Climate Change

CCIWA Position Statement

June 2022

Chamber of Commerce and Industry WA

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Foreword

Climate change is one of the most significant global policy challenges of our time, changing the way we live and how we do business. The Intergovernmental Panel on Climate Change warns of significant consequences to farm land, water resources, coastal regions, eco-systems, human health and economies if society does not make "immediate, rapid, and large-scale reductions in greenhouse gas emissions".[1]

Global temperatures are likely to rise at least 1.5 degrees, potentially 2 degrees in the next decades and 3 degrees by the end of the century. A rise of 1.5 degrees is likely to result in longer summers and shorter winters, and a rise of 2 degrees will see more intense and severe weather patterns including drought, heatwaves, fires and floods. At 3 degrees, many of Australia's ecological systems would be unrecognisable, which would have dramatic impacts on our wellbeing, culture and economic prosperity.[2]

Past discussions on climate change have too often been distracted by scepticism as to the veracity of scientific claims. There is now global scientific consensus on the existence of climate change and that human activities, which produce greenhouse gas emissions (including carbon dioxide and methane), are rapidly contributing to global temperature rises.

Climate change now ranks as one of the most significant aspects of the fast-moving Environment, Social and Governance (ESG) global movement.[3] This is being fuelled by a greater understanding of the level of risk climate change poses for the environment, as well as the long-term performance of investments, as well as other non-financial risks.

While climate change mitigation and adaptation demands a whole-of-societal commitment, the scale of the challenge differs widely across the business community. Some businesses will be acutely impacted, either in terms of the need to adapt to the effects of climate change or the adjustments that come with reducing emissions, and will need to undergo significant transformation. Others may only be marginally impacted.

Western Australia is an energy intense and trade dependent economy. Unlike most other States, our emissions profile has increased since 2005. WA is also particularly vulnerable to environmental changes. The role of local efforts in both mitigating and adapting to climate change therefore cannot be ignored.

At the same time, there is immense opportunity for WA businesses to be leaders in technological and process innovation to decarbonise, especially given our abundance of land, sun, wind, salt water and critical minerals. For the WA economy, this offers the potential to create new industries, markets and jobs, in turn underpinning a more diversified and climate resilient WA economy.

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[1] ICPP. *Climate change widespread, rapid, and intensifying*, 2021.
[2] Australian Academy of Science. *The risk to Australia of a 3 degree warmer world*, 2021.
[3] PRI. *Climate Change*, 2021.

The purpose of this position statement

CCIWA is the peak organisation advancing trade and commerce in Western Australia. We want the best for communities across the State. We're fundamentally committed to using our insights to develop and advocate for public policies that advance trade and commerce, and that reflect the needs of all our stakeholders.

Our members are highly diverse, from industrial manufacturers, to health and community service providers, to aquaculture and fisheries operations. They are in all regions across the State and are of all different sizes.

This position statement sets out the WA business community's perspective on climate change policy, given dramatic changes in societal expectations and shifting economic, financial market and political contexts at the local, state, national and global levels.

It is imperative that the WA business community proactively responds to challenging conditions: climate change mitigation and adaptation require strong and ambitious business leaders. CCIWA therefore has a clear role to play in shaping and influencing the climate change agenda. We are in a unique position to deliver genuine leadership and encourage WA business to demonstrate ambition in this space.

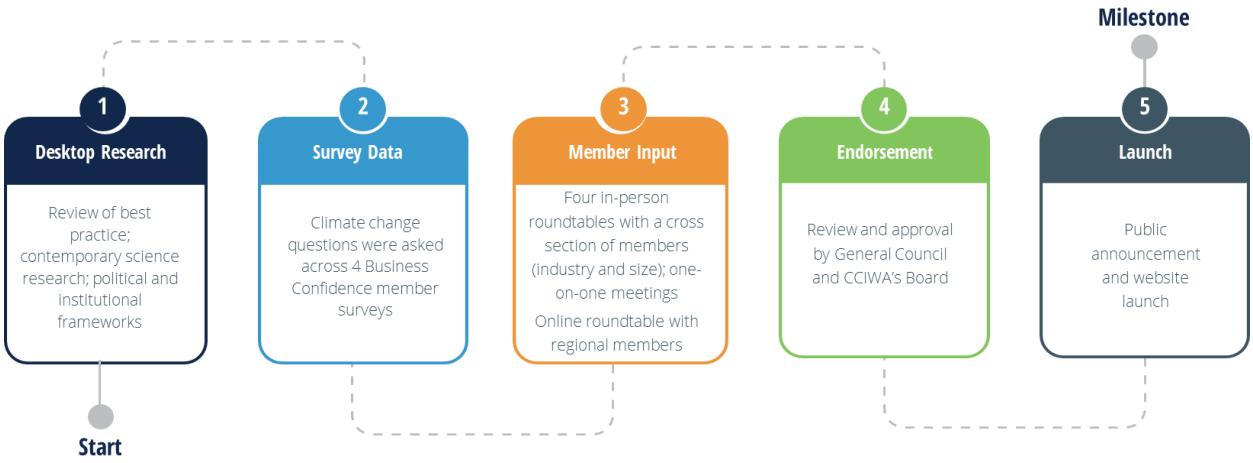
Through this position statement, we also seek to encourage strong and coordinated leadership at both the Federal and State tiers of government. The statement brings key industry concerns around climate change direct to government decision makers, with a view to achieving positive change and mitigating risks for WA businesses and the communities in which they operate.

CCIWA supports Australia's commitment to the Paris Agreement and government policies that are consistent with meeting its objectives.

We also recognise that we have a role to play educating and empowering businesses to advance their climate change agendas.

The figure below sets out the process we followed to develop this position statement.

Figure 1: Position statement development



Our approach

WA is embarking on a path toward net zero emissions by 2050. The business community recognises the urgent need to lower emissions to minimise the effects of climate change, and that they will need to adapt to the extreme weather events that are increasingly likely given current emissions in the atmosphere.

In this position statement, we first describe the WA business community's experience of climate change, including how markets are shifting, what risks climate change presents for WA businesses and the opportunities it creates. We then explore what is holding WA back from realising our goals and capitalising on the opportunities. Reflecting on these challenges, we then recommend various strategies for both tiers of government and CCIWA to facilitate better climate outcomes for businesses and the community at large.

The WA business community's experience of climate change

Our consultation with the WA business community has revealed widespread consensus that taking steps to mitigate and adapt to climate change is the only path forward — customers and the investment community expect nothing less. Businesses are also optimistic about the opportunities presented for WA by global decarbonisation.

We have found, however, that businesses are not currently well prepared to adapt to the risks to their assets and operations posed by a changing climate. Some of these effects will be felt regardless of how much global emissions are reduced, being due to the stock of emissions already in the atmosphere.

Decarbonisation is the new reality

Climate conscious investors are rapidly shaping the availability and cost of investment funds in capital markets in line with changing customer preferences and societal attitudes. This is a defining moment in time, where businesses will increasingly risk losing customers and access to investment funds if they are unable to demonstrate a strong and ambitious commitment to achieving net zero emissions, backed up by results.

> "There is an ESG capital tsunami. Companies need to rapidly get with the program." [4]

Australia's geographic isolation from the rest of the world places local businesses at risk of not fully understanding the speed at which changes are occurring elsewhere. WA businesses with global interactions are, however, more exposed to the fundamental shift in the effort across key global markets. For example, one of our members, a medium sized manufacturing company with plans to sell its products into Europe, has been asked for the first time to provide details of their emissions profile, including their

[4] Quote from a roundtable participant.

scope 3 emissions. It is only a matter of time before this level of detail is required for all international business dealings.

Many WA businesses are making bold and genuine commitments, intent on giving customers and investors confidence in their stated green commitments. For example, customers and investors are requiring that decarbonisation strategies include commitments to reduce emissions (not just make offsets) if the strategies are to be seen as credible. Investors in particular, as a matter of course, are increasingly applying rigorous due-diligence processes around their investment decisions.

WA COMPANIES MAKING THEIR MARK

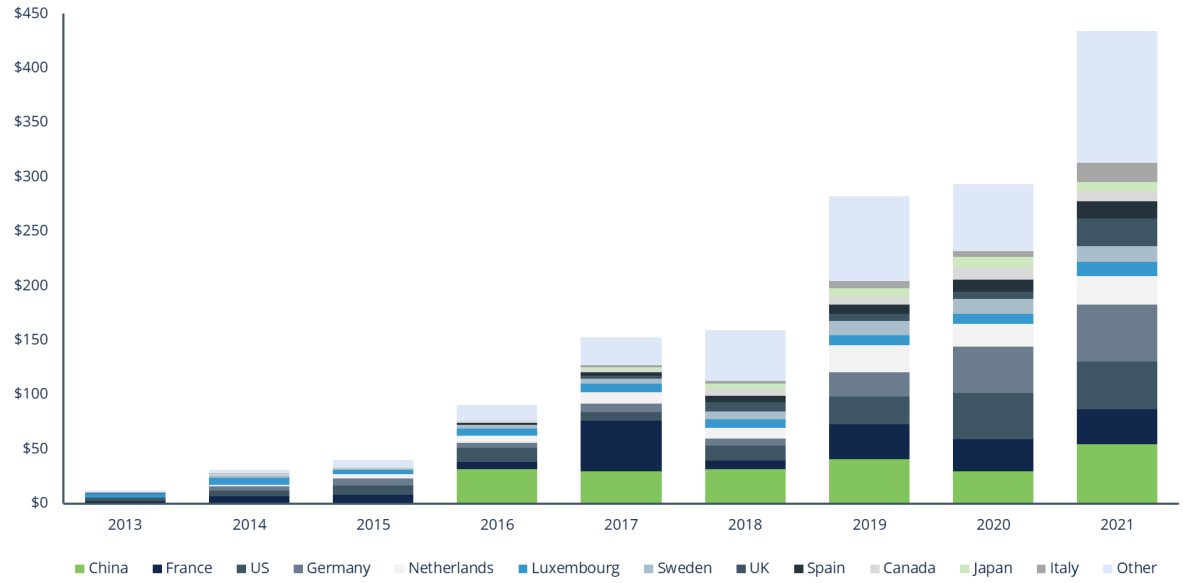
> Fortescue Metals Group seeks to achieve carbon neutrality within its own operations by 2030. It also commits to achieve net zero scope 3 emissions by 2040, which relate to the operations of its steel making customers, by boosting hydrogen and green energy production.
>
> Austral Fisheries was the first seafood business in the world to be certified as carbon neutral. Austral planted 220,000 mixed native trees in rural Western Australia to offset all of its carbon emissions. They have also invested over $50 million to develop and build a new, world-class fishing vessel, which will substantially cut carbon emissions.
>
> Perth-based Province Resources has partnered with a major global player in renewable energy, Total Eren, to develop a plan for a 8GW green hydrogen facility in Carnarvon.

