

What is Australia bringing to COP26?

Briefing Note

While COP26 this November is focused on ratcheting up short-term ambition it must also finalise the 'Paris Agreement rulebook' including on carbon markets, climate finance and adaptation. The Australian Government will face growing pressure to not just increase its 2030 target but act in good faith on other key negotiating priorities like markets, finance and adaptation, essential to landing a deal in Glasgow.

Rhiannon Verschuer
Hannah Melville-Rea
Richie Merzian

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From Paris to 2021: the context for COP26

As the key international forum to progress action on climate change, there is a lot of expectation surrounding the upcoming 26th United Nations Conference of the Parties (COP26). Six years on from the Paris Agreement at COP21 in 2015, with COP26 an extra year delayed due to the Covid-19 pandemic, there is an expectation that Parties will arrive with more ambitious targets, ready to finalise the Paris rulebook. However, there is also a sense of frustration at the failure of past COP negotiations, with concern that certain countries will continue to block ambitious commitments on key issues such as carbon markets, climate finance and adaptation strategy.

The Australian Government is one of the key actors hindering this progress, with a long history of delaying international negotiations.¹ Most recently, during COP25 negotiations over Article 6 on carbon markets, Australia remained steadfast on their entitlement to use carryover carbon credits from the Kyoto Protocol towards the Paris Agreement. This inability to compromise led to Article 6 negotiations being pushed back once again, with many arguing Australia's use of carryover credits is "cheating".² It was in part due to lack of agreement on this issue that COP25 was seen as a failure.

As such, COP26 is important on two accounts: to finalise the details necessary to implement the Paris Agreement (called the Paris rulebook) and undertake for the first time a mandated five-year review of Party's Nationally Determined Contributions (NDCs). NDCs are short term targets and all Parties are encouraged to come with increased ambition.

WHAT IS NEW SINCE COP25?

This year the Intergovernmental Panel on Climate Change (IPCC) reported for the first time that climate change is 'unequivocally' human induced, with global temperatures likely to exceed 1.5C before 2040.³ The UN Secretary General Antonio Guterres referred to this as a "code red for humanity",⁴ with the IPCC report outlining that only with drastic and immediate cuts to greenhouse gas emissions can we avoid the worst of the projected impacts.

The International Energy Agency also produced a pathway to reach net zero by 2050, which aligned with the Paris Agreement (and limiting global warming to 1.5 degrees) and left no room for new

¹ Slezak (2019) Climate talks at COP25 a 'disappointment' as Australia gets special mention, <https://www.abc.net.au/news/2019-12-16/australia-climate-carry-over-credits-slammed-cop25/11793818>.

² Morton (2019) UN climate talks : Australia accused of 'cheating' and thwarting global deal, <https://www.theguardian.com/environment/2019/dec/16/un-climate-talks-australia-accused-of-cheating-and-thwarting-global-deal>

³ IPCC (2021) Sixth Assessment Report WG1, <https://www.ipcc.ch/assessment-report/ar6/>

⁴ UN News (2021) IPCC report : 'Code red' for human driven global heating, warns UN chief, <https://news.un.org/en/story/2021/08/1097362>

fossil fuel developments.⁵ These urgent warnings are front of mind in the leadup to COP26, with many nations making more ambitious commitments and calling others out to do more.

In the United States, President Biden's first action in following his inauguration this year was to re-join the Paris Agreement. The US' updated NDC includes roughly doubling their emissions reduction target to 50-52% from 2005 levels by 2030, with aims for a carbon free power sector by 2035 and net zero overall by no later than 2050.⁶ Additionally, on 22 September 2021, Biden announced a doubling of climate finance, with a commitment of USD\$11.4 billion to help countries disproportionately vulnerable to climate impacts.⁷

In the United Kingdom, the home of coal power, the Government has set out a plan to retire coal-fired power by 2024.⁸ Also this year, China has declared it will no longer support new coal power overseas.⁹ In total, more than 130 countries¹⁰ have now set or are considering a net zero goal, including the majority of Australia's key trading partners such as Japan, South Korea and China. What are Australia's plans?

AUSTRALIA'S COP26 OUTLOOK

There is an expectation that in the face of growing international pressure, the Australian Government will announce a net zero by 2050 target before COP26. However, this long-term target will not be backed by short-term ambition, despite claims the government is 'meeting and beating' its modest target of 26-28% emission cuts by 2030. And short-term ambition is one of four focus areas for COP26.

This Brief outlines Australia's approach to the four key discussions at COP26: ambition and NDCs, carbon markets (Article 6), climate finance and adaptation strategy. Australia won't just be judged on the targets it brings, but its appetite to build and fund the international regime to help all countries mitigate and adapt to climate change.

⁵ International Energy Agency (2021) *Net Zero by 2050: A roadmap for the global energy sector*, <https://www.iea.org/reports/net-zero-by-2050>

⁶ The Whitehouse Briefing Room (2021) Fact Sheet, <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/22/fact-sheet-president-biden-sets-2030-greenhouse-gas-pollution-reduction-target-aimed-at-creating-good-paying-union-jobs-and-securing-u-s-leadership-on-clean-energy-technologies/>

⁷ Milman (2021) Biden vows to double aid to developing countries vulnerable to climate crisis, <https://www.theguardian.com/us-news/2021/sep/21/joe-biden-un-general-assembly-climate-aid-developing-countries>

⁸ UK Department for Business, Energy and Industrial Strategy (2020) <https://www.gov.uk/government/news/end-of-coal-power-to-be-brought-forward-in-drive-towards-net-zero>

⁹ Ni (2021) 'Big line in the sand': China promises no new coal-fired projects abroad, <https://www.theguardian.com/world/2021/sep/22/china-climate-no-new-coal-fired-power-projects-abroad-xi-jinping>

¹⁰ United Nations (2021) *'The global coalition for net zero is growing'* <https://www.un.org/en/climatechange/net-zero-coalition>

Ambition

INTERNATIONAL OBLIGATIONS

The Paris Agreement requires ambitious commitments on emissions reduction and mitigation measures to achieve its main goal to limit global warming to well below 2 degrees Celsius (preferably 1.5C) below pre-industrial levels. The mechanism implemented to achieve this goal is Nationally Determined Contributions (NDCs), whereby parties nominate their own targets representing their assessment of their share of climate action. NDCs are intended to be reviewed every five years, with an expectation that they will increase overtime in line with updated climate science. What is referred to as the ratchet mechanism.

