

2020-21 Pre-Budget Submission to the Department of the Treasury

Transformative investment required to renew climate-affected rural communities and nature

Australia – worth the investment

The health of Australia's climate, rivers, reefs, forests and wildlife has profound and wide-ranging consequences for Australians' lives. Our natural world – clean air and water, land and resources – underpins Australia's health, prosperity, jobs and industries and provides us with a beautiful place to live, work and visit.

Aussies love Australian wildlife like koalas and kangaroos. We love our unique places, from the world-famous Great Barrier Reef to the beach or national park where we spend summer holidays with family and friends. When Australians are asked to nominate the most important attribute of being Australian, appreciation of Australia's natural environment is at the top of the list.¹

But escalating bushfires and drought change everything. Many Australians can see we face a climate and extinction crisis and that more action is needed by governments.

There are solutions to this crisis. Practical solutions like clean energy and building modern energy infrastructure, restoring habitat for wildlife, building resilience to climate change, fires and drought and diversifying industries and jobs for a secure future. Tackling the climate and extinction crises can make our country stronger and lives better. But it will require an unprecedented level of investment and commitment from our leaders.

Budgets are about choices

With this budget the Federal Government can choose to deliver a scale of investment and reform that meets the environmental challenges we face. This is perhaps the most important budget in Australia's history for our natural world and the people who depend on it. We call on the Federal Government to invest in Australia's future in this critical moment. In other crisis moments in our history, Australia has responded with courage and a can-do attitude. We need to do so again in this moment.

Climate and extinction crises are here, now.

The devastation of the 2019-20 bushfire season is but the most recent example of the environmental disasters that are hitting Australia with unparalleled impact and frequency. Since 2016, half the shallow corals of the Great Barrier Reef have died from mass bleaching events.² Last summer, more than a million fish died in the Darling River.³ Much of rural Australia is dealing with prolonged drought. Spring 2019 was the driest in Australian history.⁴

¹ Australia Talks Survey, 2019. ABC. <https://australiatalks.abc.net.au/>

² Hughes, T. P., Kerry, J. T., Baird, A. H., Connolly, S. R., Dietzel, A., et al. 2018. Global warming transforms coral reef assemblages, 556(7702): 492–496 <https://www.nature.com/articles/s41586-018-0041-2>

³ <https://www.abc.net.au/news/2019-01-08/second-fish-kill-in-darling-river-at-menindee/10696632>

⁴ <https://www.abc.net.au/news/2019-12-02/bureau-of-meteorology-declares-spring-2019-the-driest-on-record/11755848>

The bushfires continue to wreak havoc on rural and regional communities, choke capital cities with smoke and destroy precious natural habitat and native species. It will be a long time before the full economic damage can be tallied, but some economists estimate that when environmental and health costs are considered, the cost to the country may be in excess of \$100 billion.⁵

More than 18 million hectares have burned across the country since September 2019, destroying approximately 2000 homes, killing a billion animals and taking the lives of at least 34 people. More than 80 per cent of the Blue Mountains World Heritage area has burnt, an estimated 50 per cent of Gondwanan rainforest and 30 per cent of Victoria's national parks.

The bushfires burnt the habitat of 325 nationally threatened plant and animal species, including koalas, greater gliders and brush tailed rock wallabies. The full impact on threatened species and ecosystems is as yet unclear but it is possible some species, such as the East Gippsland Galaxias fish, are now extinct, as 100 per cent of their known habitat burnt.

Even before the bushfires, according to almost every indicator, Australia's environment was in decline.⁶

This is not our new 'normal'

The ferocious, extended bushfire season of 2019-20, and other many other recent natural disasters, are not normal. And they are not bad luck or accidental. Their intensified impact is the direct consequence of bad decisions and short-term thinking by Australia's governments. These disasters are what happens when our environment is put last, degraded, traded off, pushed beyond its limits and ignored. For decades, scientists have warned of escalating disasters fuelled by runaway climate change. Sadly, they are now becoming a reality. And they will not plateau to a new 'normal' – they will continue to accelerate if we do not deal with the root cause of climate change.

The climate and environmental threats we face are profound and unprecedented. Our response as a nation must be commensurate.

Invest in a better future

This crisis affects every Australian, but too often rural, regional and Indigenous communities cop the worst impacts of climate change. Farms become unviable, inland towns too hot, water scarce. Regional communities dependent on coal and gas mining and forestry face dramatic change as these industries move towards clean and green opportunities.