The scale of the phenomenon is clearly shown through key market indicators, such as green bonds and private equity funding of climate-positive investments. Figure 2 shows a marked rise in the value of green bonds since 2016, reflecting investor interest in projects that deliver positive environmental and/or climate benefits. Similarly, Figure 3 shows exponential growth in climate-related private equity investment over the past two years. As another example, in 2013, venture capital funding for climate technology companies was about $418 million — by 2019, that funding had grown to $16.1 billion.[5] According to the Edelman Trust Barometer, 88 per cent of institutional investors now give ESG considerations the same level of attention and scrutiny as operational and financial considerations.[6]

[5] In USD. PWC, *The State of Climate Tech*, 2020.

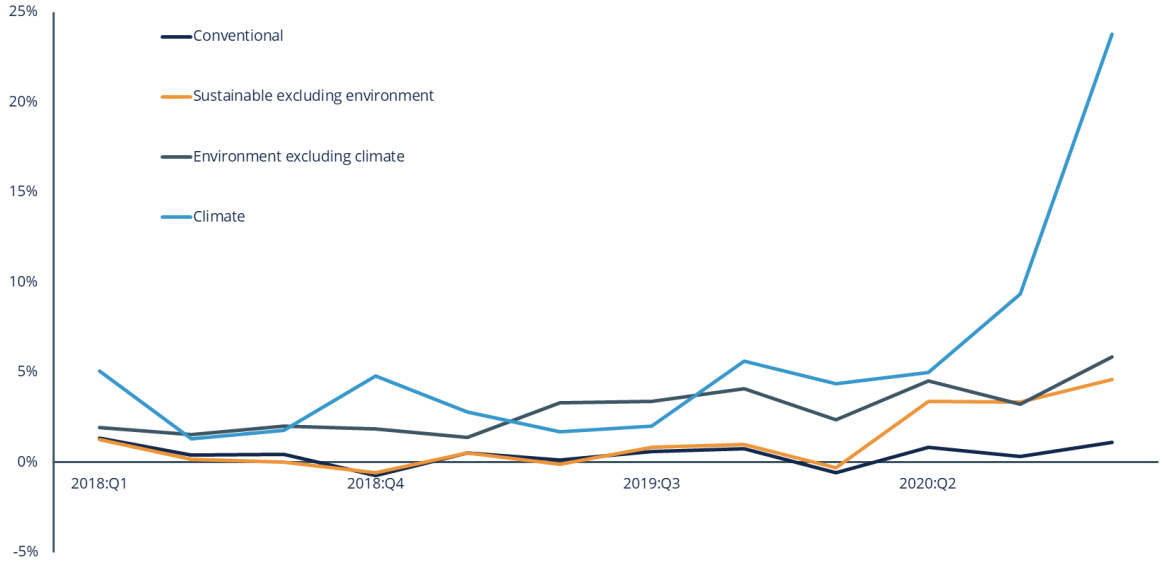
[6] Edelman, *Edelman Trust Barometer Special Report: Institutional Investors*, 2021, p 6.

Figure 2: Amount of green bonds on issue, USD billions



Source: Green Bond Guide, 2021 (via Eikon Refinitiv)

Figure 3: Net flows into funds by fund label, growth rate



Source: International Monetary Fund, Global Financial Stability Report, 2021

There is a global perception that Australia has been slow to act, and is not moving as quickly as the rest of the developed world.[7] The former Australian Treasurer, Hon Josh Frydenberg MP, recognised this reality, saying, "we cannot run the risk that markets falsely assume we are not transitioning in line with the rest of the world".[8]

[7] Slezak, M. *How Australia earned its climate change reputation*, ABC News, 2021.
[8] Hon Josh Frydenberg MP, *Capital markets and the transition to a low emissions future*, 2021.

The former Federal Government released a Long-Term Emissions Reduction Plan (the Liberal-National Party's Plan) in October 2021, in the lead up to the COP 26 UN Climate Change Conference.[9] The Liberal-National Party's Plan set out how Australia would:

- Achieve the net zero by 2050 target (i.e. the target consistent with achieving the 2015 Paris Agreement's temperature goals).
- Cut emissions to 26 - 28 percent below 2005 levels by 2030.

The Plan and associated modelling[10] were the subject of intense debate, with some media commentators, climate organisations, consultants and research bodies questioning the level of detail, its assumptions and the level of climate ambition.[11] In particular, the Plan was criticised for the following reasons:

- The commitment to meet a 2050 net zero target is not set out in legislation — some perceive this to mean the commitment is not genuine and therefore that it does not send the right signals to the community. (Notably however, many countries around the world have positioned themselves as genuinely committed to climate action without the need for legislation.)
- The 2030 interim target was less ambitious than those of other advanced economies.
- It did not include a mandatory, economy-wide carbon price — viewed by policy experts as the most efficient way to encourage emissions reduction.
- Given the economic modelling underlying the Plan did not examine a scenario with a mandatory carbon price or stronger 2030 targets, it could not be known whether the Plan represented Australia's least cost pathway to net zero.

Critically, the economic modelling underlying the Plan found Australia would face a 'capital risk premium' on Australian investors and businesses from financial markets equivalent to a $400 per tonne carbon tax in a scenario where Australia did not act strongly enough on climate change.

If some of these criticisms are not addressed by the new Federal Government, Australia's international standing could remain at risk, creating flow on investment and reputation risks for Australian businesses. Competitor countries have been using

[9] Australian Government. *Australia's long-term emissions reduction plan: A whole-of-economy plan to achieve net zero emissions by 2050*. 2021.

[10] Australian Government. *Australia's long-term emissions reduction plan: Modelling and Analysis*. 2021.

[11] See: Dewan, A, Westcott, B and Whiteman, H. *Australia will be the rich world's weakest link at COP26 with hollow net-zero and emissions pledges*, CNN 2021. Kehoe, J. *'Magic pudding'climate modelling ignores already higher costs*. Australian Financial Review, 2021; Kelp, O. *Australia's net zero challenge*. Acil Allen, 2021; Tamer, R, Yosufzai, R. *'Comically flawed': Climate experts criticise Australia's net zero modelling, SBS News, 2021; Clean Energy Council, Clean Energy opportunity go begging without greater climate ambition, 2021.*

Australia's perceived lack of progress as a competitive weapon, for example by agriculture markets in Canada and Europe.[12]

This is proving particularly problematic for one WA company with international mining interests. It is facing challenges securing international investment because of uncertainty about where Australia stands on climate change.

> "We face sustained pressure and questioning from investors and customers about our ESG approach, as our company's brand is bundled up with Australia."[13]

A changing climate creates a broad range of risks

Some WA businesses recognise they need to not only promote their genuine green commitments, they must also demonstrate climate resilience in order to reduce risk. Climate change poses practical risks to operations, for example in the form of direct impacts on critical infrastructure, greater exposure to drought conditions and extreme flooding, and utility and insurance cost exposure.[14] These risks are being experienced now, for example with extreme weather events and patterns.

WA BUSINESSES BOLSTERING THEIR CLIMATE RESILIENCE

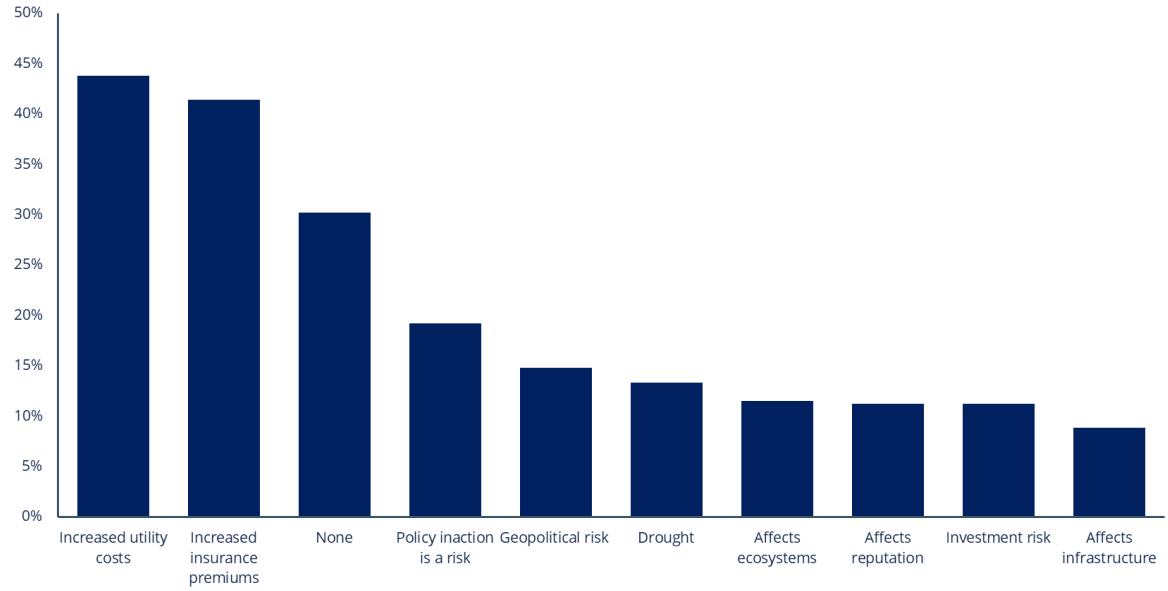
> "Our organisation has used IPCC modelling to understand how climate change will impact our operations. We need to understand the vulnerability of our assets to changing weather patterns. This will drive funding decisions and the use of alternative engineering and technology to reduce our vulnerability. When you model the cumulative impacts, the results can be quite frightening."[15]
>
> "First and foremost, we are mindful of the impacts extreme weather events can have upon the safety of our employees and community members. The community members we work alongside are clear that climate change is already impacting their livelihoods. Because of climate change, droughts and floods have

[12] Feedback from roundtable participant.
[13] Quote from a roundtable participant.
[14] See: ICPP. *Climate change widespread, rapid, and intensifying*, 2021.
[15] Quote from an energy market participant.

> increased. This impacts the community significantly when the two main crops - corn and cassava - are lost and there are no seeds for the following year."[16]

However, very few WA businesses have considered the full suite of risks that could impact their business, and more than 30 per cent think climate change will have no impact on their business (Figure 4). Notably, around one in five businesses identify that a lack of meaningful policy action is a risk to their business.

Figure 4: WA businesses' perception of the risks of climate change



Source: CCIWA Business Confidence Survey, 2021 (August edition)

Climate change as an opportunity

There is considerable optimism that WA can be a leader in leveraging climate change as a commercial opportunity in the global transition to net zero. We have an abundance of land, sun, wind, salt water and critical minerals, and we have long established ourselves as a premier mining province using innovative technologies and processes.

WA has the potential to be a significant producer, exporter and user of green hydrogen. Green hydrogen has the capacity to support hard-to-abate industrial sectors to lower emissions. We are also in a leading position when it comes to critical minerals, which will play a fundamental role in the production of clean energy technologies. Demand for critical minerals is expected to undergo a six-fold increase,[17] and the International Monetary Fund places Australia in a leading position to respond.[18] For lithium in particular, WA accounts for 55 per cent of the global reserves. In addition, LNG will play a critical role as the world transitions to net zero.

There is an extraordinary opportunity to build our reputation and market ourselves as the cleanest energy minerals extraction in the world. We can leverage our advanced

[16] Quote from a resource company.
[17] International Monetary Fund, *World Economic Outlook*, 2021.
[18] The market is estimated to be worth $US12.9 trillion over the next two decades.

thinking and the latest technologies in clean energy to attract the best and brightest minds to WA.

