

Transport greenhouse and the Kyoto Protocol

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Introduction – The Big Picture

First a few short years ago if I had spoken to you about the triple bottom line you would have been justified in assuming that I had not listened intently enough during Business Accounting 101.

Whether we like it or not, tackling greenhouse emissions is a permanent fixture for our future. Australia is required both nationally and internationally to reduce greenhouse gases. A decade of international meetings and negotiations has resulted in the Kyoto Protocol. In December 1997, more than 160 countries initialled the Kyoto Protocol signalling their commitment to address the problem of climate change through adopting binding targets for reducing emissions.

The Protocol requires industrialised countries to reduce their total emissions of greenhouse gases by roughly five per cent compared to 1990 levels by 2008-2012. Developing countries were not required to meet quantitative emission goals. Australia, as an energy exporting economy, negotiated an 8% increase in emissions levels over 1990 levels.

At the recent Johannesburg Earth Summit, Russia, Canada, China and India agreed to sign onto the Protocol. When they do, there will be sufficient worldwide endorsement to bring the Protocol into effect. Prime Minister John Howard has stated that it is not in Australia's national interest to ratify the Kyoto Protocol.

Australia has also formed a strategic alliance with the US for addressing greenhouse emissions. The US and Australia are the two major industrialized countries who have indicated that they will not ratify the Protocol. However, the Commonwealth Government is committed to meeting the targets set for Australia.

Regardless of whether formal agreements like the Kyoto Protocol are signed or not, the underlying social and economic obligations to '*do something*' to reduce greenhouse emissions prevail. This is not limited to government. At the Johannesburg summit, industry was recognised as being part of the solution to the problem and the World Business Council for Sustainable Development supports ratifying the Protocol.

It is interesting to note that many large multinational companies have recently positioned themselves in support of the protocol. It is probably fair to say that many of these companies invest more in planning for long term future success

than the average Australian citizen or politician. Perhaps they know something we don't know?

Royal Dutch Shell former CEO and chief industry rep at the Earth Summit Mark Moody-Stuart while supporting the Protocol had this to say.

“From a business point of view, (what) we need is this acknowledgement that business is here, that without the involvement of business to deliver the economic benefits, you will not have sustainable development.”

“But just the economic benefit is not enough and business is happy to work with others to deliver and make sure we address the environmental issues and we look at the social side.”

In the new ‘post-kyoto world’, businesses around the world are looking to portray a new clean green image. Witness the new image of BP. While the environmentalists remain skeptical of the motives and substance behind these moves we would have to agree that at least it is a step in the right direction.

In a typical example BHP Billiton is looking for carbon-abating projects and a target to reduce the energy intensity of its operations by 5% by 2007. Australia not joining Kyoto will not undermine BHP Billiton's ability to access carbon credits because it is a multinational company and it can access carbon credits from countries where it operates that have signed the Protocol. However, this may not be the case for purely Australian-based companies.

While the issue of climate change is about more than the Kyoto Protocol, Australia's desire to pursue cost-effective measures to reduce greenhouse gas emissions and to avoid negative impacts on competitiveness may be hampered by not being able to access the instruments such as international emissions trading, and the use of sinks to sequester carbon dioxide and the Clean Development Mechanism contained in the Protocol, that can help minimise the costs of emissions reductions.

Transport and Emissions

The transport sector, as the producer of 14 percent of Australia's total greenhouse emissions, needs to be a major player in undertaking action. Without adopting a proactive and coordinated stance, the transport sector may risk missing a significant opportunity and become an entrenched policy taker. This might not be immediately evident. However it is almost a given that there will be future abatement agreements - either nationally or internationally. There is a real risk that future world pressures will actually make the Kyoto Protocol look like a walk in the park. This will ultimately cost the sector both in dollar terms and in economy-wide efficiency and growth. If the congestion, pollution and the general state of transport sectors in Europe and the US are any indication of the future of transport in Australia, the urgency to undertake significant action now becomes clear.

The need for the transport sector to take action is not new. Successful programs such as new vehicle emissions standards combined with improved fuel quality have contributed to significant improvements in air quality. However, despite these measures, environmental impacts from transport, particularly in the area of CO₂ emissions, continue to mount. This is not because the relative emissions of transport are increasing, but because the transport task is increasing, often in areas that add little to Australia's overall economic growth.

Australia's perspective

Australia does not make a large contribution to global emissions. In 1999, Australia's greenhouse gases were equivalent to about 1.5 per cent of the global total. However, on a per capita basis, Australia's greenhouse gas emissions are among the highest in the world. Australia's high per capita emissions rate has been attributed to a number of factors including:

- With no nuclear power and little hydro-electric power, Australia is faced with greenhouse intensive power generation;
- More than 80 per cent of Australia's exports are greenhouse intensive;
- Australia is geographically large with a relatively small population so there is less opportunity to take advantage of economies of scale in transport; and
- Australia is still undertaking land clearing.

So how are we travelling?

It could be argued that the most significant element of the Protocol from both an environmental and economic perspective, are the targets set for developed countries. So how close are we to meeting the targets in Australia? Is there still work to be done?

The latest Greenhouse Gas Inventory figures released by the Australian Greenhouse Office shows that overall greenhouse emissions rose by 6.3 per cent between 1990 and 2000.