Considering recent warnings from the IPCC, COP26 talks in Glasgow are a key opportunity for the global community to lock-in increased action for the next decade. 118 Parties to the Agreement have submitted new NDCs, with a further 47 intended before COP26 at the time of writing.¹¹ A clear movement is emerging on mid-century net-zero target, with over 130 nations making such commitments.

Australia, conversely, has neither increased its short-term ambition nor set a date for a net zero target.

IS AUSTRALIA AMBITIOUS ENOUGH?

Australia's initial NDC was submitted in 2015, with a target to "reduce greenhouse gas emissions by 26 to 28 per cent below 2005 levels by 2030".¹² The updated version submitted in late 2020 is simply a recommunication of the original NDC, going against the spirit and intention of the Paris Agreement.¹³

Underpinning international climate targets are principles of fairness and justice, whereby reduction targets should be determined by the historical contribution of each nation to global emissions.¹⁴ Despite being consistently one of the highest polluters, Australia's target remains modest at best. If everyone adopted a similar level of ambition to Australia, the world would be on track for 4 degrees warming.¹⁵

¹¹ Climate Watch (2021) NDC Enhancement Tracker <https://www.climatewatchdata.org/2020-ndc-tracker>

¹² Australian Government (2015) *Australia's Intended Nationally Determined Contribution* <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Australia%20First/Australias%20Intended%20Nationally%20Determined%20Contribution%20to%20a%20new%20Climate%20Change%20Agreement%20-%20August%202015.pdf>

¹³ Australian Government (2020) *Australia's Nationally Determined Contribution Communication 2020*, <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Australia%20First/Australia%20NDC%20recommunication%20FINAL.PDF>

¹⁴ Turton and Hamilton (2009) *Greenhouse gas emissions per capita of annex B parties to the Kyoto Protocol*, <https://australiainstitute.org.au/report/greenhouse-gas-emissions-per-capita-of-annex-b-parties-to-the-kyoto-protocol>

¹⁵ Climate Analytics & New Climate Institute (2021) Climate Action Tracker, <https://climateactiontracker.org/countries/australia/>

To divert criticism, the Government is expected to announce a net zero by 2050 goal alongside their updated Technology Roadmap. This is ultimately part of a larger strategy employed by the Australian Government to signal climate action while without actually taking any tangible action, or making sacrifices when it comes to domestic energy policy.

Using creative accounting to meet targets

Central to the Australian Government's climate rhetoric is the claim that **"Australia is on track to meet and beat its 2030 target"**. According to the Government, greenhouse gas emissions are currently at 20.8% below 2005 levels, and as such, Australia is overachieving on its 26-28% reductions by 2030 target.¹⁶

This claim is misleading and not in the spirit of global climate agreements. While nominally legal, these figures are based off a much higher emissions baseline than other nations, and include accounting of Land Use, Land Use Change and Forestry (LULUCF). As such, these changes have occurred in the absence of good climate policy and are instead largely a result of incidental reductions in land clearing, as well as other incidental impacts like drought and the lockdown response to COVID-19.¹⁷

The Australian Government is taking credit for changes entirely out of their control. In fact, when land use (comprising LULUCF and agriculture) is removed from pre-pandemic emissions reduction accounting, it becomes evident that Australia's emissions actually *increased* on 2005 levels, unlike the UK, EU and United States, as shown in Figure 1 below.

Due to a reliance on incidental emissions reductions instead of strong climate policy, Australia's emissions in key sectors continue to rise. As such, despite claiming to be a world leader in meeting climate targets, Australia is well and truly trailing the world in a range of measures. When their emissions reductions and energy transition performance is compared to other comparable OECD economies, Australia ranks consistently at the bottom.¹⁸

This does not show any signs of changing. The Government continues to prop up fossil fuels with subsidies and tax breaks, to the tune of \$10.3B in the last financial year.¹⁹ There have been three new coal project approvals in the last month, and 20 new mines proposed in NSW alone. The first coal from Queensland's Carmichael mine will leave Australian shores before the end of the year

¹⁶ DISER (2021) *Australia's emissions continue to fall* <https://www.minister.industry.gov.au/ministers/taylor/media-releases/australias-emissions-continue-fall>

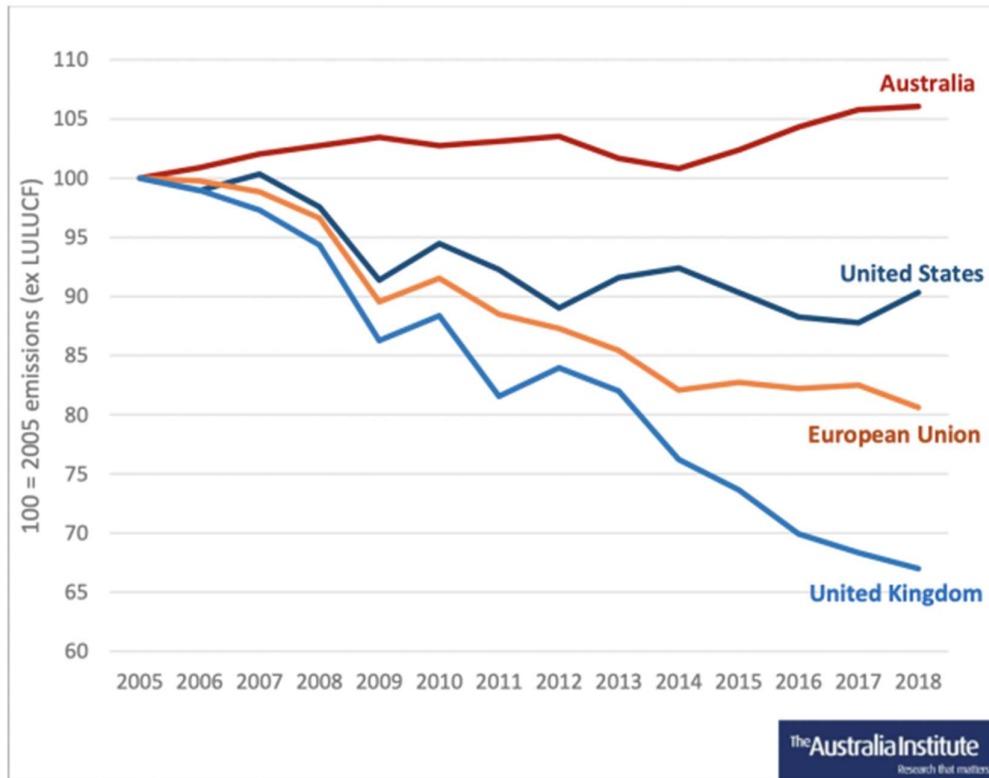
¹⁷ Merzian, Hemming (2021) *Banking on Australia's Emissions*, <https://australiainstitute.org.au/report/banking-on-australias-emissions/>

