



*Celebrating*  
50 years: EU-Australia

# Addressing climate *change* together

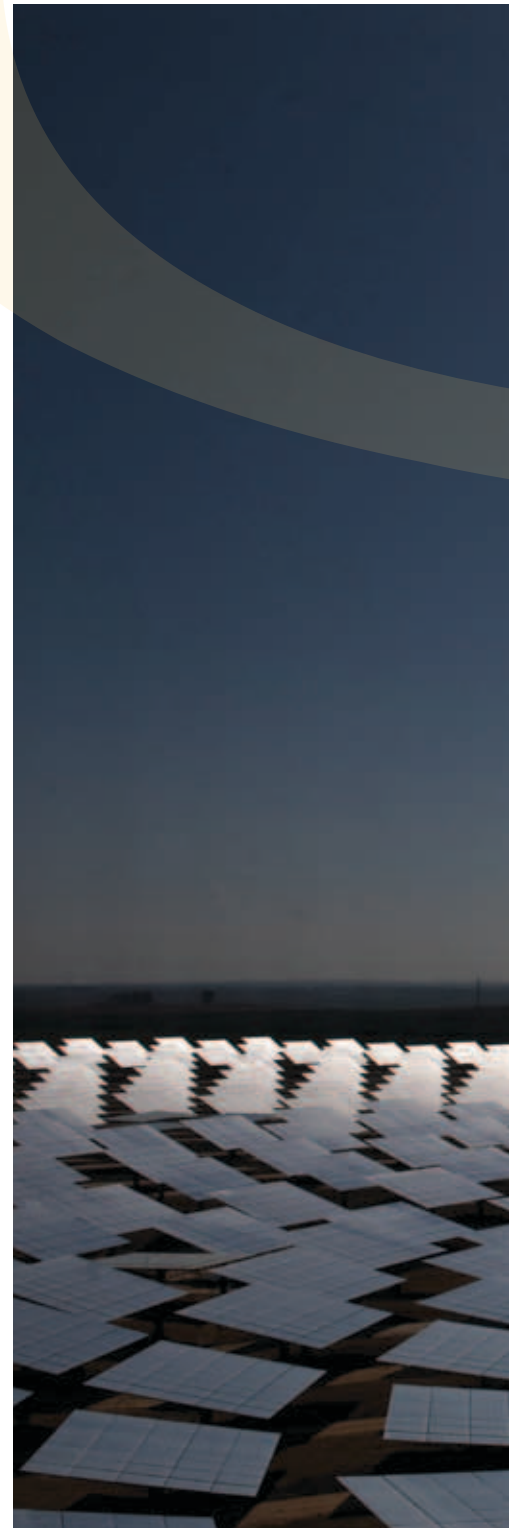
Australia and the EU are tackling climate change through multilateral fora, as well as within their own jurisdictions. Both now have a price on carbon and are on track to meet their respective renewable energy targets.

'...A world in which warming reaches 4°C above pre-industrial levels would be one of unprecedented heat waves, severe drought, and major floods in many regions, with serious impacts on human systems, ecosystems, and associated services.'

*Turning Down the Heat: Why a 4°C must be avoided.*

The World Bank (2012)

Even though there is widespread agreement that constraining warming to within 2°C of pre-industrial levels is a reasonable goal to avoid the worst impacts of climate change, a recent report from the World Bank warns that present trends could see us nearer 4°C within this century. Worryingly, the developing world is expected to be disproportionately affected – those with the least resources to cope will be hit the hardest. >



Opportunities for EU and Australian businesses to capitalise on novel low-carbon technologies will only increase.





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### AUSTRALIA AND THE EU COMBATING ILLEGAL LOGGING

The EU and Australia cooperate and exchange information on environmental issues well beyond those associated with climate change. For example, the EU and Australia have independently enacted legislation aimed at preventing illegally logged timber products from entering their markets. Over several years, officials from both sides have benefited from discussions on their policies.

In addition to the obvious ecological and environmental impacts, illegal logging can undermine legitimate, law-abiding forest industries. It costs billions of dollars in lost revenue to the companies and governments of timber-producing countries. As more countries act to prohibit the importation of illegally logged timber and work on chain of custody and due diligence requirements, it will become harder and harder to sell illegal timber around the world.



Left: Opportunities for new technologies are increasing. Australia is fast becoming a world leader in LNG production.

Credit © European Union, 2013

### European–Australian synergies for a global problem

The European Union and Australia both recognise the importance of addressing climate change at a global level. They are working together in multilateral fora, such as the United Nations Framework Convention on Climate Change (UNFCCC), to achieve progress on an international legal agreement to tackle climate change.

