renewable energy and storage. This would include identifying and providing incentives for advanced research and development, domestic manufacturing and market transformation connected to concentrating solar thermal with storage, batteries, pumped hydro, sustainable bioenergy and renewable hydrogen.

Sunshot was initiated by the US Department of Energy to drive down the cost and spur innovation in solar technologies. It included providing incentives for advanced solar technology research and development (R&D), domestic manufacturing, and market transformation to achieve a \$0.06 per kilowatt-hour target and enable large-scale solar generated power to account for 15–18% of America's electricity generation by 2030. The target was met 3 years early and the initiative has been updated with a further goal to cut the levelized cost of electricity (LCOE) of photovoltaic solar by an additional 50% to \$0.03 per kWh for utility-scale and cut the LCOE of concentrating solar power to \$0.05 per kWh for baseload power plants, while also addressing grid integration challenges and addressing key market barriers to enable greater solar adoption.

Australia's efforts to drive down the cost of on demand renewable energy should include reverse auctions as part of ARENA's role and investment support from the Clean Energy Finance Corporation (CEFC).

The government should support large energy users to contract for 'on demand' clean energy by offering a government underwriting scheme consistent with ACCC's recommendations on supporting 'firm' energy. This scheme should not be available to coal, oil or gas projects and should be run by the CEFC.

## 2.6 Make Australia a renewable energy superpower through exports

The government should resolve to make Australia a renewable energy superpower and drive the development of a renewable energy export industry. To do this, the government should commit to the following:

- Undertake a Senate or House Inquiry to hunt out the jobs and new Australian industries that could be developed along the renewables supply chain and how to make investments that will maximise local jobs
- Invest in Australian labour force development for domestic renewable energy export pathways. This includes funding for TAFE, apprenticeships and new university courses, particularly in areas experiencing renewables booms such as Northern Queensland and Port Augusta
- Develop a Renewable Export Strategy for Australia that investigates and builds the case for action for all the possible renewable export pathways, including but not limited to renewable hydrogen
- Facilitate bilateral and multilateral renewable exports agreements with key trading partners and make renewable exports a priority for Australia's trade and foreign policy

## 2.7 Double Australia's energy productivity

Australia's energy productivity ambition should be increased as an important part of cutting pollution and supporting Australia's competitiveness as many other countries pursue the benefits of a strong energy productivity agenda. The current target of a 40 per cent improvement by 2030 is unambitious and is not on track. In fact, global analysis has found that Australia is going backwards on energy efficiency and ranked the worst of developed countries in 2018 (2018 ACEEE International Energy Efficiency Scorecard, cited by Climate Analytics). In December 2015 when this target and accompanying plan was announced, the plan identified several energy productivity measures, however Australia only needs to implement half of them to achieve the 40 per cent target.<sup>9</sup> Research and modelling has demonstrated that Australia could double its energy productivity through modernisation of the electricity system and receive enormous benefits for doing so.<sup>10</sup>

Commit to double energy productivity by 2030 plus policies to achieve this target. For example, these policies should include strong vehicle emissions standards (at least as strong as US standards); increased building and appliance standards, and for industry:

- The re-introduction of an expanded Energy Efficiency Opportunities Act
- The establishment of a Clean Energy Solutions Centre as a one-stop-shop to assist industry transition to clean energy and greater energy efficiency
- An industrial clean energy grants and financing program
- An energy management training program
- Government underwriting

<sup>9</sup> COAG Energy Council, National Energy Productivity Plan 2015-2030, December 2015, p. 13  
<http://www.coagenergycouncil.gov.au/publications/national-energy-productivity-plan-2015-2030>

<sup>10</sup> ClimateWorks, Australia's Energy Productivity Potential, March 2015,  
<http://climateworks.com.au/project/current-project/australias-energy-productivity-potential>

## 2.8 Remove subsidies that entrench the use of fossil fuels

The Government continues to subsidise fossil fuels, particularly through the Fuel Tax Credit Scheme (FTCS), and provides tax breaks for fossil fuel exploration, production and consumption. The FTCS subsidises the cost of fuel and therefore subsidises pollution. This continuing budget support for the use of diesel fuel constitutes a barrier to innovation, established and maintained by government. It costs the Federal Budget almost \$30 billion dollars over the forward estimates, with the mining sector currently receiving nearly half (44%) of all credits claimed.