¹⁸ Saddler (2021) *Back of the Pack: An assessment of Australia's energy transition*, <https://australiainstitute.org.au/report/back-of-the-pack/>

¹⁹ Campbell et al (2021) *Fossil fuel subsidies in Australia* <https://australiainstitute.org.au/post/australian-fossil-fuel-subsidies-hit-10-3-billion-in-2020-21/>

according to Adani Australia.²⁰ The so-called ‘gas-fired recovery’ is justifying the opening of new gas basins such as the Beetaloo, that could add 100Mt of GHG emissions to the atmosphere.²¹

Figure 1: Change in the net emissions of major developed economies relative to 2005 (excluding LULUCF and Agriculture)



Source: United Nations Framework Convention on Climate Change (2021) Time Series - Annex I, https://di.unfccc.int/time_series

Expansion of fossil fuels

A Government encouraging rapid expansion of coal and gas is not one with the political will to deliver on net zero by 2050. As such, any such target is a fraud.

Rather than creating a plan to move away a fossil fuelled economy, the government has employed a “**technology not taxes**” approach that inevitably further extends the life of fossil fuels in the economy. Through the Technology Investment Roadmap, the Australian Government will invest in ‘low-emissions technologies’ in order to meet reductions targets.

²⁰ Ker (2021) *Adani within months of first coal exports* <https://www.afr.com/companies/mining/adani-within-months-of-first-coal-exports-20210924-p58ukr>

²¹ Verschuer (2021) *Government not on track for net zero by 2050*, <https://australiainstitute.org.au/report/government-not-on-track-for-net-zero-by-2050/>

This Roadmap is concerning for a number of reasons. Not only is it essentially the only climate policy Australia is bringing to COP26, but it is a slow and ineffective way to reduce emissions, ultimately revealing it as another tactic to delay the retirement of fossil fuels in the Australian economy.

The Government has allocated “at least \$18 billion” to five priority low-emissions technologies that it intends to spend over the decade 2020-2030.²² Of the five priorities, the two main focuses are “clean hydrogen” and carbon capture and storage (CCS).

The Australian Government has spent \$4 billion in recent decades on CCS, with an extra \$250 million announced in early October 2021, and yet there is almost nothing to show for this enormous amount of money. There is only one commercially operational CCS project in Australia, Chevron’s Gorgon, which has failed to meet any of its sequestration targets. It has sequestered only 1.7% of emissions (Scope 1, 2 and 3) over the past 5 years, despite being approved on the condition of its emissions sequestration.²³

What is most concerning regarding CCS though, is that Department of Energy officials acknowledged they do not expect any emissions reductions from CCS between now and 2040.²⁴ The federal government also recently approved a method that would allow fossil fuel companies to receive carbon credits for using CCS.²⁵

CCS is also intended to be used to produce “clean hydrogen”. The Australian Government’s definition of “clean” hydrogen includes hydrogen produced from coal or gas (blue hydrogen), with the resulting emissions theoretically captured and stored. However, blue hydrogen is not clean, and has in fact been shown to be more emissions intensive than just burning the fossil fuels directly in the first place.²⁶ Promoting blue hydrogen as a low-emissions technology further justifies the opening of new gas basins under their ‘gas-fired recovery’.

Laggard pretending to be a leader

While the Government claims to be a leader on climate change, the reality is that Australia has consistently been one of the highest emitters per capita globally, shown by Australia Institute research from 1994 onwards.^{27,28} Instead of reducing emissions, the Government is relying on misleading

²² The \$18B is made up of pre-existing funding for the Clean Energy Finance Corporation (CEFC - \$13B), the Australian Renewable Energy Agency (ARENA - \$1.4B), the Emissions Reduction Fund (ERF - \$2.9B) and funding for CSIRO, Cooperative Research Centres (CRCs) and the Australian Research Council (ARC) (\$1B combined).

²³ Ogge (2021) *Submission on the proposed methodology determination for Carbon Capture and Storage*
<https://consult.industry.gov.au/carbon-capture-and-storage-method/submissions/view/sbm1a9d21665300f0afa8e9d>

²⁴ Commonwealth of Australia (2020) *Official Committee Hansard: Senate Environment and Communications Legislation Committee Estimates, Tuesday, 20 October 2020*,
https://parlinfo.aph.gov.au/parlInfo/download/committees/estimate/f5a251e5-48d3-4283-b5a2-530558521771/toc_pdf/Environment%20and%20Communications%20Legislation%20Committee_2020_10_20_8212_Official.pdf;fileType=application%2Fpdf, p. 66.

²⁵ DISER (2021) *New ERF method and 2022 priorities announced*,
<https://www.minister.industry.gov.au/ministers/taylor/media-releases/new-erf-method-and-2022-priorities-announced>

²⁶ Howarth and Jacobson (2021) ‘How green is blue hydrogen?’ *Journal of Energy Science & Engineering* 9(10):1676-1687

²⁷ Hamilton (1994) *Comparison of emission sources and emissions trends among OECD countries*
<https://australiainstitute.org.au/report/comparison-of-emission-sources-and-emission-trends-among-oecd-countries/>

²⁸ Turton and Hamilton (2009) *Greenhouse gas emissions per capita of Annex B Parties to the Kyoto Protocol*,
<https://australiainstitute.org.au/report/greenhouse-gas-emissions-per-capita-of-annex-b-parties-to-the-kyoto-protocol>

tactics and spin to avoid action and to maintain the relevance of fossil fuels to the Australian economy.