The Australian Conservation Foundation (ACF) is calling on the Federal Government to dramatically increase its investment in a safe future by funding the following priorities:

1. \$4.5 billion annually for rural and regional community renewal, including support for regional communities dependent on old and polluting industries like coal and gas mining to diversify their regional economies; support for farmers to be part of the climate solution and build resilience to the warmer climate that is unavoidable; help for small business operators that rely on national parks and iconic Australian ecosystems to thrive by protecting those places and help for communities impacted by natural disasters, like the 2019-20 bushfire crisis, to rebuild.
2. An increase of almost \$1.5 billion annually to transform Australia's economy into a clean energy superpower, by transitioning from fossil fuels, which are fuelling climate driven natural disasters, towards renewable energy over this

⁵ <https://edition.cnn.com/2020/01/10/perspectives/australia-fires-cost/index.html>

⁶ <http://www.oecd.org/environment/oecd-environmental-performance-reviews-australia-2019-9789264310452-en.htm>

decade; and developing new export markets, like renewable hydrogen and increasing funding to critical research institutions.

3. \$2 billion annually to protect and restore wildlife habitat following the bushfires and droughts and decades of destroying natural habitat.

This will require billions in investment. This could in part be funded by amendments to the Fuel Tax Credits Scheme (FTCS), one of several Federal Government programs that incentivise the continued mining and burning of harmful fossil fuels and worsen climate damage. The Federal Government should invest in solutions to climate change, not make pollution cheaper and bushfires and droughts more dangerous.

Decades of neglecting to protect the air we breathe, the water we drink, our wildlife and the places we love is catching up with us. It has never been clearer that failing to properly invest in the protection and prosperity of our environment and climate puts every Australian at risk.

Budget Priorities

PRIORITIES	HOW TO MAKE IT HAPPEN
1. Community resilience and transition fund	1.1 Establish a national energy transition plan and a Transition Authority to phase out coal and support impacted communities 1.2 Establish a rural and regional renewal investment program 1.3 Establish a Community Resilience Program 1.4 Establish a Smart Energy Communities Program
2. Re-invest in the research critical to climate and energy transition	2.1 Climate Change Authority and the CSIRO 2.2 Continue funding the Australian Renewable Energy Agency (ARENA) 2.3 Reinvest in National Climate Change Adaptation Research
3. Improve Australia's international reputation on climate	3.1 Set pollution targets, commit to policy and secure independent expert advice to achieve net zero emissions before 2050 3.2 Provide adequate international support
4. Accelerate development of a clean economy	4.1 Maintain renewable energy investment momentum 4.2 Accelerate investment in transmission 4.3 Make government lead by example on transition to renewables 4.4 Bring down the cost of on-demand renewables and storage 4.5 Clean up transport 4.6 Double Australia's energy productivity 4.7 Make Australia a renewable energy superpower through exports
5. Remove subsidies that entrench the use of fossil fuels	5.1 Reform the Fuel Tax Credits Scheme

6. New national environmental laws	6.1 Establish a National Environment Protection Agency 6.2 Establish a National Environment Commission
7. Reconnect habitats	7.1 Establish a national environment fund with annual investment of \$2 bn 7.2 Improve tax incentives for conservation
8. Help communities and nature thrive	8.1 Secure carbon in biodiverse landscapes 8.2 Value nature in Government decision making

1. Community resilience and transition fund

This summer's bushfires demonstrate the need to improve Australia's emissions reduction, help communities across the country build resilience and increase community support to deal with extreme weather events.

As part of rapidly reducing Australia's climate emissions there is an increasingly urgent need for a planned transition of Australia's energy sector from coal to clean energy. This change is inevitable. It can be either chaotic and disruptive, or managed systematically. Inaction accepts a chaotic and disruptive pathway that will negatively affect all Australians, but with some bearing a particularly high burden.

The energy transition and the effects of extreme weather events have uneven impacts across Australia, geographically and socio-economically. Government has a critical role to help people manage these impacts.

The Federal Government needs to establish a new fund to ensure sufficient funding is available to build community resilience and manage the transition.

1.1 Establish a national energy transition plan and a Transition Authority to phase out coal and support impacted communities

There is overwhelming acceptance among Australian business, energy generators and unions that Australia urgently needs a planned transition of Australia's energy sector from coal to clean energy – and this requires Federal Government leadership. This change is inevitable and can be either chaotic and disruptive, or managed systematically.

