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Building confidence toward an effective global climate change agreement – an Australian perspective

Good morning, ladies and gentlemen.

It's good to be with you, to talk about how the world can build an agreement that tackles climate change.

Australia's Prime Minister, Kevin Rudd – who is here in New York today - has described climate change as the challenge of our generation.

Indeed reducing the greenhouse gas emissions that are causing our climate to change, and adapting to the impacts of unavoidable of climate change, will fundamentally reshape economies and communities all over the globe.

We know that new data and scientific understanding compiled since the IPCC's 2007 report are starting to paint an even more worrying picture of climate change – for the whole world. The Copenhagen Science Conference earlier this month provided a stark reminder of this.

The dangers of climate change in my own country are clear.

Australia is highly exposed to the impacts of climate change.

If we don't act, average temperatures across Australia are expected to rise by just over 5°C (compared to 1990) by 2100.

To put this in perspective, a 1°C rise in temperature risks a 15 per cent reduction in stream flow in the Murray-Darling Basin, Australia's biggest river system.¹

So the impact on Australia's environment – and economy – will be serious.

The health of our population, the security of our water and energy supplies, and the viability of entire industries like agriculture and tourism all face unprecedented tests.

The threats faced by Australians, and indeed people the world over, make it clear that we have reached a point where the changing climate cannot be dismissed.

And we have reached a point where action is needed, and needed now, while we still have an opportunity to act.

Whether we act or not, there will be fundamental changes to how we live.

The question is: do we have the resolve to take on this challenge, or will we let it overtake us? Will we rise to this challenge, or will we shrink from it?

The only prospect of turning around greenhouse gas emissions comes through a global solution on climate change.

We need political commitment from all countries to be part of this global solution.

But the world will look to key countries to lead this process.

And the world today looks to America for this leadership.

¹ Cai, W., and T. Cowan (2008), Evidence of impacts from rising temperature on inflows to the Murray-Darling Basin, *Geophys. Res. Lett.*, 35,

This nation at this time, through the Obama Administration, has a unique opportunity to lead the world through this unique predicament.

I am very encouraged by the high priority that the Administration is placing on climate change as part of its policy agenda, both domestically and internationally, and by the swiftness with which it has committed to a range of climate change policies.

But we also know momentum must be driven by many nations, not only a few. Building a global agreement requires contribution from across the globe. Leadership must be shown on many fronts.

Today I will outline one of the ways Australia is offering leadership towards a new global deal, through reducing emissions from deforestation and forest degradation in developing countries.

What might a post-2012 agreement look like?

2009 is a critical year for securing an international agreement on climate change, as we complete the two-year Bali Roadmap process under the UN Framework Convention on Climate Change. We are now in the midst of intensive negotiations in the lead up to the 15th Conference of the Parties in Copenhagen in December.

Often there is much more intensity than clarity in the discussion that surrounds Copenhagen.

We need to focus our minds on what a post-2012 agreement should look like.

What does Australia see as the essential ingredients for a successful agreement?

In broad terms, a post-2012 global agreement on climate change should be comprehensive, effective and fair.

To be comprehensive, it needs to include all major emitters.

To be effective, it needs to deliver real emissions reductions, and in so doing, set the world on a path to a low emissions future.

To be fair, countries need to take on comparable commitments and actions, considering their national circumstances. Of course, if the agreement is fair, it is more likely that it will also be more comprehensive – with more willing participants.

Specifically, Australia believes we need to reach agreement in three areas.

We must agree on a global goal, we must set specific national commitments to reduce or restrain emissions, and we must ensure there are mechanisms to help the most vulnerable adapt.

The first of these priorities, a global goal, provides direction and common purpose. It puts a clear constraint on global emissions which provides a strong incentive for countries and for private actors to reduce emissions.

The importance of the second of these priorities is clear. A future agreement must include economy-wide emission reductions targets by all advanced economies, and specific commitments to action by developing countries.

Central to realising this aim is that all sectors must be covered. This includes the land sector, and in particular addressing emissions reductions from deforestation in developing countries.

And importantly, the targets that developed countries take on should be comparable, taking into account the specific circumstances of each country.

However, the issue of comparability is invariably thorny and defining what is comparable will be an important element of negotiations this year.

We welcome the views of other Parties on this issue, including the European Commission's recent communication which called on non Annex-I parties at higher levels of development to consider the kind of emission limitation or reduction commitments they can make.