Current policy makes no sense for climate, the economy or diplomacy. Instead, these decisions serve only the interests of the two major parties and their politicians, who are inextricably intertwined with the fossil fuel industry through jobs, donations and lobbying.²⁹

Acting under the influence of the fossil fuel industry is setting us up for failure when the world inevitably transitions. Creative accounting and spin tactics will not get Australia to net zero, and others are beginning to see through the façade. Nations such as the UK, US and Pacific Island neighbours have called Australia out by name to do more, and the pressure is rising in the leadup to COP26.

WHAT SHOULD AUSTRALIA BE AIMING FOR?

To contribute its fair share to the global goal of urgently and drastically cutting emissions this decade, and to avoid irreversible impacts of climate change, Australia must take more ambitious action.

It remains to be seen whether Australia will make any real additional commitments before COP26. What is evident though, is that it is not enough to simply announce a target of net zero by 2050 without increasing mid-term emissions reductions ambition. It is increasingly clear that current government policies, particularly the continued expansion of coal and gas, are entirely incongruent with, and even directly oppose a net zero by 2050 target.

For Australia to remain within its remaining '2°' carbon budget, it would need to reduce emissions by 50% on 2005 levels by 2030, reaching net zero emissions by 2045. To remain within the remaining '1.5°' carbon budget, the targets would need to be 74% below 2005 levels by 2030 and net zero emissions by 2035.³⁰

The Coalition's rolling deliberation on net zero by 2050 comes as a new report by ClimateWorks Australia found promised state and territory action had set de facto national targets for 2030 equivalent to a 37-42% emissions cut, 55% of electricity coming from renewable energy and at least 30% of new cars sold being electric.³¹ The Federal Government is debating a target that is out of date, while everyone else, even its own sub-national jurisdictions, is pushing ahead with more ambitious action.

²⁹ Australia Institute (2021) <https://www.youtube.com/watch?v=KmtkHyhnFjE&t=14s>

³⁰ Climate Targets Panel (2021) *Shifting the Burden: Australia's Emissions Reduction Tasks over Coming Decades* <https://www.climatecollege.unimelb.edu.au/files/site1/docs/%5Bmi7%3Ami7uid%5D/Climate%20Targets%20Panel%20Report%20-%20March%202021.pdf>

³¹ Cleary and Graham (2021) *State and territory climate action: Leading policies and programs in Australia*, <https://www.climateworksaustralia.org/resource/state-and-territory-climate-action-leading-policies-and-programs-in-australia/>

Carbon markets

INTERNATIONAL OBLIGATIONS

Negotiations over Article 6 of the Paris Agreement, regarding the use of international carbon markets, have been ongoing for many years. As the last item of the Paris ‘rulebook’ to be resolved, their potential to make or break the Paris Agreement is why they are so contentious. With parties unable to come to a consensus, COP26 should be the circuit breaker to land on the framework for a new international carbon market.

Carbon markets would allow countries that are struggling to meet their NDCs to purchase emissions reductions from nations that are over-achieving on their NDCs – a win-win for both countries. Under Article 6, a mechanism would be created for the trading of emissions reductions anywhere in the world, for both the private and public sector.³²

However, international carbon markets are technical and complex, and the rules must be framed carefully.

If designed well, they will not only facilitate emissions reductions but could have cost-saving benefits and attract private finance.³³ Conversely, without careful framing and unanimous ambition, the rules could work to weaken NDCs, and inhibit rather than facilitate the achievement of the Paris goals on emissions reduction. Some key issues of concern in the negotiations include ‘double-counting’, overall mitigation and carryover of pre-2020 Kyoto Protocol units.

HOW HAS AUSTRALIA APPROACHED CARBON MARKETS PREVIOUSLY?

Australia has been a key player in carbon market discussions, most notably around the issue of “carryover credits” from the Kyoto Protocol. By exceeding its Kyoto target by what Minister Angus Taylor estimates at up to 430 million tonnes,³⁴ at past negotiations the Australian Government claimed its entitlement to carryover these “surplus” credits it accrued.

If permitted to use these credits towards the Paris Agreement, originally in 2019 this would have reduced the actual emissions reduction Australia is required to undertake to meet its modest 2030 NDC by almost half.³⁵ With updated projections in 2020, the emission reduction task for Australia was even smaller meaning the carryover credits could meet the entire effort required under the NDC.

³² Article 6.4 Paris Agreement

³³ IETA (2019) *The Economic Potential of Article 6 of the Paris Agreement and Implementation Challenges*, https://www.ieta.org/resources/International_WG/Article6/CLPC_A6%20report_no%20crops.pdf

³⁴ DISER (2020) *Australia beats 2020 emissions reduction target*,

<https://www.minister.industry.gov.au/ministers/taylor/media-releases/australia-beats-2020-emissions-reduction-target>

³⁵ Merzian (2019) *Taking way too much credit*, <https://australiainstitute.org.au/report/taking-way-too-much-credit/>

This was an easy path and feed into Government claims of ‘meeting and beating’ their targets. It also reduced any incentive to implement policy to facilitate actual emissions reductions.

If all countries imported surplus credits, including the larger number of credits generated under the Clean Development Mechanism and held by major emitters like China, India and Brazil, than it would likewise reduce global incentives to take action.³⁶

At Cop25, Costa Rica and 32 nations put forward the San Jose Principles for High Ambition and Integrity in International Carbon Markets, which, among other things, sought explicitly to prohibit the use of Kyoto units.³⁷ Unfortunately, due to the need for consensus, Australia’s hard-line position contributed to the failure of market negotiations at COP25, and kicked the can down the (long) road to COP26.