The government should make a financial commitment in the 2020-21 Budget to develop an energy transition plan in consultation with representatives from state/territory governments, the energy sector, investors, unions, environment groups, the welfare sector and other community organisations. This plan should be developed with close reference to the Australia Energy Market Operator's integrated system plan and should include a coal closure plan in line with the science. The energy transition plan should include costed options so it is clear what investment is needed from federal and state governments to successfully implement the transition. This plan should guide the roll out of the rural and regional renewal investment program.

This also requires investment in a Just Transition Authority to oversee the transition process and support for affected workers and communities to develop jobs and economic opportunities that have a future.

1.2 Establish a rural and regional renewal investment program

Australia's fossil fuel industry is concentrated in certain regions. Each of these regions has unique histories and conditions. The transition authority should be present in all affected regions and work alongside communities, state and local governments, unions and local businesses to help them investigate, design and implement initiatives that will offer a vibrant economic future.

This summer's bushfires have devastated communities and the natural assets these communities rely on to provide jobs and sustain their economies—including the capacity to attract tourists and produce agricultural products. These impacted communities require support to rebuild and determine how they will prepare for the increased ferocity of natural disasters in a warming world. Federal Government spending, in conjunction with relevant states, should support the implementation of local transition plans and help communities take advantage of the clean economy opportunities available in each region.

1.3 Establish a community resilience program fund

As natural disasters become more ferocious and extreme heatwaves become more frequent, medical, welfare and emergency services will be increasingly stretched. There is also a need to assess the appropriateness of infrastructure to provide vulnerable people with refuges from heat and pollution (eg. smoke from bushfires) in local council buildings such as libraries. Additional community infrastructure will be needed to protect communities caught in extreme natural disasters such as bushfires, floods and cyclones. The Federal Government should commit funding to mapping and assessing the cost on community services and infrastructure of increased pressure from a warming climate. The Government should establish a fund for community organisations and local councils to help them manage increased demand for their infrastructure and services.

1.4 Establish a Smart Energy Communities Program

Energy efficiency, renewable energy and the smart grid are the new frontier – not only for local environmental conservation but also economic development and community empowerment. There are now more than 80 community energy groups and 50 operating community energy projects. More than 27 per cent of the voting public now lives under a solar roof.

However, red tape and an outdated energy market are holding back further rollout of smart energy. More than 35 per cent of households – including renters and apartment-dwellers – are not able to put solar on their roofs. Community energy means they can still invest in clean energy, even without their own rooftop. But to date projects have been hampered by outdated market rules and regulations that get in the way of innovative communities wanting energy independence.

With just \$140 million in federal funding over the forward estimates period the Government could unlock more than \$2 billion in investment in local smart energy projects, helping to create local job opportunities to reduce power bills while cutting greenhouse gas emissions.

The Smart Energy Communities program would leverage the efforts of existing volunteers, willing contributions from the private sector and community enthusiasm for renewables, to help all Australians to access innovative and emerging energy technologies.

All members of the Australian community, including renters, apartment-dwellers, people on low incomes and people in regional and remote communities, should be able to access the benefits of energy efficiency and clean energy. To that end, ACF urges the Federal Government to:

- establish an Indigenous Communities Clean Power Program that helps lift these communities out of energy poverty and makes sure they benefit from the clean energy revolution.
- set up a Solar for Renters and Low-income Households package.
- work with all states and territories to implement mandatory minimum energy performance standards for rental properties.
- maintain the Small-scale Renewable Energy Scheme.
- support community energy initiatives across the country by creating a Community Power Network that includes 50 regional clean energy hubs.

Investment (\$million) – forward estimates

ITEM	2020-21	2021-22	2022-23	2023-24
<i>National energy transition plan and a Transition Authority</i>	10	10	10	10
<i>Rural and regional renewal investment Program</i>	3000	3000	3000	3000
<i>Community Resilience Program fund</i>	1500	1500	1500	1500
<i>Smart Energy Communities Program</i>	40	40	40	40
Community resilience and transition fund total	4550	4550	4550	4550

2. Re-invest in the research critical to climate and energy transition.

2.1 Climate Change Authority and the CSIRO

Policy development should be informed by independent climate change science and policy expertise. The Climate Change Authority should be re-funded and re-invigorated with climate change policy and analytical expertise so that it can provide independent climate change policy advice. At the same time, funding for the CSIRO should be increased to support its critical work on climate science, research and monitoring.