The ACF has previously proposed several ways to reform this subsidy, without disadvantaging users who make small claims, such as farmers. One such reform is outlined below. It is to be noted that abolition of the subsidy does not prevent businesses who use fossil fuels from claiming a business deduction for the cost of those fuels from the income tax they pay.

Savings from the Fuel Tax Credit scheme could be invested into research and development to reduce fuel use, lower environmental impacts and support small businesses to find new ways to use clean technology and become more energy efficient.

The ACF suggests one possible method for restructuring the FTCS: **introduce an annual \$20,000 cap per claimant.**

Industries take advantage of fuel tax credits. It is not ACF's intention to disadvantage users of the scheme that make small claims, such as farmers. Therefore, ACF proposes an annual \$20,000 cap per claimant, so those making small claims would not be adversely affected. The cap would be phased in over a several years, starting with an \$80,000 cap and stepping down by \$20,000 a year until a final cap of \$20,000 is reached. This cap would ensure the most industries - including the vast majority of claimants from the agriculture and tourism industries - are able to continue to receive credits as they do now.

Using figures from the 2018-19 Budget, the \$20,000 cap proposal would save an estimated \$16.1 billion over the 2019-20 forward estimates.

Savings (\$million) - forward estimates

ITEM	2019-20	2020-21	2021-22	2022-23 <sup>11</sup>	TOTAL
<i>Fuel Tax Credits Scheme - Budget Forecast</i>	7,241	7,654	8,114	8,555	31,564
<i>Fuel Tax Credit Scheme under a \$20,000 cap proposal<sup>12</sup></i>	3,151	3,574	4,442	4,442	15,378
<b><i>Savings - under a \$20,000 Cap proposal</i></b>	<b>4,090</b>	<b>4,080</b>	<b>3,902</b>	<b>4,114</b>	<b>16,186</b>

<sup>11</sup> Projected figures based on average annual growth rate of the FTCS between 2018-19 and 2021-22 using forward estimates in the 2018-19 budget

<sup>12</sup> Based on the latest fuel taxation statistics which are from the 2016 year. <https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Taxation-statistics/Taxation-statistics-2015-16/?page=3#Statistics>

### 3. Shifting away from polluting coal

#### 3.1 Rule out subsidising coal mines, including the Carmichael mine, and amend the investment mandate of the Northern Australia Infrastructure Fund

The Federal Government should not be subsidising coal mines, or the construction of infrastructure associated with coal mines. This includes, but is not limited to, the use of the Northern Australia Infrastructure Facility (NAIF) to subsidise the Carmichael coal mine. To do so would be clearly inconsistent with the government's statements on the tight fiscal circumstances of the Budget, the Paris climate agreement and the worldwide energy transition to clean energy that is underway. It is not a sound economic or environmental investment for the government to be involved in. With these considerations in mind, the Federal government should amend the investment mandate of the NAIF to restrict funding to any future fossil fuel mining and related infrastructure projects.

#### 3.2 Establish a national energy transition plan and a Transition Authority to phase out coal and support impacted communities

There is overwhelming acceptance amongst the Australian community, including business, energy generators and unions, that Australia urgently needs a planned transition of Australia's energy sector from coal to clean energy – and this requires Federal government leadership. This change is inevitable and can be either chaotic and disruptive, or managed systematically. Inaction is not an option.

The government should make a financial commitment in the 2019-20 Budget to develop an energy transition plan in consultation with representatives from state/territory governments, the energy sector, investors, unions, environment groups, the welfare sector and other community organisations. The energy transition plan should include costed options, so it is clear what investment is needed from federal and state governments to successfully implement the transition.

This also requires investment in a Just Transition Authority to oversee the transition process and support for impacted workers and communities to develop jobs and economic opportunities with a future.