> "We need to show our global customers that WA is the best place to purchase their products from and for investors to invest in." [19]

What is holding back action?

Many WA businesses will face significant challenges if they are to make a meaningful contribution to achieving WA's net zero reality. Top of the list is a lack of access to land and infrastructure to enable the roll-out of low emissions technologies at scale, as well as the skills and knowledge needed to adapt to and mitigate climate change.

There is also a high degree of uncertainty amongst the WA business community over the specific roles the Federal and State Governments will play in enabling the transition to net zero. In this context, there is wide consensus that both levels of government must provide coordinated and clear direction, urgently.

Access to land and infrastructure is undermining progress

Various policies, regulations and investment decision-making processes governing access to land and infrastructure are slowing down the pace at which WA businesses can both decarbonise their operations and contribute to reducing the State's dependency on fossil fuels in the energy sector. Indeed, one of Infrastructure WA's primary findings in its draft State Infrastructure Strategy was that individual State agencies' and Government Trading Enterprises' infrastructure strategies, plans and business cases are, in many cases:

"...of inadequate quality and consistency. In the main, these documents are outdated, generally focussed on the short term and do not adequately or consistently consider strategic matters such as climate change mitigation or adaptation..."[20]

Despite an abundance of land in WA, access to land is fraught with complexity. It can take up to five years to navigate the necessary environmental and native title approval processes as well as engage with the various lease holders that may exist. Businesses told us they need infrastructure corridors to be developed with the necessary environmental, native title and lease holder hurdles already dealt with.

> "The change in land use to move to green energy is...significant...there will be significant conflicts over land use...there will be strong pressures to preserve local environments/land use/amenity, and industry will be trying to change the land use which will have a net global positive impact." [21]

[19] Quote from a roundtable participant
[20] Infrastructure WA, *State Infrastructure Strategy – Draft for public comment*, p. 14.
[21] Quote from a CCIWA General Council member.

> "Regulatory consideration of climate change has proven to be complex, with shifting expectations and lengthy assessment periods, and often subject to appeal...maintaining this approach...will add considerable administrative requirements to both government and industry. [22]

Policies and regulations affecting access to infrastructure are also slowing down the pace at which WA businesses can reduce emissions. Likewise, there are challenges funding the expensive assets required to transition to, for example renewable energy solutions, particularly when it comes to decisions about how costs should be shared between the private and public sectors, and current and future users.

As an example, businesses investing in hydrogen require investment in and/or access to regional infrastructure for producing, distributing, storing and using the energy from hydrogen.[23] This includes refuelling facilities on regional freight networks for hydrogen powered vehicles, and access to existing natural gas networks to allow low concentrations of blending. As another example, some businesses wanting to supply customers with renewable energy need the electricity grid to be modified to enable them to do so. In some cases, investment in new infrastructure is needed, in others, existing regulatory frameworks need to be reformed.

> "The critical issue here is electrification. The grid as it stands falls woefully short. We don't have the grid to enable decarbonisation, and this should be addressed as a priority issue."[24]

> "Do we sit on our hands for 10 years and wait till we see what the grid does?"[25]

> "Infrastructure pathways, bringing together land and infrastructure corridors that are development ready, are essential to service and underpin the expansion of the clean energy sector in WA."[26]

> "Hundreds of kilometres of land could be opened up, but the grid connection is not able to support that level of investment and business has walked away as a result." [27]

[22] Quote from a roundtable participant.
[23] Bowen, H. *Fuelling cooperation: The Indo-pacific hydgrogen transformation*, Perth USAsia Centre, 2021.
[24] Quote from a CCIWA General Council member.
[25] Quote from a roundtable participant.
[26] Quote from a roundtable participant.
[27] Quote from a roundtable participant.

WA is not unique in terms of access to wind, salt water, sun and land mass, and other countries, and States and Territories, are making significant progress implementing policy initiatives to attract private sector investment. WA is at risk of missing out on international and local investment opportunities if we don't rapidly address the barriers that currently exist.

> "There is a real sense within the business community that WA is suffering complacency and will likely miss out on critical investment opportunities."[28]
>
> "There are billions of dollars available in global investment in clean energies looking to secure the appropriate destinations. WA is not unique, so we just need to create the best investment locations to attract this investment."[29]

We don't yet have the skills and knowledge base we need

The post-COVID recovery has accelerated demand for skills across most sectors in WA, Australia and indeed the world. The availability of labour in WA is still recovering from State and National border policies which contracted the available labour pool. Advancement of green energy projects requires the same skills as competing sectors, creating a fiercely competitive jobs and skills market. WA businesses have highlighted the need to import skills from overseas, as well as to upskill locals.

> "We don't have enough people to build the infrastructure, then we also need the skills to run the projects." [30]
>
> "Skills we grow often get stolen. The best and brightest go to other significant jurisdictions." [31]

In this new net zero reality, businesses of all sizes and sectors will increasingly need to cultivate and acquire talent who are passionate about climate change, and are able to navigate the complex space of climate change adaptation, and emissions reduction and reporting. A diverse mix of skills will be required, from scientists, technical experts and engineers to policy and communications professionals and data specialists.

Unfortunately, many smaller and medium sized organisations simply do not have the resources to undertake these activities.[32] They are finding embarking on the climate change adaptation and net zero journey extremely complex and challenging, and the current suite of tools and resources available to support them overwhelming, rather

[28] Quote from a roundtable participant.
[29] Quote from a roundtable participant.
[30] Quote from a roundtable participant.
[31] Quote from a roundtable participant.
[32] SME Climate Hub, *New data reveals two-thirds of surveyed small businesses concerned over navigating climate action* 2022.

than helpful.[33] For example, to fully understand its emissions profile, a business needs to have an intimate understanding of every aspect of its operations, and how and to what extent these activities create emissions. This is a daunting process for many.

> "The first big step for me was really trying to understand what are we actually going to measure — I'd never heard of Scope 1, Scope 2, Scope 3...and the literature is quite daunting."[34]

Another challenge is helping smaller and medium sized organisations to understand the strategic significance of climate change, and the cost efficiencies that can be gained as a result of adapting to and mitigating climate change. For many, the day-to-day implications of having to adapt to and mitigate climate change mean resources are diverted from business-as-usual activities. In a resource constrained operating environment, this creates additional pressure and stress.

> "One of our biggest fears is that by reducing our carbon footprint, we will also reduce our competitiveness."[35]

Finally, for WA businesses to be able to adapt to the effects of climate change, they need to produce and follow adaptation plans that are modelled against the latest climate science. There is a role for government in educating the community, including the business community, about the risks that climate change poses. With this understanding, businesses will be better armed to produce adaptation plans to build climate resilience into their assets and operations.

The WA Government's approach to improving the State's understanding of climate risks is developing. In late 2021, it released a summary of climate projections for Western Australia.[36] More recently, it has announced the Climate Science Initiative, a $3.1 million investment in climate science to support decision-making and ensure informed risk assessment and robust adaptation planning.[37] The Department of Primary Industries and Regional Development website provides a range of climate information to support agricultural and pastoral managers in their response to a changing climate.[38] The Water Corporation's website includes information about the effects of climate change on rainfall across different regions.[39] The Department of Health's website hosts the final report of the Climate Health WA Inquiry, which covers the challenges faced by the health sector.[40]

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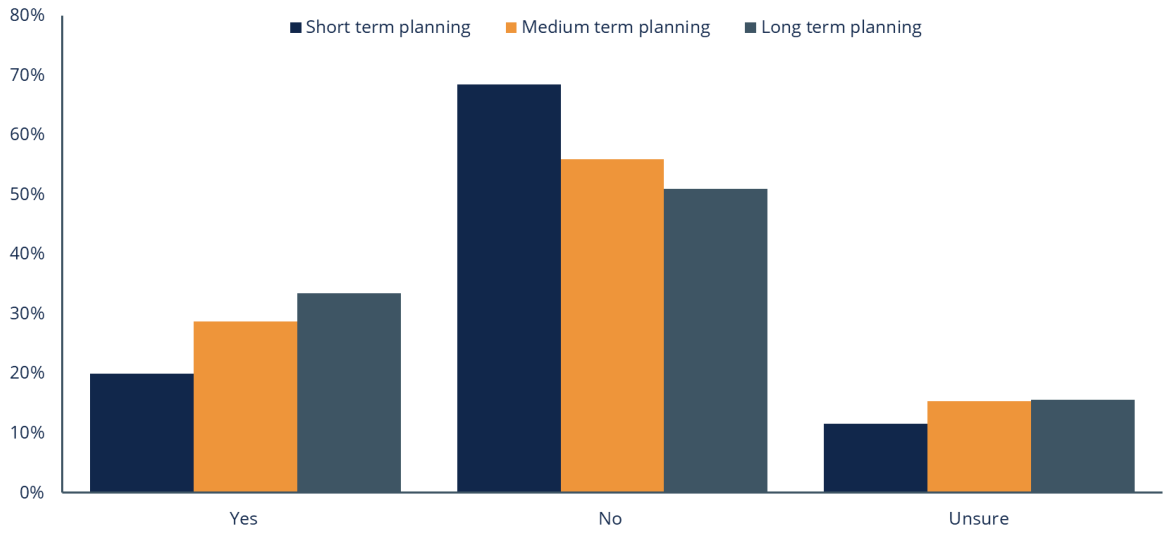
[33] There are currently a wide range of different emissions guidance reporting frameworks and calculation tools available globally. See: *GHG Protocol Initiative* 2021.
[34] Steel Blue, quoted in WA Works.
[35] Quote from a roundtable participant.
[36] WA Government, *Western Australian climate projections: Summary*, September 2021.
[37] WA Government, *Climate Science Initiative'*, 2022.
[38] Department of Primary Industries and Regional Development, *Climate trends in Western Australia,* 2020.
[39] Water Corporation, *Climate change and WA*, 2021.
[40] Department of Health, *Climate Health WA Inquiry*, 2020.

Given the practical challenges, it's not surprising that many in the WA business community are struggling to factor climate change into their planning, suggesting a significant number are going to be unprepared to face the challenges ahead (Figure 5).