Australia has been widely criticised for this stance. Many other Parties to the agreement see the use of carryover credits as “cheating” and called out Australia as only one of a handful of nations that played a role in blocking an important agreement.³⁸ Additionally, a number of legal experts and researchers have pointed out that there is no legal basis for Australia to use Kyoto carryover credits towards the Paris Agreement, considering the two are separate treaties and cannot be treated as a continuation of one agreement.³⁹

There is also a major question around the credibility of these credits in the first place. During the negotiations for emissions reductions targets under the Kyoto Protocol, industrialised nations collectively pledged to reduce emissions by 5.2% below 1990 levels over the first Kyoto period (2008-2012). While this meant that most developed countries pledged to decrease emissions, Australia successfully lobbied for an 8% *increase* on 1990 levels over the first Kyoto period.⁴⁰

What’s more, is that the last minute of negotiations, Australia demanded the inclusion of what is commonly known as the “Australia clause”. It would only sign up if allowed to include carbon emissions from land clearing in emissions reduction accounting.⁴¹ As outlined above, incidental reductions in land clearing aid the government in making misleading claims around overachievement on emissions reductions.

What this demonstrates is that the carryover of surplus credits to the Paris Agreement would be unethical, undiplomatic and completely undermine the spirit and goals of the Agreement.

³⁶ The Hindu business line (2021) *Sticking points in carbon market rules*

<https://www.thehindubusinessline.com/opinion/sticking-points-in-carbon-market-rules/article34046422.ece>

³⁷ Costa Rica Ministerio Ambiente y Energia (2019), *Press release: 32 leading countries set benchmark for carbon markets with San Jose principles*, <https://cambioclimatico.go.cr/press-release-leading-countries-set-benchmark-for-carbon-markets-with-san-jose-principles/>

³⁸ Morton (2019) *UN climate talks: Australia accused of ‘cheating’ and thwarting global deal*,

<https://www.theguardian.com/environment/2019/dec/16/un-climate-talks-australia-accused-of-cheating-and-thwarting-global-deal>

³⁹ Climate Analytics Australia (2019) *Australia’s proposed ‘Kyoto carryover’ – nature, scale, implications, legal issues and environmental integrity*, https://climateanalytics.org/media/report_australia_kyoto_carryover_dec2019.pdf

⁴⁰ Van Oosterzee (2020) *Today, Australia’s Kyoto climate targets end and our Paris cop-out begins*,

<https://theconversation.com/today-australias-kyoto-climate-targets-end-and-our-paris-cop-out-begins-thats-nothing-to-be-proud-of-mr-taylor-131137>

⁴¹ Merzian (2019) *Taking way too much credit*, <https://australiainstitute.org.au/wp-content/uploads/2020/12/P645-Taking-way-too-much-credit-WEB.pdf>

WHAT CAN WE EXPECT FROM AUSTRALIA AT COP26?

In December 2020, Prime Minister Scott Morrison said that he was confident Australia would not need to use Kyoto credits towards the Paris Agreement.⁴² While this is based on superficial claims of already ‘meeting and beating’ targets, it is a positive step in reducing obstacles that would allow the Australian Government to continue polluting on a technicality.

While they might not take quite the hard-line stance seen at COP25, historical negotiations show that Australia might still try and influence the Article 6 negotiations, finding other more minor loopholes. As such, it will be important to remain wary and watchful of these particular negotiations. Any rules that give Australia a pass to enact fewer emissions reductions will have impacts for the global achievement of the Paris goals.

Article 6.4

Since COP25, the Australian carbon market has developed significantly, with the Australian Government adopting almost all the recommendations of the King Review.⁴³ The Review recommended additional low-cost abatement methods in relation to the Australian Government’s Emissions Reduction Fund (ERF).⁴⁴

This is in recognition of the government’s need to meet its own emission reduction targets and the need to create an adequate supply of carbon credits to meet demand by both the compliance and voluntary markets.

Broadly, these recommendations included developing and fast-tracking new offset methods (such as carbon, capture and storage), and streamlining approval and issuance processes to allow more participants to access and earn Australian Carbon Credit Units (ACCUs) in a faster timeframe. At the time of writing the Clean Energy Regulator had issued 100 million ACCUs. In October 2021 the Government announced new priority methods, to be developed by the Clean Energy Regulator over the next 12 months, and intentions to expand the range of activities eligible under the ERF.

At the same time as supply of offsets is set to increase in Australia, commitments from corporations, particularly big emitters, and subnational governments to reach net zero emissions have increased dramatically. Not just in Australia but globally. This has created, and will continue to create, considerable demand for carbon credits.⁴⁵

Article 6.4 of the Paris Agreement determines a mechanism to “contribute to the mitigation of greenhouse gas emissions and support sustainable development” and will establish the framework of a new international carbon market. Both the Australian government and offset proponents have

⁴² Doherty (2020) *Australia won’t use Kyoto carryover credits to meet Paris climate targets, Scott Morrison confirms*, <https://www.theguardian.com/world/2020/dec/11/australia-wont-use-kyoto-carryover-credits-to-meet-paris-climate-targets-scott-morrison-confirms>

⁴³ Note Minister Angus Taylor hand-picked a former gas executive to lead the secret King Review which seemed to overlap with the independent review by the Government’s own Climate Change Authority. The review was only made public alongside the Government’s adoption in part or in full of all recommendations.

⁴⁴ Australian Government (2020) *Australian Government response to the Final Report of the Expert Panel examining additional sources of low-cost abatement (‘the King Review’)*, <https://www.industry.gov.au/sites/default/files/2020-05/government-response-to-the-expert-panel-report-examining-additional-sources-of-low-cost-abatement.pdf>

⁴⁵ Shankleman & Rath (2021) ‘Wall Street’s Favorite Climate Solution Is Mired in Disagreements’, *Bloomberg Green*, <https://www.bloomberg.com/news/features/2021-06-02/carbon-offsets-new-100-billion-market-faces-disputes-over-trading-rules>

been vocal in their desire to be able to export ACCUs to foreign purchasers (currently there is a ban on foreign transfers that prevents ACCUs being exported).^{46 47 48 49}

It is critical that any units deemed eligible under an international carbon market have integrity and result in genuine abatement. Research by the Australia Institute has shown that at least 20 per cent of ACCUs issued to date are not additional and are not resulting in any abatement, with suggestions that the integrity of other methods may also be questionable.^{50 51 52}

It is therefore concerning that Australian negotiators will be seeking to have Australia's carbon offset methodology recognised as Article 6.4 emissions reduction units (A6.4ERs) in any market that is developed under Article 6. The integrity of Australia's abatement activities must be ensured before they can be recognised and traded.

