

# New South Wales Climate Change (Net Zero Future) Bill 2023

*The Bill is unlikely to facilitate actions that would result in genuine emissions reductions in NSW, including elimination of fossil fuel subsidies, a moratorium on coal and gas development and decarbonisation of industry and transport.*

*While the goals of the Bill are laudable, fiscal responsibility is a subjective guiding principle and open to creative interpretation by industry. Improvement could be made by emphasising climate science, effectiveness, efficiency, and equity as guiding principles of the Net Zero Future Bill.*

*It is also integral that appointments to the Net Zero Commission with links to fossil fuels and carbon offset industries are explicitly ruled out.*

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# INTRODUCTION

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The Australia Institute welcomes the opportunity to make a submission on the New South Wales (NSW) *Climate Change (Net Zero Future) Bill 2023* (the Bill). The objectives of the Bill are to:

- Establish guiding principles for action to address climate change;
- Set targets for NSW greenhouse gas emissions reductions for 2030 and 2050;
- Establish a climate adaptation objective;
- Establish a Net Zero Commission to monitor and report on NSW climate policy.

The Australia Institute is supportive of these objectives in general, with some qualifications discussed below. Ultimately, however, this Bill will do little to facilitate the most important and urgent actions the NSW Government could take on climate, some of which are briefly outlined in this submission.

# GUIDING PRINCIPLES

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The Australia Institute welcomes the inclusion in the Bill's guiding principles of the right to a clean, healthy and sustainable environment; of the knowledge and perspectives of Aboriginal communities; of the best available science; and of the need to reduce the risk of climate change on human health.

However, the economic framing of the problem, especially in section 2.8(4), is inappropriate and could delay emissions reduction. The Bill states that:

Action to address climate change should be taken in a way that—

- (a) is fiscally responsible, and
- (b) promotes sustainable economic growth, and
- (c) considers the economic risks of delaying action to address climate change.

Stating that climate action will be guided by considerations of fiscal responsibility and economic growth, rather than science and best-practice policy, automatically dilutes the ambition of the bill. What is 'fiscally responsible' is entirely subjective and creates a loophole that will enable industry lobbying. Given the opportunity, it is likely that the fossil fuel or carbon offset industries, for example, will use the wording above and inflated claims about the importance of coal royalties, employment in coal mining and the ability of offsets to reduce emissions, to delay climate action in the state on the basis of their 'fiscal contributions'. This framing also raises fraught questions

around appropriate discount rates, which have historically been used to obfuscate climate action.<sup>1</sup>

The urgency of climate change necessitates actions that are effective, efficient and that promote equity rather than being guided by subjective and much-abused concepts like ‘fiscal responsibility’.

## TARGETS

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The Bill sets targets for net emissions, with no discussion of absolute emissions, leaving opportunities for companies to avoid making genuine efforts to reduce emissions by employing offsets or creative accounting in the land sector. The Bill should make provision to ensure that targets are not met by offsets or creative accounting in the land sector.<sup>2</sup>

Further, the targets set by the Bill for net greenhouse gas emissions are inadequate according to the best available science. The Bill sets targets of net 50% reduction on 2005 levels by 2030, and net zero by 2050. These targets are insufficient as a “fair share” target for NSW or Australia, if the world is to limit warming in line with the Paris Agreement. Research suggests that a 75% reduction by 2030, and net zero by 2035 gives us the best chance of remaining below 1.5 degrees warming.<sup>3</sup> Importantly, these trajectories rely on a 66% cut in methane emissions from energy by 2030.<sup>4</sup>

It should also be noted that if emissions either rise, or are not cut sufficiently, in other states and territories, NSW will need to curb emissions even more quickly for Australia to meet its overall “fair share” targets. For example, while NSW has achieved some emissions reduction compared to 2005 levels, emissions in WA from new liquefied