Figure 5: Business factoring climate change into their business planning

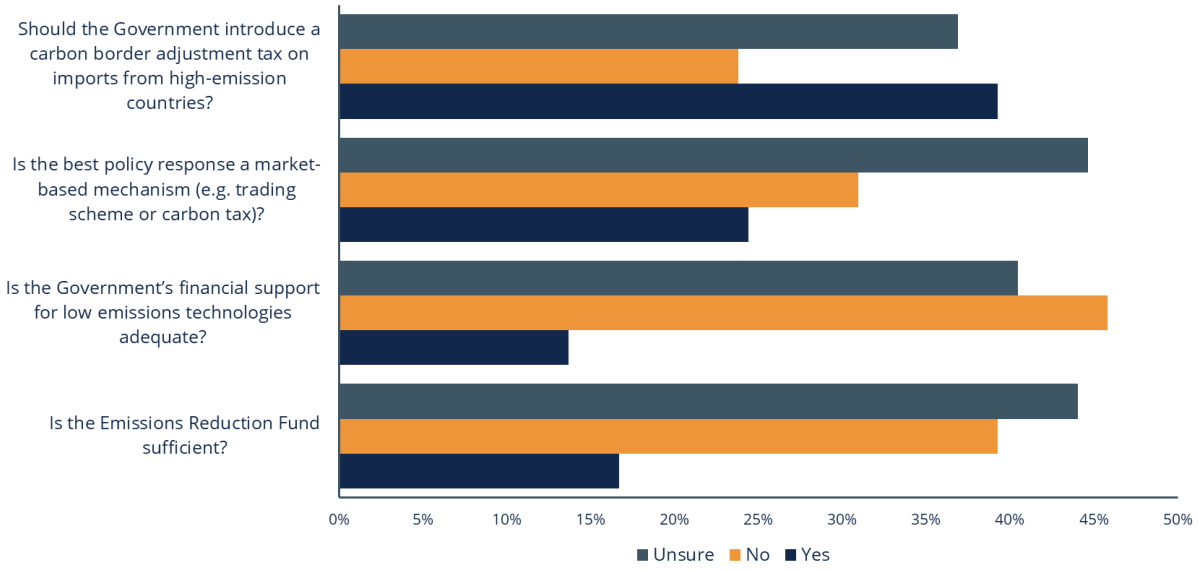


Source: CCIWA Business Confidence Survey, 2021 (September quarter)

Policy incoherence is creating investment uncertainty

A large proportion of businesses are unsure about what specific policy responses governments should be adopting to address climate change (Figure 6). This is arguably a reflection on the complexity of the current policy landscape.

Figure 6: Policy uncertainty surrounds climate change



Source: CCIWA Business Confidence Survey, 2021 (September quarter)

There are significant risks to businesses' competitiveness if political leadership is lacking and/or uncoordinated, and if businesses are not engaged when developing and implementing policy, plans and actions.

> "It's critically important to have consistency between the National and State level (with any regulation). This would really help business to decarbonise."[41]

> "As a company, we have an interest in preventing the 'balkanisation' of climate policy in Australia, and policies that prevent us taking a whole-of-company approach to abatement."[42]

If Federal and State-based plans do not align, private sector investment will be pulled in different, potentially competing, directions. A challenge in this regard has been that emissions reduction has not featured as an agenda item at the Meeting of State and Federal Environment Ministers, because the former Federal Minister for Environment did not hold ministerial powers over emissions reduction — this responsibility rested with the former Minister for Industry, Energy and Emissions Reduction. This hindered coordination of emissions reduction strategies across State and Federal Governments, because it is typically the State Environment Ministers that have responsibility for developing their State's emissions reduction plans.

There has also been a sense among some in the WA business community that the former Federal Government's Plan was not ambitious enough, and that this forced State and Territory Governments to forge their own paths. For example, as set out above, the Liberal-National Party's Plan was criticised for not setting an ambitious enough 2030 interim target. Most States and Territories had set targets that were more ambitious than Australia's former 26 – 28 per cent target.

When different States and Territories decide to take their own climate paths, it risks creating policy inconsistencies and / or duplication across interstate borders. This creates complexity for businesses and adds unnecessary layers of regulatory burden when navigating different compliance expectations. Navigating the complexities is particularly problematic for small and medium sized organisations who, as set out above, have less access to the resource base of large organisations.

> "A patchwork quilt is the biggest problem. We go one step forward, and then two steps back."[43]

[41] Quote from CCIWA General Council member.
[42] Quote from roundtable participant.
[43] Quote from roundtable participant.

> "It's more efficient if it's done at the Federal level – and it will only be effective if the ambition at the Federal level is aligned with the States."[44]
>
> "But, in the absence of strong leadership from the Federal Government, the State Government will need to drive this."[45]

In WA, the State Government has an aspiration for WA to achieve net zero emissions by 2050. The challenge for WA to achieve this — as well as to reduce emissions on 2005 levels by 2030 — is significant. While we currently rank fourth across the country in terms of CO2 emissions, we are the only State where net emissions have increased since 2005, not decreased, and are projected to increase further.[46] Achieving the State Government's objectives will require transformation by industry, at scale.[47]

There are currently three State Government Ministers that have carriage of different aspects of climate change policy: the Minister for Climate Action, the Minister for Hydrogen and the Minister for Energy. Similarly, several government agencies and bodies (including Government Trading Enterprises)[48] play different roles in developing and implementing climate change policy. This reflects the complex nature of climate change as a policy issue, and that all parts of the economy have a role to play in addressing it.

Notwithstanding the current constructive working relationships between the relevant Ministers, departments and Government Trading Enterprises, splitting their responsibilities heightens the need for effective coordination and communication across government, and with the business community.

Absent this, businesses will struggle to understand the WA Government's priorities, which will in turn dampen their willingness to invest and the effectiveness with which the policy, funding and regulatory framework moves WA towards net zero emissions.

In late 2021, the former Minister for Climate Action announced a program of work to develop Sectoral Emissions Reduction Strategies. The Sectoral Emissions Reduction Strategies aim to provide credible emissions reduction pathways, with tangible actions for each sector. Consultation with industry to develop the Sectoral Emissions Reduction Strategies is due to commence in 2022, and will involve:

[44] Quote from roundtable participant.
[45] Quote from roundtable participant.
[46] In 2020, WA's net CO2 emissions were 4 per cent higher than in 2005. In 2019, they were 15.6 per cent higher than in 2005. Department of Science, Industry and Resources, 'State and territory greenhouse gas inventories: annual emissions'.
[47] For State Government agencies (including Government Trading Enterprises), the Government has set a 2030 target of an 80 per cent reduction in emissions below *2020* levels. This target will largely be achieved by the closure of State-owned coal power stations on the South West Interconnected System.
[48] For example, the Department of Jobs, Trade, Science and Innovation, Energy Policy WA, the Department of Water and Environmental Regulation, the Department of Primary Industries and Regional Development, the Environmental Protection Agency, Western Power, Synergy, Horizon Power.

- Engagement with key stakeholders at critical stages in the modelling and analysis process, as well as in the development of new initiatives.

- Adopting a structured and targeted approach on industry and technology-specific issues.

- Developing industry partnerships to implement the strategies.

This is a promising program of work that will help to coordinate action across the State Government and with the business community, and set clear priorities to guide businesses' investments in climate action.

What the WA business community needs to transition to net zero

WA businesses want to show ambition in tackling the challenges and grasping the opportunities that climate change presents. Notwithstanding our State's reliance on the mining sector, the WA business community is diverse, as is the scale and nature of the climate change challenges and opportunities they face.

In that context, WA businesses need Governments to provide aligned direction on the policy settings they intend to adopt to address climate change. The certainty this creates, combined with addressing barriers to accessing land, infrastructure, skills and knowledge, will enable each business to make the investments it needs to make.

We also recognise that, as the peak body advancing trade and commerce in WA, we have a role to play empowering businesses to act. The rest of this statement sets out CCIWA's positions on climate change policy, including our commitment to help WA businesses deliver on their climate goals.

We need coordinated and ambitious leadership from government

As global efforts to decarbonise intensify — along with the focus on Australia's ambition compared to similar advanced economies — our members have emphasised the importance of strong Federal Government leadership, and coordination with the States and Territories and local governments. Government also needs to work closely with industry to define the pathways that will demonstrate how sectors can achieve net zero.

More effective governance frameworks to deliver aligned action

The Climate Change Authority[49] says a national long-term strategy would help align the various state commitments, thereby creating certainty and economic efficiencies, addressing critical policy gaps and providing clear pathways for sectors to decarbonise.[50] With the change in Government, there is an opportunity to ensure Australia's plan is aligned with the States and Territories and that mechanisms exist to ensure coordinated and complementary State and Territory and local government actions.

CCIWA supports mechanisms and processes that increase coordination across States, Territories and levels of government. Given the significance of the issue, we see merit in National Cabinet playing this role, by ensuring Australia's plan works in conjunction with State and Territory policies.

We also support the WA State Government's recent decision to join the Net Zero Emissions Policy Forum. This Forum was convened in November 2021 by the NSW, ACT and SA State Governments to enable collaboration between sub-national jurisdictions

[49] The Climate Change Authority is an independent statutory agency established under the *Climate Change Authority Act 2011* to provide expert advice to the Australian Government on climate change policy provides. This includes, but is not limited to, Carbon Farming Initiatives, the National Greenhouse and Energy Reporting System, and other climate change matters as requested. It also conducts and commissions its own independent research and analysis.
[50] Climate Change Authority, *Prospering in a low-emissios world: An updated climate policy toolkit for Australia*, 2020.

both within Australia and abroad.[51] The Forum will be valuable for sharing information and for policy ideas generation. However, its membership does not include the full complement of States and Territories, and it lacks decision making powers. Therefore, a mechanism to ensure the *implementation* of actions is consistent across tiers of government is still required.

> **Position 1:** CCIWA strongly supports efforts to better coordinate climate change-related policies across States, Territories and levels of government, and which minimise duplication and enable least cost abatement. National Cabinet should play this role going forward.

Within WA, as outlined above, responsibility for climate action is split across multiple Ministers, departments, and Government Trading Enterprises. In several other jurisdictions — Queensland, NSW, Victoria, South Australia and the ACT — governments have established various authorities or councils to provide independent advice to government on setting and meeting emissions reduction targets, and climate adaptation. These bodies not only provide independent advice on matters such as the level of interim targets, some are also a 'one-stop-shop' of information for the community about climate change and associated policy. In some jurisdictions,[52] the body is established by legislation.

Currently, the WA Government does not have such a body. We recommend the WA Government consider establishing an independent advisory body, which also includes strong cross-sectoral business representation as part of its membership. The independent advisory body should:

- Independently advise Ministers and agencies about setting and meeting emissions reduction targets, and climate adaptation.
- Ensure policies, plans and actions are coordinated across agencies and Government Trading Enterprises.
- Create accountability and transparency over actions and outcomes, including monitoring performance against key targets.
- Engage with stakeholders, including the business community, in developing its advice, and provide clear communication to stakeholders about climate change policy, plans and actions.
- Provide information to the community about the risks to WA of a changing climate (see section below about a 'one stop shop' for this information).

[51] The Forum aims to provide a repository of existing policies and resources; facilitate collaboration between governments to design policies and to work together to solve the problems of achieving net zero emissions; and enable problem solving to address policy challenges and speed up the transition to net zero. See: NSW Government, *NSW, ACT and SA to be founding members of Net Zero Emissions Policy Forum at Glasgow.* Media Release, 8 November 2021

[52] Victoria, NSW, South Australia, ACT.

- Identify and foster opportunities for partnerships with local governments to deliver the types of community emissions reduction programs that are most effectively implemented at the local level.

This would not only ensure coordination across different WA Minsters, departments, Government Trading Enterprises and local governments, it would deliver a signal to investors and the broader community that WA is committed to climate action.

> **Position 2:** CCIWA recommends the WA Government implement mechanisms and processes to improve coordination across agencies, Government Trading Enterprises, industry and local governments. It should establish an independent advisory body on climate change to achieve this, which also includes strong cross-sectoral business representation as part of its membership.