⁴⁶Clean Energy Regulator (2020) *Seminar Series: Participating in Australia's carbon market to meet corporate climate goals [transcript]*,

<http://www.cleanenergyregulator.gov.au/DocumentAssets/Documents/International%20market%20developments.pdf>

⁴⁷Carbon Market Institute (2017) *Operationalizing Article 6 of the Paris Agreement, Submission to IETA*,

https://www.ieta.org/resources/International_WG/Article6/Portal/%5BCMI%20Submission%5D%20Operationalizing%20Article%206%20of%20the%20Paris%20Agreement.pdf

⁴⁸Harris (2021) 'Angus Taylor says carbon offsets will be key to world meeting targets', *Sydney Morning Herald*,

<https://www.smh.com.au/politics/federal/angus-taylor-says-carbon-offsets-will-be-key-to-world-meeting-targets-20210929-p58vrz.html>

⁴⁹Macintosh, Roberts & Buchan (2019) *Improving Carbon Markets to Increase Farmer Participation*,

<https://www.agrifutures.com.au/wp-content/uploads/2019/07/19-026-Digital-1.pdf>

⁵⁰Merzian, Hemming & Schoo (2021) *Questionable Integrity: Non-additionality in the Emission Reduction Fund's avoided deforestation method*, https://australiainstitute.org.au/wp-content/uploads/2021/09/ACF-Aust-Institute_integrity-avoided_deforestation_report_FINAL_WEB.pdf

⁵¹Baxter & Gilligan (2017) 'Verification and Australia's Emissions Reduction Fund: Integrity undermined through the Landfill Gas Method?', *Australian Journal of Environmental Law* 1,

<http://classic.austlii.edu.au/au/journals/AUJEnvLaw/2017/1.html>

⁵²Baxter (2017) *The government is miscounting greenhouse emissions reductions*, <https://theconversation.com/the-government-is-miscounting-greenhouse-emissions-reductions-88950>

Climate finance

INTERNATIONAL OBLIGATIONS

The UNFCCC, to which Australia is a signatory, sets out the obligation to provide financial assistance to developing countries to mitigate and adapt to climate change.⁵³ This obligation reflects the principle of common but differentiated responsibilities; an equitable principle in international law that recognises the differences between developed and developing countries when it comes to the causes and impacts of climate change.

Over a decade ago, at COP15 in Copenhagen in 2009, developed countries including Australia committed to jointly mobilise USD\$100 billion per year by 2020 in climate finance for developing countries.⁵⁴ To help realise this commitment, the Green Climate Fund (GCF) was formalised in 2010 by party countries to the UNFCCC, and reaffirmed by the Paris Agreement in 2015.⁵⁵ It serves alongside other multilateral and bilateral avenues as a vehicle through which developed nations contribute money to help developing nations move towards low-emissions, climate-resilient development. This is especially the case when it comes to finance to adapt to climate change.

With developing nations such as our Pacific Island neighbours already at the frontline of climate impacts, mobilising climate finance is more important than ever. Considering that the USD \$100 billion goal has not been met a year after its deadline, it is set to be a contentious issue at COP26, particularly around liability for loss and damage. If developed countries do not provide their fair share of finance, it may work to increase distrust between developed and developing nations on climate commitments.⁵⁶

While nations such as the US have presented new commitments to provide over USD\$11 billion per year by 2024 to low-income countries in the leadup to COP26,⁵⁷ Australia remains frugal in its climate finance budget.

WHAT DOES AUSTRALIA CURRENTLY GIVE?

During the inception of the GCF, Australia took a leadership role in decision-making around climate finance. In the initial resource mobilisation (IRM) in 2014, Australia committed A\$200 million under the Abbott government. In the following years, Australia held a position on its board, serving as co-chair for 3 years, and in 2016 former Australian Government Special Envoy for Climate Change,

⁵³ Article 4.3 of the UNFCCC

⁵⁴ UNFCCC (2021) *Climate finance in the negotiations* <https://unfccc.int/topics/climate-finance/the-big-picture/climate-finance-in-the-negotiations>

⁵⁵ Article 9 of the Paris Agreement

⁵⁶ UNFCCC (2021) *“Climate Commitments Not On Track to Meet Paris Agreement Goals” as NDC Synthesis Report is Published* <https://unfccc.int/news/climate-commitments-not-on-track-to-meet-paris-agreement-goals-as-ndc-synthesis-report-is-published>

⁵⁷ Milman (2021) *Biden vows to double aid to developing countries vulnerable to climate crisis*, <https://www.theguardian.com/us-news/2021/sep/21/joe-biden-un-general-assembly-climate-aid-developing-countries>

Howard Bamsey was appointed Executive Director, solidifying Australia's leadership role on the international stage.

This leadership also signalled a commitment to the Pacific region, who are at the frontline of climate impacts such as irreversible sea-level rise and increasingly severe natural disasters. In the first two years of the GCF, Australia's involvement saw a total USD\$165 million in resources approved for the Pacific, in addition to alternate multilateral and bilateral funding.⁵⁸

Unfortunately, Australia's progress in climate finance leadership was derailed in 2018 when Prime Minister Scott Morrison stated in a 2GB radio interview that he would not be refinancing 'that big climate fund'.⁵⁹ At Senate Estimates shortly after the Department of Foreign Affairs and Trade, responsible for GCF engagement, admitted the interview constituted the announcement that Australia would no longer be involved.⁶⁰ The 2019 federal budget then confirmed Australia had not committed any more funds to the GCF. This has not only limited Australia's influence over regional climate financing, but has also had diplomatic ramifications, with the gesture not going unnoticed by political leaders and observers in the Pacific.⁶¹

Following withdrawal from the GCF, Australia has favoured bilateral climate finance, directing AUD \$1.4 billion to climate finance between 2015-2020, around \$408m of which went to the Pacific.⁶² In December 2020, the Australian Government announced its new commitment of \$1.5B over 2020-2025 (or \$300m annually), \$500m of which has been committed to the Pacific through the "Pacific Step-Up".⁶³