Australia's view is that comparable effort is affected by factors including projected economic and population growth and the structure of the underlying economy.

We also recognise that countries may make strong contributions to climate change in other ways, including through: support for research, development and deployment of low-carbon technologies; supporting international climate change institutions; support for clean development; and assisting other countries adapt to the effects of climate change. These should be taken into account when assessing comparable effort.

But make no mistake, we cannot let the important issue of comparable effort become a channel for diplomatic games, either to try and enhance our own nation's standing or to criticise others. We cannot let it become a smokescreen for further delay in tackling climate change.

Rather, we must be frank and constructive.

As I said, the third priority for an agreement is effective mechanisms for funding and supporting adaptation in the poorest and most vulnerable countries, including in the Pacific.

For the most part, the private sector and carbon markets will need to deliver the finances to aid this transformative effort.

But private finance will be naturally drawn to mitigation actions, and to support both mitigation and adaptation Australia, and other developed countries, will also need to be prepared to contribute substantially to public funds, at the global, regional and bilateral level.

Low-carbon technology is another crucial element of achieving these goals. We welcome President Obama's indication to Prime Minister Rudd this week that the United States will join the Australian-led Global Carbon Capture and Storage Initiative. This Initiative will drive the dissemination of CCS technology and know-how around the world - a practical example of technology transfer in action.

In securing global agreement, we cannot afford to repeat the mistakes of the past.

We need to take it one step at a time, not letting ourselves point the finger of blame, but rather building trust, and building confidence in the outcome we need.

An agreement that looks perfect on paper, but that remains unratified and unimplemented by its signatories, will do nothing for our planet.

Because above all, we need an agreement that works – and an agreement that works is an agreement that can be implemented in each of the countries that participate.

Building momentum

To get to this stage – to build the momentum we need toward this new global deal – we need trust.

It is a quality that is often absent from our deliberations, and without it, our negotiations will be gridlocked.

President Yudhoyono of Indonesia captured this dynamic well when he wrote in September last year that challenges like climate change “*transcend East-West and North-South relations. These hard issues will not be resolved by*

hard power. They can only be resolved by a collective long-term response, coupled with adequate political will and enormous resources”.

We need to foster a culture which encourages parties focusing on what they can achieve now. This will build trust and confidence, needed not only now to achieve an agreement, but also to reach for even more ambitious goals in the future.

To this end, developed countries must take the lead by announcing specific commitments to reduce emissions.

Australia has already announced our mid-term and long-term targets, and we urge other developed countries to nominate their mid-term ambitions early this year in order to build momentum in the negotiations.

We welcome President Obama’s pledge to reduce emissions to 14 per cent below 2005 levels by 2020, and to more than 80 percent below by 2050, just as we welcome the commitments of the EU and developed countries such as the UK, Germany, Sweden and Canada.

It is also very encouraging to see some developing countries are also taking significant action.

We commend the recent announcement of the South African Government that it will peak its emissions between 2020 and 2025, stabilise them for a decade, and then reduce them towards 2050.

And we also welcome the commitment of the Chinese Government to reduce emissions intensity, reduce energy consumption and increase renewable energy use and their decision to include clean automotive technology in its recent economic stimulus package.

Such actions should serve as a spur to others. We need to ensure – as a deliberate act of policy – that we create an environment that encourages other countries to come forward with such offers of action.

The role of the United States

But it is the United States, through the newly elected Obama Administration, which has an opportunity like no other nation to transform the current climate negotiations and deliver momentum towards an agreement.

There is no nation better placed at this time to help build trust and confidence. And to help us move beyond stale rhetoric and tired arguments and towards the agreement we all desperately need.

The world needs US leadership on this issue – and it is fair to say that the United States has already injected a great deal of confidence in the process through the Administration's unambiguous commitment to play a leading role in global efforts to limit climate change.

Australia is ready to cooperate and to do what we can to help the new US Administration as it steps up to play this leading role.

Australia welcomes President Obama's call to introduce an emissions reduction scheme based on a cap-and-trade system, and his commitment to specific emissions reduction targets, both to 2020 and 2050. Strong domestic action by the US is a powerful signal to the rest of the world about the seriousness of the problem and the seriousness of US intent to address it.

