

GARNAUT CLIMATE CHANGE REVIEW

INTERIM REPORT TO THE COMMONWEALTH, STATE AND TERRITORY GOVERNMENTS OF AUSTRALIA

(Executive Summary)

February 2008

Executive Summary

This Interim Report seeks to provide a flavour of early findings from the work of the Review, to share ideas on work in progress as a basis for interaction with the Australian community, and to indicate the scope of the work programme through to the completion of the Review. There are some important areas of the Review's work that are barely touched upon in the Interim Report, which will feature prominently in the final reports. Adaptation to climate change, energy efficiency and the distribution of the costs of climate change across households and regions are amongst the prominent omissions from this presentation.

Many views put forward in this Interim Report represent genuinely interim judgements. The Review looks forward to feedback from interested people before formulating recommendations for the final reports.

Developments in mainstream scientific opinion on the relationship between emissions accumulations and climate outcomes, and the Review's own work on future "business as usual" global emissions, suggest that the world is moving towards high risks of dangerous climate change more rapidly than has generally been understood. This makes mitigation more urgent and more costly. At the same time, it makes the probable effects of unmitigated climate change more costly, for Australia and for the world.

The largest source of increased urgency is the unexpectedly high growth of the world economy in the early twenty-first century, combined with unexpectedly high energy intensity of that growth and continuing reliance on high-emissions fossil fuels as sources of energy. These developments are associated with strong economic growth in the developing world, first of all in China. The stronger growth has strong momentum and is likely to continue. It is neither desirable nor remotely feasible to seek to remove environmental pressures through diminution of the aspirations of the world's people for higher material standards of living. The challenge is to end the linkage between economic growth and emissions of greenhouse gases.

Australia's interest lies in the world adopting a strong and effective position on climate change mitigation. This interest is driven by two realities of Australia's position relative to other developed countries: our exceptional sensitivity to climate change: and our exceptional opportunity to do well in a world of effective global mitigation. Australia playing its full part in international efforts on climate change can have a positive effect on global outcomes. The direct effects of Australia's emissions reduction efforts are of secondary importance.

Australia has an important role to play alongside its international partners in establishing a realistic approach to global mitigation. Australia can contribute to the development of clear international understandings on the four components of a successful framework for global mitigation: setting the right global objectives for reduction of the risk of dangerous climate change; converting this into a goal for stabilisation of greenhouse gases in the atmosphere at a specified level; calculating the amount of additional emissions that can be emitted into the atmosphere over a specified number of years if stabilisation of atmospheric concentrations is to be achieved at the desired level; and developing principles for allocating a limited global emissions budget among countries.

Australia should make firm commitments in 2008, to 2020 and 2050 emissions targets that embody similar adjustment cost to that accepted by other developed countries. A lead has been provided by the European Union, and there are reasonable prospects that the United States will become part of the main international framework after the November 2008 elections. Some version of the current State and Federal targets of 60 per cent reduction by 2050, with appropriate interim targets, would meet these requirements.

Australia would need to go considerably further in reduction of emissions as part of an effective global agreement, with full participation by major developing countries, designed to reduce risks of dangerous climate change to acceptable levels. Australia should formulate a position on the contribution that it would be prepared make to an effective global agreement, and offer to implement that stronger position if an appropriately structured international agreement were reached.

The process of reaching an adequate global agreement will be long and difficult. Australia can help to keep the possibility of eventual agreement alive by efficient implementation of its own abatement policies, and through the development of exemplary working models of cooperation with developing countries in regional agreements, including with Papua New Guinea.

Australia must now put in place effective policies to achieve major reductions in emissions. The emissions trading scheme (ETS) is the centre-piece of a domestic mitigation strategy. To achieve effective mitigation at the lowest possible cost, the ETS will need to be supported by measures to correct market failures or weaknesses related to innovation, research and development, to information, and to network infrastructure.

Establishing an ETS with ambitious mitigation objectives will be difficult and will make heavy demands on scarce economic and finite political resources. The difficulty of the task makes it essential to use the most efficient means of achieving the mitigation objectives. That means efficiency both in minimising the economic costs, and in distributing the costs of the scheme across the Australian community in ways that are broadly seen as being fair.

To be effective in contributing as much as possible to an effective global effort to avoid unacceptably high risks of dangerous climate change, soundly based domestic and international policies will need to be sustained steadily over long periods. Policy-makers will need to eschew short-term responses that seem to deal with immediate problems but contribute to the building of pressures for future policy change. The Review aims to provide the basis for steady long-term policy at Commonwealth and State levels, and for productive long-term Australian interaction with the international community on climate change policy.