While this funding is welcomed, it does not represent Australia's fair share, nor is it backed by urgent domestic emissions reductions that regional leaders have called for time and time again.⁶⁴ While Australia contributes around 1.3% of global emissions, its current climate finance commitments only represent around 0.14% of the USD \$100 billion goal, assuming it was all public funding.⁶⁵

⁵⁸ DFAT (2017) *Australia to lead GCF Board in 2017*, <https://www.foreignminister.gov.au/minister/julie-bishop/media-release/australia-lead-green-climate-fund-board-2017>

⁵⁹ Office of the Prime Minister (2018) *Interview with Alan Jones*, 2GB <https://www.pm.gov.au/media/interview-alan-jones-2gb>

⁶⁰ O'Malley (2021) *How Australia got blindsided in the great Pacific climate coup* <https://www.smh.com.au/environment/climate-change/how-australia-got-blindsided-in-the-great-pacific-climate-coup-20211008-p58y9d.html>

⁶¹ Hasham (2018) *Poor nations castigate Australia for abandoning global climate fund*, <https://www.smh.com.au/politics/federal/poor-nations-castigate-australia-for-abandoning-global-climate-fund-20181023-p50beh.html>

⁶² Australian Government (2020) *Australia's Biennial Communication*, <https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202012221040---Australia%20Biennial%20Communication%20to%20UNFCCC%20-%20final%20.pdf>

⁶³ DFAT (2021) *Development Assistance in the Pacific*, <https://www.dfat.gov.au/geo/pacific/development-assistance/climate-change-and-resilience>

⁶⁴ Clarke (2021) *Pacific leaders push for halving of emissions by 2030 to prevent climate change catastrophe*, <https://www.abc.net.au/news/2021-10-06/pacific-leaders-push-emissions-reduction-2030-net-zero-2050/100517846>

⁶⁵ Oxfam (2021) *Fairer Futures: Financing Global Climate Solutions*, forthcoming

In addition, Australia’s existing commitments are merely repurposed from the existing aid budget. This is contrary to the agreement reached in the Copenhagen Accord in 2009, which required that funding would be “new and additional”.⁶⁶

Australia’s aid budget has not increased to represent the increase in climate finance; in fact, it has decreased considerably over the last decade in generosity, or as a percentage of GNI. In 2011, Australia’s aid-to-income ratio was above the OECD average at 0.34%. In 2020, aid plummeted to just 0.19% of GNI. While global aid increased by 26% in this time, Australian aid fell by 31%.⁶⁷

WHAT IS AUSTRALIA’S FAIR SHARE?

Developing countries are coming to COP26 with an expectation that developed countries will bring additional finance to meet their commitment of \$100 billion per annum by 2020. In particular, Pacific countries are expecting an agreement on liability for loss and damage. Many Pacific leaders have called on Australia to come back to the financing table, particularly in regard to the GCF.⁶⁸

As a developed country with both capacity and responsibility to provide finance, COP26 represents an opportunity for Australia to show that it is serious and committed to helping its neighbours. A clear way to signal this commitment in the short-term, before COP26, would be for Australia to recommit to the GCF.

To determine what a fair commitment from Australia would be as a dollar figure, various calculations have been done by using GNI (capability) and historical emissions (responsibility) and have come up with similar figures. Recent calculations using Oxfam’s Capability and Responsibility Index estimate Australia’s fair share to the GCF to be between A\$700-990 million.⁶⁹ WRI’s *GCF Contributions Calculator 2.0* similarly calculates Australia’s minimum fair share at around A\$932 million.⁷⁰

In addition to a renewed GCF commitment, climate finance more generally needs to be stepped up. Australia’s fair share was estimated recently to be at around A\$12 billion annually by 2030, with gradual increases required over the coming decade to meet this goal.⁷¹

Meeting their fair share of climate finance would hold a range of benefits not just for recipients, but for Australia itself.

Focusing on increasing the climate-resilience of close neighbours will mean a more prosperous and stable region in which Australia can thrive. The GCF has invested extensively in Australia’s neighbourhood, with all Pacific Island Countries now accessing funds through approved GCF

⁶⁶ UNFCCC (2010) *Report of the Conference of the Parties on its fifteenth session, held in Copenhagen from 7 to 19 December 2009*, <https://unfccc.int/resource/docs/2009/cop15/eng/11a01.pdf>

⁶⁷ DevPolicy (2020) *Australian Aid Tracker: Comparisons* <https://devpolicy.org/aidtracker/comparisons/>

⁶⁸ Clarke (2021) *Pacific leaders push for halving of emissions by 2030 to prevent climate change catastrophe*, <https://www.abc.net.au/news/2021-10-06/pacific-leaders-push-emissions-reduction-2030-net-zero-2050/100517846>

⁶⁹ Oxfam (2021) *Fairer Futures: Financing Global Climate Solutions*, forthcoming

⁷⁰ World Resources Institute (2019) *GCF Contributions Calculator 2.0*, <https://www.wri.org/resources/data-visualizations/green-climate-fund-contributions-calculator-2>

⁷¹ Oxfam (2021) *Fairer Futures: Financing Global Climate Solutions*, forthcoming

projects.⁷² Leveraging both private and public finance, the GCF is able to invest equally in adaptation and mitigation in the region. Projects such as the 'Climate Information Services for Resilient Development' in Vanuatu and the 'Tina River Hydropower development project' in the Solomon Islands complement and magnify the impact of Australia's bilateral resources.

Covid-19 has shown that in an emergency, Australia has the capacity and willingness to step up and help its neighbours. This year, the Prime Minister of Samoa noted that COVID-19 cannot be adequately addressed without considering climate. Alongside IPCC warnings reiterating the catastrophic consequences for low-lying nations if we exceed 1.5C warming,⁷³ it is evident that there is no greater emergency than climate.

Committing new and additional climate finance, in particular a recommitment to the GCF in the leadup to COP26, is an opportunity for Australia to signal that it is taking the threat of climate change seriously. In order to repair and mature regional relationships, Australia must listen to calls from its Pacific Island neighbours to support them not only by committing additional finance, but accompanying this with strong domestic emissions reduction policy.