We also fully support the US Government's intention to pursue a small group process for world leaders to participate in dialogue on energy and climate – although I hasten to add that a process of this type can be useful only if it is translated to the UN negotiations where the formal decisions will be taken.

Australia's role

The strong and decisive approach to climate change here in the United States parallels the change in approach when the new Australian Government was voted into office in November 2007.

Our first act upon assuming office was to ratify the Kyoto Protocol. Prime Minister Rudd created the post I occupy as Minister for Climate Change and Water and I am supported by a new Department of Climate Change, which draws together experts from across government, including economists, environmental scientists, and international negotiators.

Australia's policy approach to climate change is built on three pillars:

- Reducing Australia's greenhouse gas emissions;
- Adapting to impacts of climate change that we can't avoid; and
- Helping to shape a global solution.

We believe it is in Australia's national interest that the world achieves a greenhouse gas stabilisation target of 450 parts per million or lower.

We believe that this goal is achievable, through unified action, and we will work hard to see it realised.

To this end, domestically, the Australian Government has committed itself to a goal of reducing emissions 5-15 percent below 2000 levels by 2020. This is a challenging goal.

It means that - for the first time in Australia's history - we will halt growth in our greenhouse gas emissions, and then turn them around.

We have signalled that we will do more should there be international agreement where major economies agree to substantially restrain carbon pollution and advanced economies take on reductions comparable to

Australia. Under these circumstances Australia stands willing to reduce our emissions by up to 15 per cent below 2000 levels by 2020.

Australia will meet its Kyoto Protocol target – and unilaterally go beyond it.

The Australian target range represents a reduction of 12-22 percentage points from our existing Kyoto target by 2020², and will put Australia on track to deeper cuts in the long term.

In this context, Australia's mid-term ambition matches or goes further than current target commitments from the European Union and the United States.

We have also stated that as part of our efforts to help shape a global solution, Australia stands ready to adjust our post-2020 targets to play our full part in achieving a 450ppm agreement.

Australia's Carbon Pollution Reduction Scheme

Achieving these targets will be no easy task. Relative to other developed countries, we face rapid population growth, large share of energy and emission-intensive industries, and heavy reliance on fossil fuels for energy. In this, we are not dissimilar to the US.

These characteristics mean that Australia faces a relatively greater adjustment task to reduce emissions than many other developed countries.

Indeed, responding to climate change will take nothing less than a transformation of our economy.

To achieve this transformation, we have designed a cap and trade emissions trading system, the Carbon Pollution Reduction Scheme.

² Australia's Kyoto target was 108% of 1990 levels. The Australian Government's commitment to a reduction in greenhouse gas emissions of 5-15% of 2000 levels by 2020 (or 4-14% adjusted to 1990 levels) represents the 12-22% reduction from the 108% target set in Kyoto.

By putting a price on carbon, we will begin to correct the market failure that has led to climate change.

Draft legislation to implement the Scheme was released this month, the latest in a series of phases of consultation on this reform.

Our Scheme has a wide scope covering around 75 per cent of Australia's emissions - across sectors including stationary energy, transport, fugitive emissions, industrial processes and waste.

The majority of permits – almost 70 per cent - will be auctioned from the start of the scheme, and we propose to move over time to full auctioning of permits. Importantly, the Australian Government has committed all funds raised by the sale of pollution permits to help Australian households and business adjust to the Scheme.

We regard this reform as integral to Australia's international position. We know, if we commit to reaching a target, our people and other nations rightly expect us to have a plan to meet this commitment. The CPRS provides this plan.

We also believe an effective global carbon market will play a key role in developing sound international solutions to climate change by fostering least-cost global abatement.

The Carbon Pollution Reduction Scheme has therefore been designed so as to link with other international schemes as these schemes are established, implemented and mature.

With the Carbon Pollution Reduction Scheme, we will for the first time be able to de-couple our economic growth from our emissions growth. In other words,

we will demonstrate that reducing emissions is compatible with a growing economy, even in a resource-based economy like Australia.

It is a highly complex reform and like all serious action on climate change, it is not without cost.

But we know that for Australia, and indeed the world, the cost of not acting is far greater than the cost of responsible action now.

REDD

Of course, if developed countries like Australia want to continue their economic growth while they tackle climate change, it is not unreasonable for developing countries to want the same.

To ensure emissions reductions are compatible with economic growth in many developing countries, we need ways to provide economic incentives to reduce emissions from deforestation.