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<sup>1</sup> Keen (2023) *Loading the DICE against pension funds Flawed economic thinking on climate has put your pension at risk*, Carbon Tracker, <https://carbontracker.org/reports/loading-the-dice-against-pensions/>; Trust, Joshi, Lenton and Oliver (2023) *The Emperor’s New Climate Scenarios: Limitations and assumptions of commonly used climate-change scenarios in financial services*, Institute and Faculty of Actuaries, <https://actuaries.org.uk/emperors-new-climate-scenarios>

<sup>2</sup> Fankhauser and others (2022) ‘The meaning of net zero and how to get it right’, *Nature Climate Change*, <https://doi.org/10.1038/s41558-021-01245-w>

<sup>3</sup> Gambhir and others (2023) ‘Adjusting 1.5degree C climate change mitigation pathways in light of adverse new information’, *Nature Communications*, <https://doi.org/10.1038/s41467-023-40673-4>; Fyson, Grant and Hare (2023) *2030 targets aligned to 1.5°C: evidence from the latest global pathways*, Climate Analytics, <https://climateanalytics.org/publications/2023/2030-targets-aligned-to-15c-evidence-from-the-latest-global-pathways/>

<sup>4</sup> Fyson and others (2023) *2030 targets aligned to 1.5°C*

natural gas projects are cancelling out those efforts.<sup>5</sup> The Bill should account for the fact that NSW may need to increase its emissions reduction targets beyond its own contribution, to compensate for emissions elsewhere.

Provision should also be made for sectoral targets. Reducing emissions by the coal industry, including scope 3 emissions, should be a priority.

## NET ZERO COMMISSION

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The Net Zero Commission appears to have many similarities with the Commonwealth Climate Change Authority (CCA), which is concerning because the CCA has not been effective in helping the Australian Government to reduce emissions. This is likely related to numerous CCA members having significant actual or potential conflicts of interest. The CCA's chair and several members are heavily involved in carbon offsets and the gas industry. This seems likely to have contributed to the CCA's research focus on, and support of, carbon offsets rather than direct decarbonisation strategies.<sup>6</sup>

To avoid similar failure, the NSW Government should legislate not only who can be on the Net Zero Commission, as outlined in Part 3 Division 1 of the Bill, but also who cannot be appointed as a member. People who currently work for, or consult to, fossil fuel companies and lobby groups should be excluded, as should people who have held such positions in the recent past. People who work for, or consult to, carbon credit developers, brokers, advisors, or other parties with financial interests, should also be explicitly ruled out.

Appointments from large consulting companies such as PwC and EY that consult to fossil fuel companies, and buyers and sellers of carbon offsets should also be excluded due to potential conflicts of interest.

The Australia Institute recommends a transparent and merit-based selection process for appointees to the Commission, and that appointees should be required to publish their qualifications and work experience.

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<sup>5</sup> Campbell and Ryan (2023) 'WA emissions weigh down the rest of the nation', *The Australia Institute*, <https://australiainstitute.org.au/post/wa-emissions-weigh-down-the-rest-of-the-nation/>

<sup>6</sup> Hemming and Campbell (2022) *Integrity and the Climate Change Authority*, <https://australiainstitute.org.au/report/integrity-and-the-climate-change-authority/>

## NSW CLIMATE PRIORITIES

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While the objectives of the Bill are laudable, the most effective actions that all governments need to take to reduce emissions have been identified and well-established for a number of years: eliminate fossil fuel subsidies, end fossil fuel expansion, decarbonise industries and transport. Some NSW-specific suggestions are included below:

- Eliminate fossil fuel subsidies.<sup>7</sup> The NSW Government should:
  - Close Coal Innovation NSW and the related fund, redirecting its \$63 million remaining budget to programs that mitigate climate change or adapt to it.
  - End programs in the Regional NSW Cluster and Mining, Exploration and Geoscience program that promote or support coal and petroleum exploration and production.
  - Lobby the federally-owned Australian Rail Track Corporation to redirect long-term capital expenditure away from Hunter Valley coal railways and towards projects that will help decarbonise transport in the state.
- End new coal approvals, expansions and modifications and plan for a phase out of coal exports. Australia Institute research has shown that a moratorium on new coal would enable an orderly transition of the state economy with minimal economic impact.<sup>8</sup> These findings are echoed in more recent NSW Treasury analysis.<sup>9</sup>
  - Facilitate container shipping at the Port of Newcastle to prepare the port for a decline in coal exports.
- Rule out any new petroleum or gas development onshore or in state waters.
  - As a first step, reviewing the approval of the Santos Narrabri Gas project in light of new information on the extent of global warming, short-term sensitivity to methane as a climate driver, and improved understanding of methane emissions from fracking projects.<sup>10</sup>

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<sup>7</sup> See Campbell et al (2023) *Fossil fuel subsidies in Australia 2023*, <https://australiainstitute.org.au/report/fossil-fuel-subsidies-in-australia-2023/>

<sup>8</sup> Denniss et al (2016) *A Coal Moratorium and the Australian Economy*, <https://australiainstitute.org.au/report/a-coal-moratorium-and-the-australian-economy/>

<sup>9</sup> Wood et al (2021) *The sensitivity of the NSW economic and fiscal outlook to global coal demand and the broader energy transition for the 2021 NSW Intergenerational Report*, [https://www.treasury.nsw.gov.au/sites/default/files/2021-05/2021\\_igr\\_ttrp\\_-\\_the\\_sensitivity\\_of\\_the\\_nsw\\_economic\\_and\\_fiscal\\_outlook\\_to\\_global\\_coal\\_demand\\_and\\_the\\_broad\\_er\\_energy\\_transition\\_for\\_the\\_2021\\_nsw\\_intergenerational\\_report.pdf](https://www.treasury.nsw.gov.au/sites/default/files/2021-05/2021_igr_ttrp_-_the_sensitivity_of_the_nsw_economic_and_fiscal_outlook_to_global_coal_demand_and_the_broad_er_energy_transition_for_the_2021_nsw_intergenerational_report.pdf)

<sup>10</sup> Ripple, Wolf, and others (2023) 'The 2023 state of the climate report: Entering uncharted territory', *BioScience*, <https://doi.org/10.1093/biosci/biad080>; Saunio and others (2020) 'The Global Methane Budget 2000–2017', *Earth System Science Data*, <https://doi.org/10.5194/essd-12-1561-2020>

- Prioritise decarbonisation of NSW’s electricity supply, with greater resources to Renewable Energy Zones, closure of Eraring, and attempt to prevent the construction of SnowyHydro’s Kurri Kurri gas-fired power station.
- Decarbonise transport, starting with electrification of the state-owned bus fleet. NSW has some emissions reductions policies in relation to transport, but policies such as encouraging drivers to offset their vehicle emissions when they renew their registration actually result in perverse incentives to maintain the status quo.

## CONCLUSION

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During the consultation period for this bill, the proposal to extend the state’s largest coal mine, BHP’s Mount Arthur mine, went on public display. Climate scientists and bodies like the International Energy Agency have long made it clear that no new coal projects should be developed if climate goals are to be met.<sup>11</sup> While the Bill is a step in the right direction for a state that has underperformed on climate for many years, it is unlikely to lead to significant or rapid emissions reduction.

It is long past time for principles, targets and advisory bodies. It is time for action on what is causing climate change – fossil fuel use and production. The Bill makes little headway on reducing the damage caused by the state’s coal industry in Australia and abroad.

To be credible the NSW Net Zero Bill must be underpinned by science and evidence-based policy, not self-limiting and subjective language around ‘fiscal responsibility’.

To ensure that NSW is benefiting from independent, best-practice advice, at an absolute minimum, the Net Zero Commission must be free from the influence of industry. This can be achieved by explicitly ruling those with interests in the fossil fuel and carbon offset industries as ineligible.

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<sup>11</sup> IEA (2021) *Net Zero by 2050: A roadmap for the global energy sector*, International Energy Agency, <https://www.iea.org/reports/net-zero-by-2050>