As noted above, the State Government's program of work to develop Sectoral Emissions Reduction Strategies is a promising step forward that will help to coordinate action across the State Government and with the business community. We recognise it is unlikely the above independent body could be established in time to align with completion of this program of work. In its absence, however, we urge the State Government to ensure agencies are appropriately resourced to carry out the extensive industry engagement required to develop the strategies.

> **Position 3:** CCIWA urges the State Government to ensure agencies are appropriately resourced to carry out the extensive industry engagement required to develop Sectoral Emissions Reduction Strategies.

A strong national interim target

As noted above, the former Federal Government attracted some criticism for not having a sufficiently ambitious 2030 target. It had committed to reducing emissions 26 – 28 per cent below 2005 levels by 2030. Federal Labor has now written to the UN formalising Australia's new 2030 target of 43 per cent.[53]

The potential cost for Austalian businesses of a 2030 target that is out-of-step with market expectations should not be overlooked. That cost could come in the form of a 'capital risk premium', like that identified by Commonwealth Treasury as the cost to Australia of perceived climate inaction. A lower 2030 target could also slow the required investment in low emissions technology and delay action in rolling out at scale already commercially viable technology. Ultimately, this leaves a bigger challenge in later years as we progress toward 2050.

[53] Washington Post, 'Australia commits to reducing greenhouse emissions by 43%', June 15 2022.

The former Federal Government argued Australia's 26 – 28 per cent 2030 target was in the nation's interest, particularly for regional and rural communities. While for some industries the benefits of low-emissions technologies will outweigh the costs of transition, for others, significant financial costs will remain. Further, Australia would likely be judged poorly if an overly ambitious target is set, but not achieved.

The Business Council of Australia commissioned modelling to assess these trade-offs. It found a cut of between 46 and 50 per cent on 2005 levels by 2030 was pragmatic and ambitious.[54] Various others have supported interim reductions of a similar amount. The Australian Chamber of Commerce and Industry recommends Australia set an ambitious, yet achievable 2030 target, aligned with similar commitments by other developed countries. Ai Group has urged the Government to "roughly" halve emissions by 2030,[55] and the Climate Change Authority has recommended targets of 36 per cent below 2005 levels by 2025, and 45 - 63 per cent below 2005 levels by 2030.[56]

The former Federal Government said Australia was on track to achieve 30 – 35 per cent reduction by 2030. This is, however, still out-of-step with some comparable economies, which are seeking cuts of up to 45 per cent. Countries whose economies are less reliant on energy intensive industries are aiming even higher: the UK, for example aims to achieve a 61 per cent reduction; the EU, 52 per cent; and the US, 50 – 52 per cent.

COMPARABLE COUNTRIES' 2030 TARGETS: % REDUCTION FROM 2005 LEVELS

NORWAY: 44.5 per cent BRAZIL: 37 per cent CANADA: 40 - 45 per cent[57]

WA businesses were divided in their views on whether Australia's former 26 – 28 per cent 2030 target was ambitious enough, although large businesses were more likely than small and medium organisations to think it was not (Figure 7). Reflecting this, some large companies with operations in WA have 2030 targets that are more ambitious than a 26 – 28 per cent reduction in emissions.

Of WA businesses that considered a 26 – 28 per cent reduction in emissions was insufficient, just under half thought Australia should be aiming to reduce emissions by more than 50 per cent of 2005 levels by 2030. Around a third thought Australia should aim for 45 – 50 per cent.[58]

Having said this, many WA businesses are very uncertain about what Australia's 2030 target should be (Figure 7).

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[54] BCA, *Acheivng a new zero economy*. 2021.

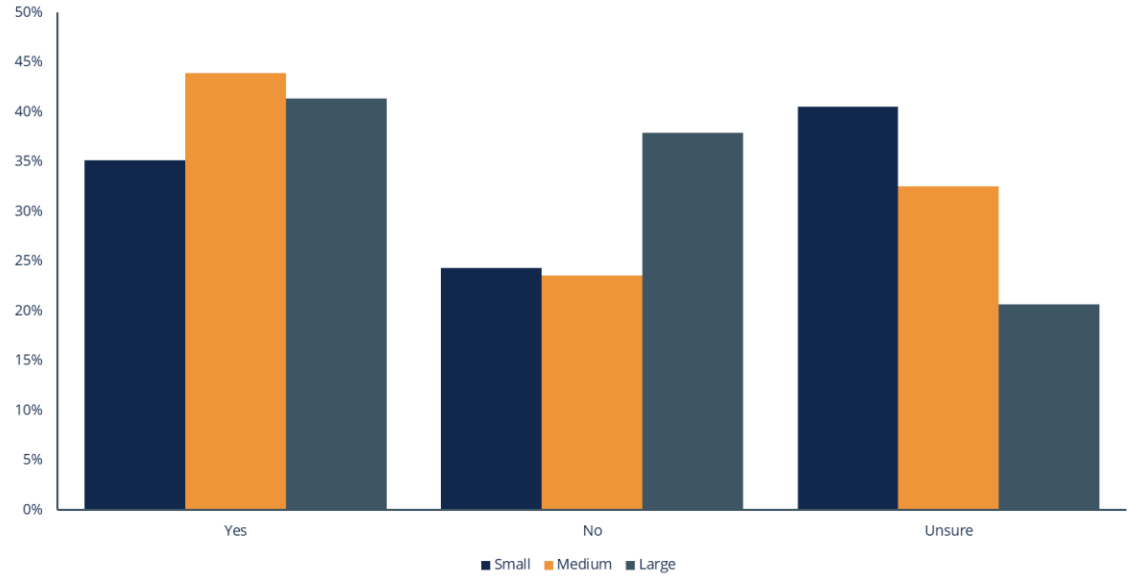
[55] Willox, I, *Both bad climate policy and no policy will see Australia lose jobs and investment overseas*, The Guardian, 16 October 2021.

[56] Fraser, B. *Some observations on Australia's post-2030 emissions reduction target, Climate Change Authority*, 2015

[57] Chile, Saudi Arabia and Russia are also broadly comparable countries to Australia in terms of their economies' size and industrial make-up. However, they use different metrics for their submitted NDCs. Our estimates suggest that Saudi Arabia commits to a 12% emissions reduction target for 2030 from 2005 levels; and that Russia commits to a 45% reduction from 2005 levels. Chile has introduced an emissions cap which suggests it intends to *increase* emissions by 13 million tonnes to 2030.

[58] CCIWA, *Business Confidence Survey*, 2021 (December edition).

Figure 7: Does a 26 – 28 per cent national 2030 target go far enough?



Source: CCIWA Business Confidence Survey, 2021 (December edition)

At COP 26, the former Federal Government committed to Article 29 of the Glasgow Climate Pact, which "requests" parties to revisit and strengthen 2030 targets by the end of 2022. As noted above, the new Federal Government has written to the UN committing Australia to a revised 2030 target of 43 per cent, formalising the committement it made during the election.

> Position 4: CCIWA supports the Federal Government's formalisation of a new 2030 target for Australia of 43 per cent. This target should be achievable by 2030.

A further issue is whether targets – Australia's 2030, 2050, or other interim targets – should be legislated. This issue is considered further below.

Further work to be done on WA's 2050 and interim targets

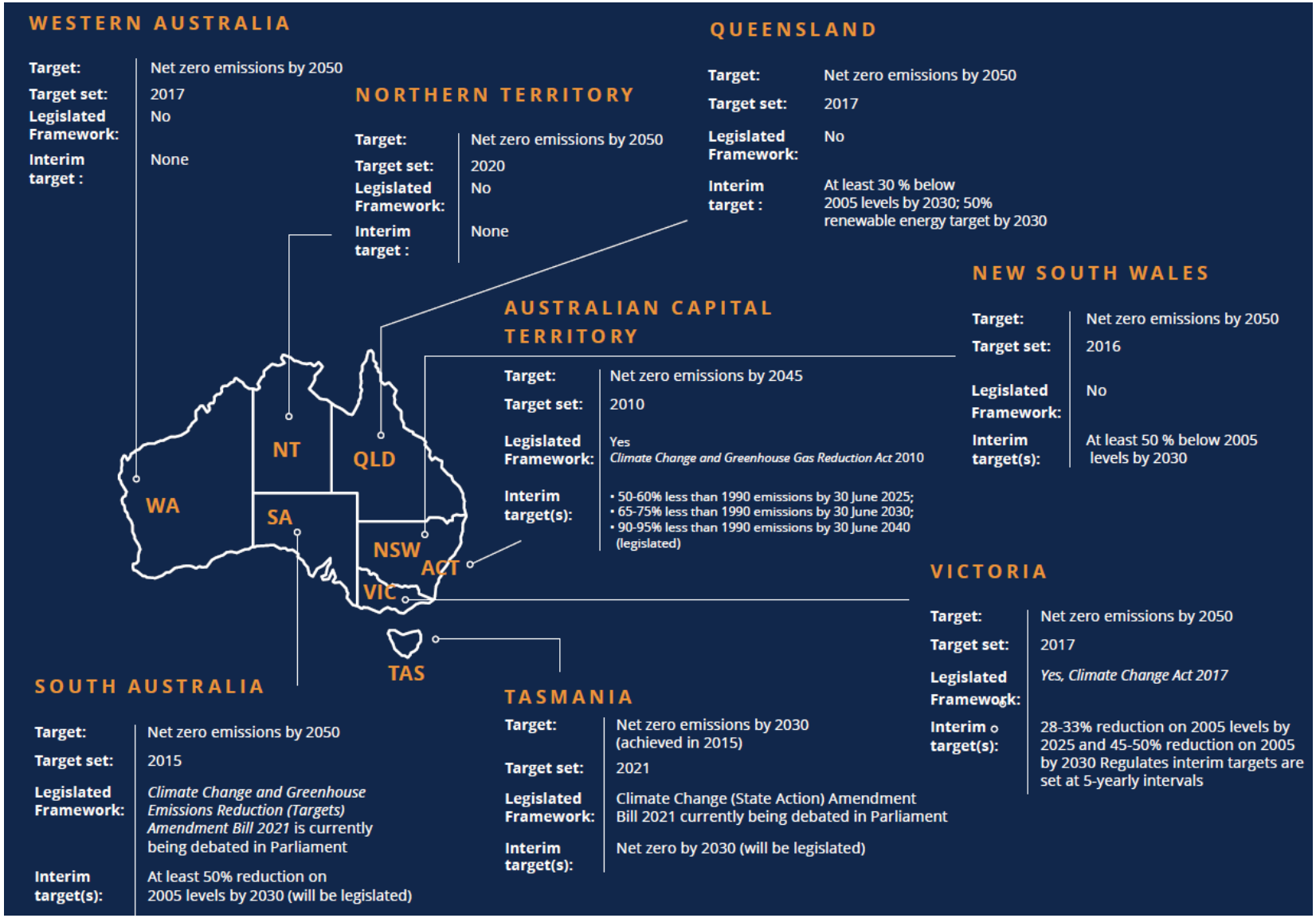
A discussion of targets raises questions about WA's targets, and in particular:

- whether WA's 2050 net zero target should be legislated;
- what WA's 2030 target should be and whether other targets are required; and
- how progress toward targets can be encouraged via public reporting.