The figures forecast that without further action to curb emissions they will increase by 11 per cent by 2010. Remember that under the targets, the Government has agreed that emissions can only increase by 8 per cent. Clearly additional actions are still required.

The Environment Minister Dr Kemp claims that the figures are 'within striking distance' of the targets and are 'far closer' than many experts predicted.

However on a sectoral basis, things are not so good for the transport sector. Also, in terms of reducing emissions, all of the low fruit has been picked and the task is becoming increasingly difficult and greater ingenuity is required.

Over the same 1990-2000 period where total increase for Australia were 6.3 per cent, transport emissions increased by 24.2%. Yesterday Maureen Hayes from

BCC provided us with some urban transport figures which largely demonstrate why this is the case. This means that transport emissions have increased by about 2.2% annually making this one of the fastest growing sectors in the Greenhouse Gas Inventory.

Given this imperative, ATC Ministers are aware of the need to keep moving on this issue rather than waiting for international agreements to be negotiated. At their last meeting in August, Transport Ministers endorsed the *Integrated National Strategy and National Action Plan for Lowering Emissions from Urban Traffic*.

The Strategy and Action Plan were developed by the National Transport Secretariat in collaboration with all states, territories and the Commonwealth. The *Strategy* and the *National Action Plan* have the potential to advance the transport sector's position as a policy setter by creating a cohesive, strategic, and proactive policy framework.

ATC's responsibilities for emissions reductions to date, has been as lead agency for implementation of nine measures under the National Greenhouse Strategy. A lot of the NGS work in the transport sector identified areas for priority and further action. The difficulty with the NGS for the transport sector, was that no 'home' existed for the outcomes of the NGS process. Without action to create a 'policy home' for the findings and recommendations, there was a risk that the

work would be lost or quickly become outdated. Although a review of the NGS is planned, the timing of this is unknown. So giving a strategic and evolving ‘policy home’ to the findings and recommendations of the NGS was the logical starting point.

Within this context, the NTS developed the Emissions Abatement Package. The *Integrated National Strategy* provides a long term and overarching framework of activities for emissions reductions. It is underpinned by six outcomes driving a mixed policy approach to emission reductions. The outcomes are designed to complement each other and assist in building partnerships across portfolios. However in the absence of emissions trading or other pricing mechanisms, something still has to be done to arrest emission production in the transport sector.

The *Integrated National Action Plan* contains existing and planned activities on a jurisdiction by jurisdiction basis. This document will evolve overtime and be updated regularly.

However to pursue a more proactive approach to emissions abatement a stronger set of actions need to be undertaken at the national level. Therefore, under each outcome, a National Strategy Position has been established.

The National Strategic Positions represent a progressive agenda for the transport sector and establish a position to where we want to move to in 5-10 years down

the track. Over time, easier changes will be delivered and more difficult strategies will be required. Ministers have endorsed a first series of national actions to address emission reductions.

The NTS has also lead a combined application in association with a number of states to the Australian Greenhouse Offices' Greenhouse Gas Abatement Program. The GGAP process is a major Commonwealth Government initiative to assist Australia in meeting its commitments under the Kyoto Protocol to the United Nations Framework Convention on Climate Change.

The objective of GGAP is to reduce Australia's net greenhouse gas emissions by supporting activities that are likely to result in substantial emission reductions or substantial sink enhancement, particularly in the first commitment period under the Kyoto Protocol (2008-2012).

Our bid could result in a total 18 million to tackle the national love affair with the motor car. As Maureen Hayes said yesterday its all about people and their travel decisions. This program will encourage them to change their travel behaviours. As we heard yesterday just three or four trips per week can make a big difference.

Conclusion

While working on the *Strategy and Action Plan*, we found that the development of progressive emissions abatement policy in Australia is somewhat hampered by outdated perceptions. In 1996, the BTCE, described the transport emissions debate as increasingly circular and repetitive, with policy retreating to familiar and fixed positions. It could be argued that in 2002, the situation is unchanged and has resulted in stifled policy development relative to other sectors and other countries.

Research and debate are largely riskless exercises. Policy development and implementation are not. In the long term, perpetuation of programs that just tinker at the edges of existing policy will be detrimental in both dollar costs and the efficiency of the transport sector and stifle Australia's overall competitiveness. The transport sector should not be the handbrake of the Australian economy.

The *Integrated National Strategy and Action Plan for Lowering Emissions from Urban Traffic* are only a small first step towards effective emissions reductions. But they provide a unique opportunity. Ministers are signed up to the Package and Ministers are committed to the Package. Both the strategy and the action plan are designed to have the flexibility to be 'ratcheted up' in terms of intensity, focus and ultimately effectiveness. ATC has endorsed a regular review and release of subsequent action plans to support the strategies.

The challenge for policy makers is to be bold in the advice that is given to Ministers. In developing emissions reduction strategies, Ministers must be convinced of the need to drive a proactive rather than reactive approach and difficult advice has to be provided. This is not as controversial as it sounds. What is needed is not a revolution in transport policy but a rebalancing of transport policy.

Kyoto is one major step along the way to a permanent change in the way we care for our world and look at our impact on it. This means that our transport use must and will change permanently