While concerted global action is crucial, both Australia and the EU are also taking action within their own jurisdictions and the EU Member States themselves recognise the benefits of cooperation internally. Many recognise that the EU together is more effective in confronting global challenges such as climate change, than individual Member States acting alone.

### Renewable energy targets

All EU Member States have binding targets for renewable energy, which collectively add up to the EU sourcing 20% of final energy consumption from renewables by 2020. Similarly, Australia has a mandatory renewable energy target for electricity generation. Recent analyses show that Australia and the EU alike are on track to meet these goals they have set themselves.

Both also provide support for accelerating the deployment of carbon capture and storage (CCS). For instance, the Global Carbon Capture and Storage Institute, launched by Australia, is proving a useful platform for disseminating information on CCS. On the EU side, the so-called NER 300 has generated billions of Euros for co-financing CCS and renewables projects, from proceeds flowing from the EU Emissions Trading Scheme (ETS).

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### Driving energy efficiency

When it comes to energy efficiency, many commentators would agree that energy efficiency gains create benefits well beyond solving climate change. However, actually realising these benefits may be more difficult than initially envisaged, and specific policy interventions are needed. In October 2012, the EU took a big step in passing the Energy Efficiency Directive. This legislation brings forward legally-binding measures to step up Member States' efforts to use energy more efficiently at all stages of the energy chain – from the transformation of energy and its distribution to its final consumption. It also requires Member States to set indicative national targets for 2020.

Many expect that the Energy Efficiency Directive will make a significant contribution to putting the EU on track towards its 20% energy efficiency target for 2020. This legislation should also mean the EU will overachieve its 20% emissions reduction pledge. And a full 30% reduction still remains on the table.

### Pricing carbon emissions

Importantly, both the EU and Australia now have a price on carbon. The EU Emissions Trading Scheme (EU ETS) operates across the EU, as well as in Norway, Iceland and Liechtenstein. It began with a pilot phase running from 2005 to 2008 and now covers about half of the EU's emissions. The EU ETS applies to over 10,000 installations and covers defined sectors, such as power generation, iron and steel, glass, pulp and paper and other high-emissions industries. The second phase coincided with the first commitment period of the Kyoto Protocol (2008–2012), and it is now into the third phase, running from 2013 to 2020.

The third phase brings a number of very significant improvements. For example, there is a much higher level of auctioning of allowances (rather than free allocation); there is now a single, linearly-declining EU-wide cap as opposed to individual Member State National Allocation Plans; new sectors have been added; stakeholders deal with a single registry; there are harmonised rules where free allocation still occurs; and new, stricter rules on the use of international credits apply. >

Above: The European Commissioner for Climate Action, Ms Connie Hedegaard and the Australian Minister for Climate Change and Energy Efficiency and Innovation, the Hon Greg Combet MP confirm their strong commitment to linking the Australian and European emissions trading schemes.

Middle: The EU and Australia recognise the need for smarter, more efficient electricity generation, transmission and distribution.







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Top: President Barroso inspects a solar photovoltaic installation.

Credit © European Union, 2013

Despite these improvements, it has become apparent that there is a 'surplus' of allowances in the scheme, largely brought about by the economic crisis. At the time of writing, the European Commission had put forward a list of six options for structural reform of the EU ETS. The price of carbon under the EU ETS remains relatively depressed owing to the surplus, but there is no doubt that the system has created a functioning, liquid market for carbon, which has contributed to a reduction in greenhouse gas emissions.

International linking of ambitious, compatible emissions trading schemes deepens the carbon market and lowers the overall costs of abatement. For these reasons, the EU and Australia have agreed to pursue linking of their respective schemes. As an interim measure, Australian companies will be able to purchase allowances from the EU scheme from 2015, until a full link is established, no later than 1 July 2018. There are a number of technical issues which need to be resolved and Senior Officials Talks are continuing to that end.

## Opportunities in a low carbon world

If humanity has any hope of averting potentially disastrous disruptions to the climate system, then we need to drastically step up our efforts to decarbonise the energy sector and to improve energy efficiency in particular. There has been too much focus on the costs this entails, rather than accepting the reality of the urgent changes that are required, and just getting on with it. The less we do now, the steeper the emissions cuts required as time goes on to achieve any given climate goal.

Opportunities for EU and Australian businesses to capitalise on novel low-carbon technologies will only increase, whether they are in carbon capture and storage, renewables, transport and building stock energy efficiency, smart grids or in a myriad of other areas.

Australia and the EU have adopted, and are continuing to adopt, policies to dramatically change the way we supply and use energy. •