Some States and Territories are legislating their 2050 emissions reduction targets, along with the policy framework they will adopt to reach those targets,[59] while others are not (Figure 8).

[59] For example, requirements for government to set interim targets, to take independent advice in setting those targets, to set up an independent advisory body etc

Figure 8: State and Territory climate change commitments

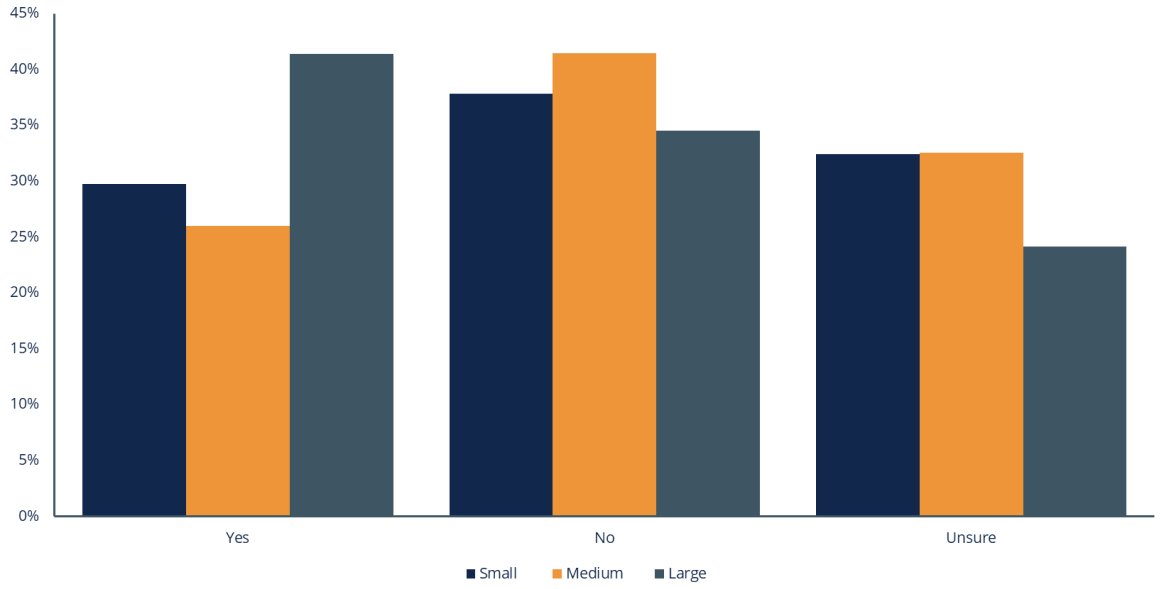


A legislated framework might send stronger signals to investors, the community and the economy about the need for sustained and transformational action on climate change. It may also help to ensure climate accountability beyond political cycles and in terms of enforcement and progress.

On the other hand, targets enforced by legislation would make it more difficult to amend targets, including introducing additional interim targets. There are also legal unknowns with respect to enforcement and penalties, particularly if targets are set but not achieved. Notably as well, it is clear from international experience that legislation is not necessary to signal a strong commitment to climate action. Rather, it's the suite of policies that underpin the commitment that are more significant.

The WA business community is divided and unsure over whether the State Government should legislate its net zero by 2050 emissions aspiration, though large businesses are more likely to support legislating than small and medium sized organisations (Figure 9).

Figure 9: Should the WA Government legislate its 2050 aspiration?



Source: CCIWA Business Confidence Survey, 2021 (December edition)

At the present time, there would be significant risks to the WA business community if the State Government was to move to legislate its net zero by 2050 emissions aspiration. This is because WA has not yet developed the required level of detail about how all sectors of the WA economy are expected to reduce their emissions and contribute to WA achieving net zero by 2050.

> **Position 5:** CCIWA does not support the WA State Government legislating a net zero target or any interim targets.

Some States (eg: Victoria) and companies have introduced frequent interim targets. More frequent interim (e.g five yearly) targets might give investors and the community more clarity and certainty over the path to achieving longer term targets. The State Government should consult on this issue as part of the program of work to develop Sectoral Emissions Reduction Strategies and WA's 2030 target.[60]

> **Position 6:** CCIWA recommends that the State Government's 2030 target be developed in consultation with industry, as part of the program of work to develop Sectoral Emissions Reduction Strategies. As part of this program of work, the State Government should also consult on whether further interim targets are required.

Some jurisdictions are establishing 'climate accountability frameworks'. For example, in British Columbia, Canada the *Climate Change Accountability Act 2020* requires the Province to annually report on progress against key climate targets, expected outcomes, transitional costs and risks, and other key indicators.[61] In Victoria, the *Climate Change Act 2017* also establishes a system of periodic reporting, ensuring the State Government provides transparency and accountability.

By improving transparency, frameworks like these give clarity and certainty to businesses, investors, customers, local governments and the community at large about progress toward targets and the effectiveness and efficiency of climate policies and programs. This heightens the accountability of all parties that are working toward meeting the targets.

Implementing such a framework in WA would, however, risk duplicating effort if WA businesses are required to provide the same information to both the State and Federal Governments to support two separate public reporting schemes. If the State Government was to introduce a WA specific reporting framework, it should carefully ensure the framework does not create duplicative red-tape.

> **Position 7**: CCIWA supports public reporting of progress against targets, along with other key indicators such as rates of technology adoption, transition costs and workforce readiness. However, the State Government must ensure that any WA specific framework does not create duplicative red-tape for the WA business community.

[60] On the 23 June 2022, the State Government announced a 2030 target, but only for State Government agencies (including Government Trading Enterprises). The 2030 target is a 80 per cent reduction in emissions below 2020 levels.
[61] See: British Columbia, Canada, *Climate Change Accountability Report*, 2021.

Strengthening Australia's carbon pricing mechanism

It is widely understood that pricing emissions is the most efficient and effective way to encourage the shift in production and consumption required to transition to net zero.[62]

> "I know it is a matter that is considerably fraught with respect to the politics of this but a price is the very best way to drive the economy in the required direction."[63]

About a third of countries around the world have carbon pricing initiatives — 45 national jurisdictions and 34 sub-national jurisdictions — covering about a fifth of global emissions.[64]

WHY A PRICE ON CARBON?

> A recent OECD report mapping the effectiveness of carbon pricing found:
>
> > Countries with higher carbon pricing scores tend to be more carbon efficient, as measured by carbon emissions per unit of economic output.
>
> > Countries more advanced with carbon pricing models are seen to produce more economic output per capita.
>
> > Countries that progress more with carbon pricing show a stronger increase in economic output per capita.[65]

There are different ways to price carbon, and various approaches are currently operating in different jurisdictions.

For example, a tax can be applied to each unit of greenhouse gas emitted. Businesses therefore face additional costs when undertaking emitting activities, which encourages them to emit less.

Alternatively, emissions trading schemes create a market in which businesses trade units of emissions. As market participants sell and buy units of emissions, this establishes a price. Similar to a carbon tax, the additional cost of emitting creates an incentive for industry to limit emissions. Broadly, there are two types of trading schemes: cap and trade systems, or baseline and credit schemes.

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[62] See: AFR, *It's simple: we need a proper price on carbon*, Australian Financial Review, 2019; Parry, I. *Five things to know about carbon pricing*, International Monetary Fund, 2021; The World Bank, *Pricing Carbon*, 2021; Gratten Institute, Towards net zero: A practical plan for Australia's governments, 2021.

[63] Quote from roundtable participant

[64] The World Bank, *Carbon Pricing Dashboard*, 2021.

[65] OECD, *Effective Carbon rates 2021: Pricing carbon emissions through taxes and emission trading*, 2021.

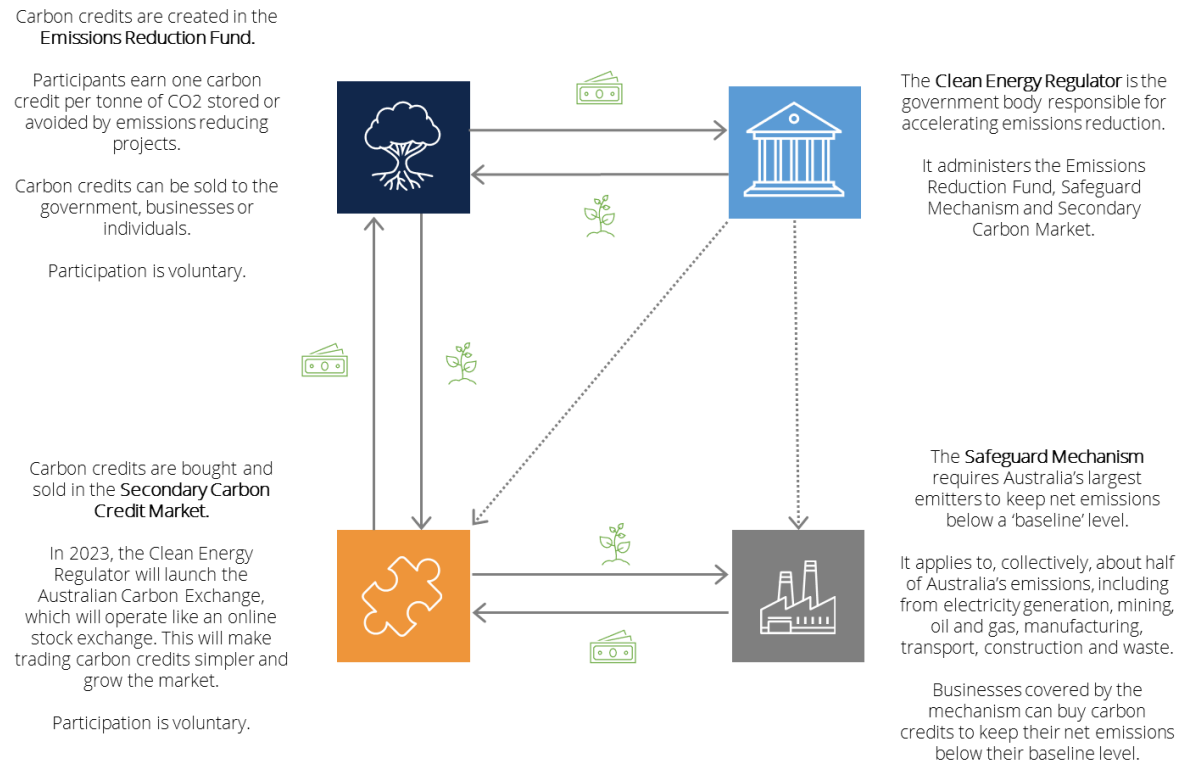
Cap and trade systems put a cap on the quantity of emissions. A central authority allocates a limited number of permits that sets the level of emissions, and businesses must hold an amount of permits equal to their emissions. Businesses that want to increase emissions must buy permits from others willing to sell.

Baseline-and-credit systems define baseline emissions levels for individual regulated entities. Carbon credits are issued to entities that have reduced their emissions below this level, and these credits can be sold to other entities exceeding their baseline levels.

Another way of pricing carbon is through an offset mechanism. Offset mechanisms issue carbon credits to businesses for reducing emissions, which can then be sold to other businesses. Businesses that buy the credits can use them to comply with their net emission reduction requirements.