Instead of an economic imperative to remove forests in developing countries, we need an incentive to preserve them.

Australia is working with our close neighbours, in particular Indonesia, to find a practical way to reduce emissions from deforestation and forest degradation in developing countries, better known by its acronym, REDD.

A post 2012 outcome that puts us on a path to 450ppm is only achievable with comprehensive coverage of REDD.

Australian modelling shows that the inclusion of forest-related activities in a future global agreement has the potential to reduce global mitigation costs by around 20-25 per cent.

And the inclusion of REDD also potentially provides a significant economic and environmental opportunity for developing countries.

This is why Australia is actively advocating for the inclusion of REDD in a post-2012 outcome.

Today I am pleased to release formally Australia's proposal on how emissions reductions from the forest sector in developing countries can be included in a future international climate change agreement.

The proposed forest carbon market mechanism will include reductions in emissions from deforestation and forest degradation as well as enhancing the removal of emissions from afforestation and reforestation. Importantly, our proposal has been developed with a long term vision of enabling broader land sector coverage in the future.

Australia's proposal is a market based approach that puts an economic value on activities that reduce emissions from the forest sector in developing countries. National governments would be issued with forest carbon credits for emissions reductions below an internationally agreed national forest emissions level, which takes existing emissions reduction activities into account.

An important element of REDD will be ensuring there is capacity for local communities to share in the benefits of protecting forest carbon.

Reductions in emissions must be monitored, reported and independently verified to generate credits, which can then be traded on an international carbon market. As with any international market, minimum performance and institutional standards will be demanded from suppliers of credits to provide investors with certainty and confidence.

As a new approach, it is important that the mechanism be informed by practical experience to the extent possible. Australia recognises this in its international partnerships that build bridges across the developed-developing

country divide. Take, for example, Australia's Forest Carbon Partnership with Indonesia.

Under this Partnership, we have established the Kalimantan Forests and Climate Partnership. Through the Partnership, Indonesia and Australia are developing the first large-scale demonstration activity, targeting emissions reductions by addressing the drivers of deforestation on the carbon rich peatland of Central Kalimantan.

The challenge of any effort to reduce emissions from the forest sector is the sheer diversity of land and vegetation types and climatic conditions. Recognising the need to draw on diverse experiences, Australia and Indonesia will develop a second demonstration activity, focusing on a different aspect of REDD.

And building on our cooperation on REDD, Australia is assisting Indonesia develop the necessary policy, technical and financial pre-requisites for participation in future international forest carbon markets. We are helping Indonesia to build its own capacity in carbon measurement, accounting and reporting systems that will be designed by Indonesia, for Indonesia.

These accounting systems are a critical part of any national system aimed at reducing emissions. They will provide the market with the information required to ensure credibility of any emissions credits generated from the forest sector. And it shows the international community that developing countries can develop the robust and credible systems that are required to generate tradable credits.

Not only is our Partnership with Indonesia making a practical contribution on REDD, but it is showing a new model of cooperation between developed and developing countries.

Australia and Indonesia made a joint submission to the UN Climate Change Conference in Poznan in December on lessons learned from our practical REDD demonstration activities in Indonesia. This was the first joint submission under the UNFCCC on REDD between an Annex I Party and a G77 country.

It is worth noting that REDD is an area where Australia and the United States have converging views. I am greatly encouraged by Secretary Clinton's comments in Indonesia in February on the need to integrate deforestation into international negotiations and on Indonesia's efforts to promote the inclusion of REDD.³ This is one of a number of areas where there is potential for the United States and Australia to find common ground.

Conclusion

We can achieve a global solution on climate change.

But this won't happen without political commitment at the highest levels.

Nothing less than full political involvement and support will provide the impetus our negotiators need.

I look forward to working together with the new Administration, using all available avenues and at all levels, to build the confidence and cooperation needed to move to agreement.

In November last year the then President-elect Obama said that "any nation that's willing to join the cause of combating climate change will have an ally in the United States of America".⁴

By this measure I believe the United States already has a number of allies.

³ Remarks by Clinton with Indonesian Foreign Minister Noer Hassan Wirajuda in Jakarta, February 18, 2009.

⁴ Speech to a gathering of US governors and foreign officials, 18 November 2008.

As in so much else, Australia is one of them.