⁷² SPREP (2020) *GCF projects now approved for all Pacific Islands*, <https://www.sprep.org/news/green-climate-fund-projects-now-approved-for-all-pacific-islands>

⁷³ IPCC (2021) Sixth Assessment Report Regional Fact Sheet, https://www.ipcc.ch/report/ar6/wg1/downloads/factsheets/IPCC_AR6_WGI_Regional_Fact_Sheet_Small_Islands.pdf

Adaptation

INTERNATIONAL OBLIGATIONS

Adaptation to climate change is often relegated to the end of any discussion of climate change. However, the inability to sufficiently mitigate emissions means greater climate impacts and a greater need to adapt to the unavoidable consequences. This is of course just as important at home as it is abroad.

The key ask at COP26 is for a Global Goal on Adaptation. Under the Paris Agreement, countries agreed to establish this global goal to enhance nations' ability to help adapt to inevitable impacts of climate change. Yet, the accord stopped short of setting out what the goal should look like and how progress should be assessed. As a first step, countries' progress to the goal will be assessed through a cyclical five-year mechanism called the global stocktake with the first phase of data collection starting this December.

AUSTRALIA'S ADAPTATION PROGRESS

In the lead-up to COP26, Australia will release its Adaptation Communication that is mandated under the Paris Agreement in Article 7.10.⁷⁴

The Adaptation Communication will reportedly showcase the role that Australia plays in funding climate adaptation initiatives in the Pacific Islands. The Morrison government has committed \$1.5 billion in climate finance for the Pacific between 2020 and 2025.⁷⁵ It is important that Australia support its Pacific neighbours, who have voiced their consistent disappointment with the level of Australia's climate action.⁷⁶ Yet, it is puzzling that Australia funds significant climate adaptation abroad, but lacks the same commitment to supporting adaptation at home.

Australia does not have a National Adaptation Plan (NAP), a process agreed under the UNFCCC and available for all countries (not just developing ones). Nor has Australia indicated it will develop a plan. NAPs inform how countries progress in adaptation and feed into the Global Stocktake and the Global Goal on Adaptation that measure global progress towards the Paris Agreement goals.

Instead of an overarching adaptation plan, Australia has a National Climate Resilience and Adaptation Strategy (NCRAS), which broadly describes its guiding principles in domestic climate adaptation efforts.⁷⁷ This strategy does not provide tangible objectives or timelines. A peer reviewed

⁷⁴ United Nations (2015) *Paris Agreement*, Article 7.10, https://unfccc.int/sites/default/files/english_paris_agreement.pdf

⁷⁵ Prime Minister of Australia (2020). <https://www.pm.gov.au/media/address-pacific-islands-forum>

⁷⁶ Morgan (2021) *Ripple Effect: The cost of our Pacific neglect*, Australian Foreign Affairs Vol 12. <https://www.australianforeignaffairs.com/articles/extract/2021/08/ripple-effect>

⁷⁷ Australian Government, Department of Agriculture, Water and the Environment (2015) *National Climate Resilience and Adaptation Strategy*, <https://www.environment.gov.au/climate-change/adaptation/publications/national-climate-resilience-and-adaptation-strategy>

study of 54 national climate adaptation plans and strategies ranked Australia's strategy last, with a low score of 18 out of a possible 46.⁷⁸

In the lead up to COP26, Australia will be updating this six-year-old strategy. Concerningly, the consultation website for the NCRAS indicates that the new adaptation strategy will be developed in isolation from Australia's emission reduction strategy, despite the importance of considering the two as inherently linked.

Without an overarching adaptation plan, Australia suffers from ad hoc policies that often lead to maladaptation. For instance, the federal government's \$10 billion insurance guarantee for Northern Queensland runs the risk of backing in residents to remain in disaster prone areas. Furthermore, the failure of the national government has led to a fractured and piecemeal approach at the state level, and confusion at the local government level, especially around sea level rise.

WHAT DOES AUSTRALIA NEED?

Domestically, Australia needs a nationally consistent approach to adaptation. While it has taken positive steps, such as joining the global Adaptation Action Coalition (AAC) which will act as an international forum to exchange best practices and expertise related to climate adaptation,⁷⁹ this action is merely symbolic without tangible goals to see it through.

Australia should urgently establish and commit to a national climate risk assessment. The United Kingdom and United States have developed mechanisms that mandate periodic assessments. Both provide models Australia could draw on, and it is unclear why the Australian Government has failed to undertake a single national risk assessment.

In parallel, Australia would benefit from a detailed NAP. The majority of Parties to the Paris Agreement, at least 106 countries, have fulfilled their adaptation responsibilities to the Paris Agreement by adopting national climate adaptation plans or policies.⁸⁰ This includes 71% of OECD nations. To ensure that Australia is proactively adapting to a warming climate, the government could expand its existing strategy into a comprehensive plan.

Within its approach, Australia must shift its efforts from disaster clean-up and recovery to pro-active prevention. Approximately 97% of Australia's disaster spend goes to clean-up and recovery, and only 3% towards prevention.⁸¹ Prioritising prevention could include expanding cool burning to

⁷⁸ Morgan, Nalau, and Mackey (2019) *Assessing the alignment of national-level adaptation plans to the Paris Agreement*, <https://doi.org/10.1016/j.envsci.2018.10.012>.

⁷⁹ UK Government (2021) *Adaptation Action Coalition: an overview*. <https://www.gov.uk/government/publications/adaptation-action-coalition-an-overview/adaptation-action-coalition-an-overview>

⁸⁰ Melville-Rea, Ogge, Nalau (2021) *Submission: National Climate Resilience and Adaptation Strategy*. Forthcoming. <https://australiainstitute.org.au/research/>

⁸¹ Zonca (2014) *Productivity Commission draft report recommends state and local governments pay a greater share of disaster re-build*, <https://www.abc.net.au/news/rural/2014-09-25/disaster-funding-changes-productivity-commission/5769470>

prevent bushfires, green spaces to combat urban heat, and incentives for residents to relocate from disaster-prone areas especially after disasters strike.

Importantly, the strategy must interlink with an ambitious emissions reduction plan. Emissions reduction is the first line of defense against climate impacts. Stronger coordination between the Department of Industry, Science, Energy and Resources' emission strategy and the Department of Agriculture, Water and the Environment's disaster management strategy will be critical to safeguarding Australians from climate risks.