There is a suite of measures currently in play which effectively puts a price on carbon for some emissions. Those measures include: the Emission Reduction Fund, the Safeguard Mechanism, and the Secondary Carbon Credit Market. Figure 10 shows how these measures work together to price carbon and reduce emissions. Essentially, the measures are a hybrid of a baseline and credit system and an offset mechanism.

Figure 10: Australia's market-based mechanism



The former Federal Government reviewed the measures in 2020 (the King Review). The King Review found that the Emissions Reduction Fund and Safeguard Mechanism provide a platform that can readily incentivise further action, and that refining the measures and introducing new complementary programs can unlock additional abatement.[66]

The King Review made 26 recommendations aimed at driving increased emissions reduction through the Emissions Reduction Fund, and leveraging the architecture of the Safeguard Mechanism to incentivise voluntary action on a broader scale. The former Federal Government accepted 21 of the recommendations.

One of these recommendations would have seen the introduction of a 'below-baseline crediting mechanism' into the Safeguard Mechanism. The crediting mechanism would have provided carbon credits to businesses that reduced their emissions below their baseline. $280 million in new funding was committed by the former Federal Government over a ten year period to allow the Clean Energy Regulator to purchase those carbon credits.

The current Federal Government has also committed to make the Safeguard Mechanism more effective at reducing emissions.

It has proposed to strengthen the mechanism in line with the Business Council of Australia's recommendation that "emission baselines [are] reduced predictably and gradually over time".[67] The Business Council of Australia not only argues for reducing baselines, but also that the threshold over which entities become covered by the Safeguard Mechanism be reduced from 100,000 tCO2 per year to 25,000 tCO2 per year. It argues this would send a "strong carbon investment signal".[68]

Under the Government's proposal, the Clean Energy Regulator would set caps for the existing 215 safeguard mechanism companies in consultation with industry, and reduce them over time to ensure emissions reduction. The Government has said that no additional companies would be captured under the revised scheme, and that no emissions-intensive, trade-exposed industries would face limits which place them at a disadvantage against global competitors.[69]

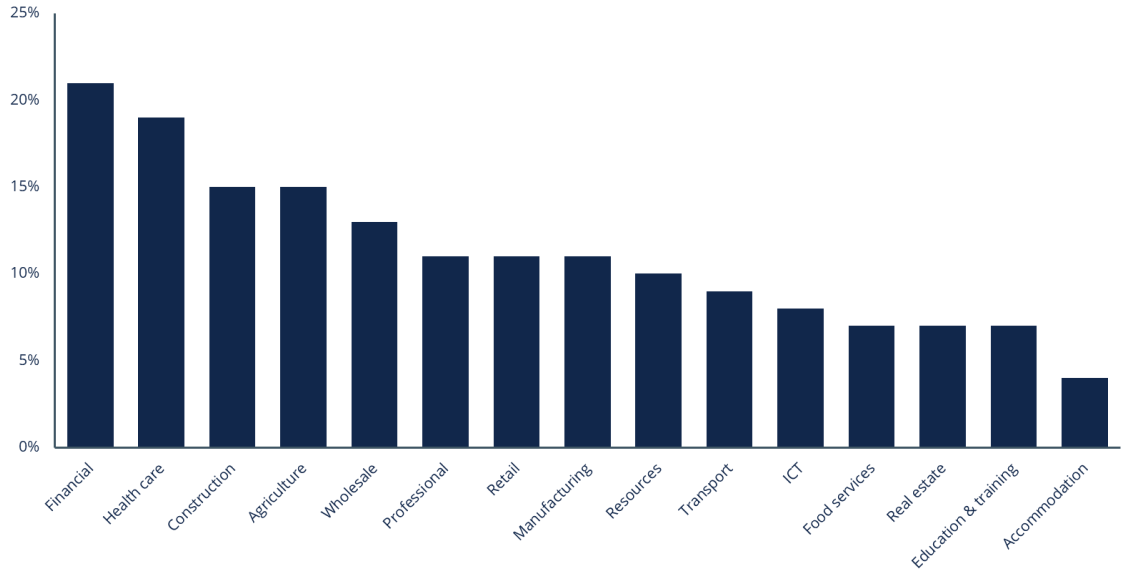
The Government has also said it will introduce tradeable carbon credits for companies that stay below their baselines,[70] and has promised to conduct an independent review of the Emissions Reduction Fund, following accusations against its integrity.[71]

We have found that the WA business community is willing to pay more on their energy bills to achieve net zero. Over two thirds of WA businesses are willing to pay more on their energy bills to support achieving net-zero emissions. Willingness to pay varies

[66] Department of Industry, Science, Energy and Resources, *Report of the Expert Panel examining additional sources of low cost abatement*, 2020.
[67] BCA, *Acheivng a new zero economy*. 2021.
[68] BCA, *Acheivng a new zero economy*. 2021.
[69] Australian Labour Party, *Powering Australia*, 2021.
[70] Australian Labour Party, *Powering Australia*, 2021.
[71] Williams, P. *Regulator rejects carbon allegations as Labor pledges inquiry*, The Australian, 25 March, 2022.

across industries (Figure 11), but on average, WA businesses are willing to pay 12 per cent more.

Figure 11: Willingness to pay more by industry



Source: CCIWA Business Confidence Survey, 2021 (June quarter)

Rather than abandoning the current suite of national measures in operation and implementing an alternative market based mechanism to price carbon, CCIWA supports the Emissions Reduction Fund, Safeguard Mechanism and Secondary Carbon Credit Market continuing to provide the platform that encourages emissions abatement. The Federal Government should, however, continue to implement measures to ensure the framework is strengthened, expanded and ultimately, more effective in reducing emissions.

> **Position 8:** CCIWA supports carbon being priced through the existing Safeguard Mechanism and Emissions Reduction Fund framework. The Federal Government should continue to implement measures to ensure the framework is strengthened, expanded and ultimately, more effective in reducing emissions.

We need less barriers to accessing land and enabling infrastructure

As set out above, our engagement with the WA business community found there are policies, regulations and investment decision-making processes governing access to land and infrastructure that are slowing down the pace at which WA businesses can decarbonise.

Since undertaking this engagement, the WA State Government has started to address some of the concerns. This includes:

- Committing to reform WA's *Land Administration Act 1997*, "cutting red tape and streamlining tenure approvals".[72]
- Releasing three million hectares of unallocated Crown land for carbon farming,[73] and allocating $31 million in the 2022-23 State Budget toward a range of related measures including a Carbon Farming Industry Development Plan and more carbon farming projects on Government managed land.
- Working with Woodside on its H2Perth project, whereby Woodside will fund construction of a hydrogen and ammonia plant on 130 hectares of industrial land commercially leased from the Government in Development WA's Kwinana and Rockingham Strategic Industrial areas.
- Giving three green hydrogen and ammonia projects[74] Lead Agency Services from the Department of Jobs, Tourism, Science and Innovation.[75]
- Providing $216,000 in grant funding to DBNGP (WA) Nominees Pty Ltd to enable a Dampier to Bunbury Natural Gas Pipeline Hydrogen Feasibility Study into pathways for declaring sections of the pipeline suitable for up to 9 per cent hydrogen/natural gas blends.
- Opening a geothermal acreage release within the Perth Basin, Canning Basin, the South-West and Pilbara, which will allow applicants to bid on 21 onshore release areas and for successful bidders to apply for a geothermal exploration permit to explore their title for six years.[76]
- Allocating $22.6 million in the 2022-23 State Budget for new charging infrastructure to expand WA's electric vehicle charging network, including grants for SMEs and not-for-profits to install charging infrastructure.
- Horizon Power partnering with Pacific Energy in Esperance to deliver a new integrated power system, powered by almost 50 per cent renewable energy.[77]

Most recently, the State Government has announced it will retire State-owned coal power stations on the South West Interconnected System by 2030. This commitment is underpinned by $3.8 billion investment in new green power infrastructure.

We encourage the State Government to continue identifying and pursuing measures like these, including exploring avenues to work with industry in partnership to faciliate efficient and effective green infrastructure outcomes.

This needs to happen urgently, given other jurisdictions are doing so as well.

[72] WA Government. *State Government to unlock land for renewable energy and economic diversification*, Media Statement 18 November, 2021.
[73] WA Government, Big boost for carbon farming opportunities in Western Australia, Media Statement 15 December, 2021
[74] Province Resources' HyEnergy Project seeks to produce 550,000 tonnes of green hydrogen per annum; Hydrogen Renewables Australia's Murchison Hydrogen Renewables project seeks to produce 2 million tonnes of green ammonia per annum; and the InterContinental Energy's Western Green Energy Hub seeks to produce up to 3.5 million tonnes of hydrogen or 20 million tonnes of green ammonia per annum.
[75] WA Government. *Lead agency status for job-creating green hydrogen projects*. Media Statement 21 December 2021.
[76] WA Government. *Strong interest in geothermal energy prompts acreage release*. Media Statement 21 January 2022.
[77] WA Government. *Esperance now powered by almost 50 per cent renewable energy*. Media Statement 27 May 2022.

For example, the NSW Government has announced a Hydrogen Strategy which seeks to attract up to $80 billion in green investment as a way of positioning NSW as competitive player in the green energy market.[78] The Strategy includes an Electricity Infrastructure Roadmap, which addresses transmission capacity issues by creating Renewable Energy Zones. In Renewable Energy Zones, access to transmission capacity will be guaranteed and planning decisions will facilitate development.

NSW GOVERNMENT INCENTIVISES CLEAN ENERGY

> The NSW Government aims to halve the cost of green hydrogen production in NSW, and is incentivising investment by, amongst other things:
>
> > Rolling out a hydrogen refuelling station network across the State.
>
> > Providing a 90 per cent exemption from electricity network charges for green hydrogen producers who connect to parts of the network with spare capacity.
>
> > Providing exemptions from government charges for green hydrogen production.
>
> > Offering other financial incentives for green hydrogen production.

As another example, outside of WA and internationally, regulatory barriers to developing new energy technologies, like hydrogen, are being removed through innovative approaches such as regulatory sandboxes.

Removing red-tape for energy technologies: regulatory sandboxes

A regulatory sandbox is a 'safe space' or testing environment that allows businesses and regulators to try out innovative new products, services, and business models for a limited period with appropriate safeguards. This reduces excessive up-front regulation so that companies can complete proof of concept trials with real users. The concept can be extended to pre-launch and pilot phases.

Regulatory sandboxes are being adopted for energy technologies in Germany, Italy, the Netherlands, Singapore, South Korea, and the United Kingdom. Several other countries are in the stage of designing and proposing energy-related sandbox programs, including Austria, France, Norway, and Sweden.

In Australia, a regulatory sandbox toolkit has been developed by the Australian Energy Market Commission for the national electricity market. The relevant regulators are now consulting with industry on the practical implementation of the sandbox.

[78] NSW Government, *NSW hydrogen strategy to drive investment, create jobs and power prosperity*, 2021.

Identifying and addressing the full range of barriers created by current policy, regulatory and investment decision-making frameworks is a large and complex task, requiring a high level of engagement with industry.