Investment (\$million) - forward estimates

ITEM	2019-20	2020-21	2021-22	2022-23
<i>Establishment and resourcing for Energy Transition Advisory Group</i>	2	-	-	-

### 4. Create strong laws to protect life

#### 4.1 National Environment Protection Agency

The federal government has historically played an important role in protecting the places and wildlife Australians love, but indicators show the biodiversity and health of our environment continues to decline. Our national environment laws need to be strengthened and improved, not weakened and degraded. Evidence shows that economic savings attributed to the failed one stop shop for environmental approvals have been wildly and simplistically over-estimated by government to date.

Developing a robust set of national laws and programs is a critical step to safeguarding our future. Specifically, a new generation of national environment laws must:

1. Ensure national responsibility and leadership for reversing the decline in Australia's environment;
2. Prevent the destruction of primary, remnant and old-growth forests;

3. Prevent the extinction of native fauna and flora;
4. Protect and recover key biodiversity areas, threatened ecological communities and threatened species, including the provision of strict protections for their critical habitats;
5. Substantially reduce Australia's greenhouse gas pollution and increase carbon sequestration in biodiverse landscapes;
6. Safeguard freshwater ecosystems, including from extractive and industrial processes;
7. Reduce, to as close to zero as possible, air pollution, plastic pollution and chemical pollution across Australia;
8. Safeguard Australia's protected areas as well as its national and world heritage places;
9. Prevent the introduction of, and reduce the current extent, spread and population size of invasive species;
10. Effectively protect Australia's wildlife from commercial exploitation including illegal wildlife trade and unsustainable fishing.

Alongside a rigorous reform agenda, Australia needs an independent national agency to administer national environment laws. Such an agency must be free from political interference and partisan decision making, be defined in law and have sufficient capacity, resources and systems to regulate, monitor and implement environmental legislation. Such a body must also play a central role in coordinating programs and processes with state and territory governments to ensure efficient administration of environment law.

Investment (\$million) - forward estimates

ITEM	2019-20	2020-21	2021-22	2022-23
<i>Environmental Law Reform Taskforce</i>	3	3	-	-
<i>Total funding for an independent national environment agency*</i>	220	260	360	360

\*Total appropriation would include funding via re-profiling an estimated \$120 million out of Outcome 1.5 and 1.6 of the Department of Environment and Energy.

## 4.2 National Sustainability Commission

Alongside an independent EPA to regulate environmental impacts, a National Sustainability Commission will assist the Federal Government in developing a national and regional plans for protecting and managing Australia's environment, and will have authority to work with all jurisdictions to achieve the coordination and infrastructure to achieve that plan, including:

- bioregional planning;
- the coordination of regulation and policy across jurisdictions to minimise regulatory conflict and overlap;
- developing national environmental standards that are binding on states and territories
- gathering nationally consistent data adequate to inform policy and regulation at all levels; and
- public reporting on environmental indicators, decision making and outcomes of planning and decision making so politicians, business and the public can participate in informed decision making.

Investment (\$million) - forward estimates

ITEM	2019-20	2020-21	2021-22	2022-23
<i>National Sustainability Commission</i>	45	60	60	60

## 5. Re-connect habitats

### 5.1 Establish a national environment fund with an annual investment of \$1 billion

While Australia is one of the world's most biologically diverse countries, we have one of the worst track records on species extinction and deforestation. At no time in history has our natural environment been more degraded or threatened through unsustainable land use, over extraction, invasive species, and the rising threat of global warming. Reconnecting important natural places gives wildlife safe places to feed, breed and migrate.

Large-scale nature conservation is a first-order priority for the mitigation of and adaptation to climate change. Places like the Great Dividing Range, a 3,600-kilometre-long forested mountainous corridor stretching from the tropical rainforests of Cape York in far north Queensland to the temperate woodlands of the Grampians in western Victoria, is one of the critical landscapes in Australia under threat. The range provides water to close to 11 million people, sequesters huge stores of carbon in its tall temperate and subtropical forests and will be one of Australia's most critical corridors and climate refugees as species and ecosystems are forced to adapt to the impacts of global warming.