We recommend that this task is undertaken as part of the State Government's program of work to develop Sectoral Emissions Reduction Strategies. This process will provide an opportunity for the Government to work with businesses to clearly identify the specific barriers and the changes required, as well as the associated requirements for funding and financing.

> **Position 9:** CCIWA calls on the State Government to, as part of developing the Sectoral Emissions Reduction Strategies, identify and address the policy, regulatory and funding requirements for enabling both large-scale, low-cost renewable energy projects, and industries to de-carbonise. This includes expediting the planning, design and delivery of land and infrastructure to support industries to reduce emissions. These efforts should be mindful of other policy goals, such as environmental protection and cultural heritage.

We need to invest in supporting businesses on their climate change journeys

To achieve our adaptation and decarbonisation goals, it is essential that WA positions itself as a leader. Certain factors, including distance and isolation, place WA at a disadvantage, so we need to work hard to attract the required talent from elsewhere. This also places emphasis on developing the right skill sets locally, and highlights the importance of WA's tertiary education sector working closely with industry to define and deliver the skills for the future.

While a significant focus of debate to date has been on climate change mitigation efforts, equally significant is protecting assets and operations over the longer term: adaptation is critical to identify the physical risks of climate change and make plans to reduce vulnerability. There is a role for government in better educating the community, including the business community, about the risks that climate change poses.

There is also a clear role for CCIWA to empower and support the business community in navigating the complexities of their climate change journeys.

We need to attract and develop the talent we will need

If Western Australia is to capitalise on the opportunities presented by mitigating climate change, we need to ensure we have access to the talent required to develop the infrastructure, innovation and industries that underpin global net zero ambitions. This includes both attracting the skills we need from overseas, as well as upskilling people within the local workforce.

When it comes to attracting the skills we need from overseas, easily accessible skilled migration channels will ensure businesses can access the skills they need if they cannot find workers with the required skills and knowledge locally. Further, many countries are far more advanced at green innovation than Australia, and we will need to rely on skilled migration from these countries to help us develop local skills.

Unfortunately, even prior to COVID-19, the skilled migration system had become overly cumbersome, expensive and not flexible enough to accommodate businesses' needs. Some specific changes that would address these issues include:

- Abandoning using skills lists to determine which occupations can access skilled migration visas — skills lists are unable to evolve quickly enough to capture new and emerging climate focussed occupations.

- Ensuring that all skilled migration visas have an option for permanent residency — this will increase Australia's relative attractiveness as a place to come to live and work.

- Removing arbitrary fees, like the 'Skilling Australians Fund' payment, imposed on businesses when applying for skilled visas — these types of fees increase the barrier to businesses being able to access the skilled workers they need.

- Ensuring State based migration programs capture the largest number of occupations possible — doing so would ensure that WA does not lose out attracting talent with climate related skills to other Australian jurisdictions.

Further, if — working together — WA businesses and the Government can position WA as a premier resource province with the cleanest and 'greenest' resource extraction in the world, this has the potential to attract the best and brightest minds to WA.

To ensure that locals are upskilled with the knowledge we will need to transition to net zero, it is imperative that our tertiary education system is driven by the informed choices of students and employers, with the flexibility to deliver a broad suite of training options. This will allow these systems to respond to the skill needs of businesses embarking on their climate change journeys.

For the vocational education and training system in particular, ways to enable this include:

- Encouraging the Department of Training and Workforce Development to adopt a simple 'front door' process for training product development: this process would allow businesses and private training providers to work with government to develop climate related training courses and programs that meet their needs.

- Allowing private providers of publicly supported training courses to determine their own prices, and ensuring students and businesses can access clear information on the pricing and quality of courses: this would create incentives

for private training providers to offer high quality training to meet the increasing demand from businesses and students for climate related skills.

The State Government recently released a 'vocational skills gap assessment and workforce development plan' for battery industries, to identify what new skills and knowledge are needed, saying that TAFEs will play a key role in training Western Australians for these future jobs. This type of planning is important and we encourage the State Government to look across the full spectrum of skills that will be needed across different industries. However, the role that private training providers could play in delivering the necessary training, and the above changes which would enable that, should not be overlooked.

Our universities are already largely driven by the informed choices of students and have flexibility to deliver a broad suite of training options. To ensure employers can access the pipeline of university educated, climate job-ready workers they need, it will continue to be important for universities to be well connected to industry. State Government workers also need to have climate awareness: a positive development in this regard is that Edith Cowan University is in the early stages of collaboration with the Department of Water and Environmental Regulation to roll out a carbon literacy training program for staff.[79]

> Position 10: If Western Australia is to capitalise on the opportunities presented by mitigating climate change, we need to attract the skills we need from overseas, as well as skill up locals.
>
> > CCIWA calls on the Federal Government to make changes to the migration system to make skilled migration channels more easily accessible for businesses in need of workers with climate relevant skills.
>
> > We also call on the State Government to ensure State based migration programs capture the largest number of occupations possible.
>
> > The State Government should make changes to the State's vocational education and training system so that it becomes more responsive to the skill needs of businesses embarking on their climate change journeys.

We need a one stop shop for information about the risks of climate change for WA

We have found that many WA businesses are unaware of, and underprepared for, the risks that climate change poses and, conversely, do not understand the opportunities of

[79] See: The Carbon Literacy Project, *Home - The Carbon Literacy Project*, 2021.

transforming ahead of the market. As set out below, CCIWA recognises that it has a role to play in educating the WA business community about climate change, including about the risks a warming climate poses and how to adapt to seize local, national and international growth opportunities.

However, it is also imperative that the State Government expedites educating the community about WA's climate change vulnerability. This is important to ensure that the community, including businesses, are aware of the importance of addressing climate change, and can ensure their preparedness. The Government's $3.1 million Climate Science Initiative, and partnerships with the New South Wales and Australian Regional Climate Modelling Project (NARCliM 2.0) and separately with Murdoch University announced recently are positive developments in this regard.[80]

The State Government's 2020 Climate Policy sets out that it will develop a coordinated, collaborative plan (the 'Climate Resilience Action Plan 2022-25') to support industries, cities and regions to identify and manage climate impacts and enhance climate resilience. The Policy also set out that the Government will collaborate with industry and the community to pilot development of an adaptation plan for a priority sector.

We urge the State Government to progress this work as soon as possible. This will help WA businesses to better understand the vulnerabilities their operations and assets face, and to make plans to deal with them. It could also serve to stimulate mitigation efforts, once business have a greater understanding of potential climate impacts.

This work could be progressed by the independent advisory body CCIWA is recommending be established. That body should also be responsible for publishing information developed through the Climate Science Initiative about how the changing climate will affect WA, and our vulnerability.

> Position 11: CCIWA calls on the State Government to expedite collaboration with the business community on the Climate Resilience Action Plan 2022-25, and piloting a Sectoral Adaptation Plan. This will help the business community to undertake adaptation planning, and in turn to manage climate impacts.

Our commitment to empowering the WA business community to grasp the opportunities

In developing this position statement, it has become clear that — while organisations throughout WA are committed to reducing emissions — there is a high level of uncertainty about what this means for them in practice and the opportunities it presents. This is particularly the case for small and medium sized organisations.

CCIWA has a role to play helping organisations to advance their knowledge and understanding of climate change, and to in turn be well positioned to reduce emissions

[80] WA Government, *New partnerships boost climate science capability*, 24 May 2022.

and capitalise on the commercial opportunities it presents. We commit to proactively empowering, educating and supporting the WA business community, including through:

- providing educational tools and resources (e.g. about how to reduce emissions)
- highlighting businesses' climate journeys as 'lessons learnt' case studies
- facilitating connections with thought leaders
- facilitating business to business engagement to deliver solutions
- facilitating specific trade and investment approaches in international markets to secure stronger reputation and dollars.

As an example of how this can work in practice, the Queensland Government funds the Chamber of Commerce and Industry Queensland to deliver 'ecoBiz'. This is a free service for small to medium businesses to support them to develop action plans for reducing costs and increasing efficiencies in energy and water use, and waste creation.

Overall, we aim to build understanding of how to adapt to, mitigate and take advantage of the opportunities presented by climate change. We will work with our members over the coming 12 months to identify their areas of greatest need for support, and ways we can address those gaps, including in partnership with the State Government.

> Position 12: CCIWA commits to proactively empowering, educating and supporting the WA business community in its journey toward mitigating and adapting to climate change.

CCIWA's Statement of Positions

More coordinated and ambitious leadership from government

Position 1: CCIWA strongly supports efforts to better coordinate climate change-related policies across States, Territories and levels of government, and which minimise duplication and enable least cost abatement. National Cabinet should play this role going forward.

Position 2: CCIWA recommends the WA Government implement mechanisms and processes to improve coordination across agencies, Government Trading Enterprises, industry and local governments. It should establish an independent advisory body on climate change to achieve this, which also includes strong cross-sectoral business representation as part of its membership.

Position 3: CCIWA urges the State Government to ensure agencies are appropriately resourced to carry out the extensive industry engagement required to develop Sectoral Emissions Reduction Strategies.

Position 4: CCIWA supports the Federal Government's formalisation of a new 2030 target for Australia of 43 per cent. This target should be achievable by 2030.

Position 5: CCIWA does not support the WA State Government legislating a net zero target or any interim targets.

Position 6: CCIWA recommends that the State Government's 2030 target be developed in consultation with industry, as part of the program of work to develop Sectoral Emissions Reduction Strategies. As part of this program of work, the State Government should also consult on whether further interim targets are required.

Position 7: CCIWA supports public reporting of progress against targets, along with other key indicators such as rates of technology adoption, transition costs and workforce readiness. However, the State Government must ensure that any WA specific framework does not create duplicative red-tape for the WA business community.

Position 8: CCIWA supports carbon being priced through the existing Safeguard Mechanism and Emissions Reduction Fund framework. The Federal Government should continue to implement measures to ensure the framework is strengthened, expanded and ultimately, more effective in reducing emissions.

Less barriers to accessing land and enabling infrastructure

Position 9: CCIWA calls on the State Government to, as part of developing the Sectoral Emissions Reduction Strategies, identify and address the policy, regulatory and funding requirements for enabling both large-scale, low-cost renewable energy projects, and industries to de-carbonise. This includes expediting the planning, design and delivery of

land and infrastructure to support industries to reduce emissions. These efforts should be mindful of other policy goals, such as environmental protection and cultural heritage.

Supporting businesses on their climate change journeys

Position 10: If Western Australia is to capitalise on the opportunities presented by mitigating climate change, we need to attract the skills we need from overseas, as well as skill up locals.

- CCIWA calls on the Federal Government to make changes to the migration system to make skilled migration channels more easily accessible for businesses in need of workers with climate relevant skills.
- We also call on the State Government to ensure State based migration programs capture the largest number of occupations possible.
- The State Government should make changes to the State's vocational education and training system so that it becomes more responsive to the skill needs of businesses embarking on their climate change journeys.

Position 11: CCIWA calls on the State Government to expedite collaboration with the business community on the Climate Resilience Action Plan 2022-25, and piloting a Sectoral Adaptation Plan. This will help the business community to undertake adaptation planning, and in turn to manage climate impacts.

Position 12: CCIWA commits to proactively empowering, educating and supporting the WA business community in its journey toward mitigating and adapting to climate change.