Australia needs well designed and targeted programs that connect key biodiversity areas across the country, engaging and empowering local communities and partners to restore and protect critical habitats and implement recovery actions for our most threatened species.

The Federal government should create a dedicated National Environment Fund with an annual investment of \$1 billion to:

- Establish a national program to support the strategic growth and management of protected areas including national parks, Indigenous Protected Areas, private landholder covenants and World Heritage Areas (\$270 million);
- Establish a Threatened Species Recovery Programme to implement threatened species recovery plans and protect critical habitats (\$250 million);
- Invest in landscape restoration for biodiversity, ecosystem services and climate mitigation (\$430 million)
- Deliver an urban canopy program; (\$50 million)

Investment (\$million) - forward estimates

ITEM	2019-20	2020-21	2021-22	2022-23
<i>National Reserve Program</i>	270	270	270	270
<i>Threatened Species Recovery Program</i>	250	250	250	250
<i>Landscape restoration</i>	430	430	430	430
<i>Urban canopy program</i>	50	50	50	50
<b><i>Total National Environment Fund</i></b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>

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## 5.2 Improve tax incentives for conservation (check text with Andrew)

Our tax system can be greatly improved to give property owners an incentive to protect biodiversity on their land. More than 80 per cent of Australia's land mass is outside of the protected area estate. Programs that encourage better stewardship of biodiversity on private land will have enormous long-term benefits for the public, the environment and the economy.

Potential improvements in the tax system that would better incentivise conservation investment include:

- reviewing 'Landcare operations' deductions to broaden the availability of concessions to include 'ecological management and restoration';
- enabling conservation and ecosystem service investments to be a tax-deductible input, especially for productive lands;
- exempting private land conservation acquisitions from the GST; and
- clarifying and distinguishing private and public interest dimensions to revenues on private lands of conservation value, as well as allowing for ecological 'gifting'.

## 6. Help communities and nature thrive

### 6.1 Secure carbon in biodiverse landscapes

There is enormous potential to store carbon in natural landscapes as well as protect and restore biodiversity across Australia. Using appropriate markets or regulatory mechanisms will be one of the most significant opportunities to protect biodiversity and address climate change with limited government funding. CSIRO modelling completed as part of the National Outlook Report indicates that policies promoting strong carbon abatement in native ecosystems could increase native habitats by 12 to 15 million hectares nationally and reduce the risk of species extinction by 10 per cent. Under very strong abatement settings this area of restored ecosystems could grow to 35 million hectares and reduce the risk of wildlife extinction by almost 20 percent.<sup>13</sup>

ACF supports this mechanism being used to maintain existing carbon stores and abate 'locked-in' pollution already in the atmosphere or unavoidable emissions. We do not support its use to offset pollution where it can be reduced or avoided through other climate policy, for example energy production switching from coal to clean energy.

### 6.2 Reinvest in National Climate Change Adaptation Research

Government should extend funding for climate change adaptation including through reinstating long-term funding for the National Climate Change Adaptation Research Facility (NCCARF). The importance of its work is growing as the unavoidable impacts of global warming become increasingly apparent and have growing impacts.

The NCCARF has an important role in helping decision makers in Australia prepare for projected impacts such as more frequent and intense heatwaves, an increased risk of flooding from rivers and the sea and increased coastal erosion. The following functions require funding on an ongoing basis: managing climate science and information; adaptation research; generating information on climate risks, impacts and vulnerabilities; and tools to assist

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<sup>13</sup> Australian National Outlook 2015 *Economic activity, resource use, environmental performance and living standards, 1970–2050*, October 2015 <http://www.csiro.au/nationaloutlook/>

communities to adapt. This work requires multi-year efforts and is hampered by short-term or uncertain funding. The Government should pledge long term funding to this important work.

Investment (\$million) - forward estimates

ITEM	2019-20	2020-21	2021-22	2022-23
<i>Reinstate funding of the National Climate Change Adaptation Research Facility</i>	3	3	3	3

### 6.3 Restore our rivers to good health

The Murray Darling Basin is in the grips of a water crisis. Basin reform has been gripped by mass fish deaths around Menindee, low inflows and serious allegations of water theft and fraud in the northern basin.

Significant investment has gone into building the Commonwealth Environmental Water portfolio. There must be a stronger emphasis on programs to deliver incentives that reward private landholders for managing floodplains for the environmental benefits they provide. These programs should maximise the benefits of the Constraints Management Strategy to address key issues in delivering of water across different land tenures.

A standalone basin regulatory and compliance unit must be established within a new EPA, consistent with the recommendations of the Productivity Commission to break these functions out of the MDBA.

Investment (\$million) - forward estimates

ITEM	2019-20	2020-21	2021-22	2022-23
<i>Establishment of Basin Regulatory Unit with a new Environment Protection Agency</i>	15	15	15	15

### 6.4 Reinvigorate national water reform

Australia needs to reinvigorate national water reform, promote healthy catchments and make sure we do not repeat the mistakes of the past in the over-allocation of surface and groundwater. Specifically, political leaders should commit to:

- a national process to assess and approve catchment water resource plans outside the Murray-Darling Basin, especially in Northern Australia, to ensure there is equitable access to water resources across different users; and
- develop and implement a formal road-map for the recognition of equitable water rights for Indigenous communities across Australia.

### 6.5 Value nature in Government decision making

If a business generates revenue by selling off assets, those changes are recorded on its balance sheet and considered by the market. But if Australia as a nation generates economic growth by running down the environment, the decrease in our national balance sheet does not register in budget papers or quarterly economic reports.

It does not have to remain this way. Australia has world class institutions and practices in place that could be adapted and further invested in to ensure the environment is properly considered in government decision making. The Australian Bureau of Statistics has knowledge of and capability in the System of Environmental-Economic Accounting. A small investment would allow them to expand the scope of their work and ensure the system can be implemented across the federal bureaucracy.

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For a relatively modest allocation of \$20 million per year, publication of a full SEEA account and ongoing data collection for Australia is feasible. It would provide decision-makers at all levels of government and in the private sector with vital information about our natural assets.

Investment (\$million) - forward estimates

ITEM	2019-20	2020-21	2021-22	2022-23
<i>Implement the System of Environmental - Economic Accounting across Government</i>	20	20	20	20

## Summary

PRIORITY	INITIATIVE	2019-20 (\$M)	2020-21 (\$M)	2021-22 (\$M)	2022-23 (\$M)	
<b>1. Cut pollution</b>	Australia's contribution to the Green Climate Fund	2,600	3,200	3,200	3,200	
<b>2. Go 100% clean energy - and beyond</b>	Funding the Australian Renewable Energy Agency	499.9	237	468.3	135	
	Smart Energy Communities Program	40	40	30	30	
	<i>Savings from \$20,000 Cap on Fuel Tax Credit Scheme</i>	<i>(4,090)</i>	<i>(4,080)</i>	<i>(3,902)</i>	<i>(4,114)</i>	
<b>3. Shift away from polluting coal</b>	Establishment and resourcing for Energy Transition Advisory Group	2	-	-	-	
<b>4. Create strong laws to protect life</b>	Environmental Law Reform Taskforce	3	3	-	-	
	Total funding for an independent national environment agency	220	260	360	360	
	National Sustainability Commission	45	60	60	60	
<b>5. Re-connect habitats</b>	National Environment Fund	National Reserve Program	270	270	270	270
		Threatened Species Recovery Program	250	250	250	250
		Landscape restoration	430	430	430	430
		Urban canopy program	50	50	50	50
	<b>TOTAL</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	
<b>6. Help communities and nature thrive</b>	Fund the National Climate Change Adaptation Research Facility	3	3	3	3	
	Establish Basin Regulatory Unit with a new Environment Protection Agency	15	15	15	15	
	Implement the System of Environmental - Economic Accounting	20	20	20	20	
<b>Total</b>	Spending	4,448	4,838	5,156	4,823	
	<i>Savings</i>	<i>(4,090)</i>	<i>(4,080)</i>	<i>(3,902)</i>	<i>(4,114)</i>	
<b>Overall budget impact</b>		<b>358</b>	<b>758</b>	<b>1,254</b>	<b>709</b>	