2.2 Continue funding the Australian Renewable Energy Agency (ARENA)

ARENA's current legislated funding is due to end in 2021-22 with the agency itself to be wound up in 2022-23. ARENA plays a critical role in helping to overcome the technical barriers to the energy transition. It funds research, development and demonstration of new clean energy technologies and innovations.

ARENA is a critical institution that should be funded on an ongoing basis. Instead of closing it down, the Federal Government should expand ARENA in the long-term interest of Australia's energy transition and technology innovation. That should include \$1 billion over the forward estimates added to ARENA's budget, an extension of ARENA's work to 2030 and an expanded remit that includes energy efficiency, driving down the cost of renewable hydrogen technology and 'on demand' renewable energy.

2.3 Reinvest in National Climate Change Adaptation Research

The Government should re-invest in climate change adaptation through reinstating long-term funding for the National Climate Change Adaptation Research Facility (NCCARF). The Coalition Government defunded NCCARF with its vastly slashed annual budget of \$0.6m running out at the end of 2017-18. The importance of its work is clear as the unavoidable impacts of global warming become increasingly apparent and the need to better understand adaptation and prioritise measures to build resilience becomes increasingly critical for communities across Australia.

The NCCARF had an important role in helping decision makers in Australia prepare for projected impacts such as more frequent and intense heatwaves, an increased risk of flooding from rivers and the sea and increased coastal erosion. The following functions require ongoing funding: managing climate science and information; adaptation research; generating information on climate risks, impacts and vulnerabilities; and tools to assist communities to adapt. This work requires multi-year efforts and was previously hampered by uncertain funding. The Government should pledge long term funding to this important work.

Investment (\$million) – forward estimates

ITEM	2020-21	2021-22	2022-23	2023-24
<i>Climate Change Authority</i>	10	15	15	15
<i>CSIRO</i>	75	100	100	125
<i>Funding the Australian Renewable Energy Agency</i>	306	338.2	340.1	350
<i>Reinstate funding of the National Climate Change Adaptation Research Facility</i>	5	5	10	10
Re-invest in critical research total	396	458.2	465.1	500

3. Improve Australia's international reputation on climate

3.1 Set pollution targets, commit to policy and secure independent expert advice to achieve net zero emissions before 2050

Central to the policies needed should be a mechanism that incentivises a cut in pollution across the whole economy, this could be market driven and/or regulatory. Further, it should be complemented by policy that incentivises investment in clean energy such as an expanded and extended Renewable Energy Target, and reverse auctions that drive competition in the market and result in new clean energy facilities at lowest cost. Continuing as usual is not in the interest of Australia's environmental, social or economic health.

3.2 Provide adequate international support

As a developed country, Australia has a role to play in assisting developing countries to ensure the success of the Paris Agreement. In ratifying the Paris Agreement, Australia accepted a shared global goal to mobilise \$100 billion annually in climate finance by 2020, with developed countries taking the lead. Australia should contribute at least AU\$3.2 billion per year by 2020 to the Green Climate Fund, in addition to existing foreign aid commitments. This is a fair and reasonable share of the US\$100 billion per year goal set for developed nations. Funding to help developing nations reduce climate pollution and adapt to the unavoidable impacts of climate change is critical to the success of the Paris Climate Agreement.

Investment (\$million) – forward estimates

ITEM	2020-21	2021-22	2022-23	2023-24
<i>Australia's contribution to the Green Climate Fund</i>	3,200	3,200	3,200	3,200

4. Accelerate development of a clean economy

4.1 Maintain renewable energy investment momentum

The large-scale Renewable Energy Target (RET) has been achieved, although the scheme will remain in operation until 2030. This leaves Australia with no national policy driver to support renewable energy investment. As reported by the Clean Energy Council, investment in new renewable energy projects is falling. Quarterly financial commitments in such projects reached a high of over 4500 MW in late 2018 but have since collapsed to less than 800 MW in each of the first two quarters of 2019.⁷ Strong, certain investment signals are needed to ensure ongoing investment.

4.2 Accelerate investment in transmission

Transmission constraints are an increasing barrier to renewable energy investment. A key objective should be to enable transmission projects identified in AEMO's Integrated System Plan to progress quickly with a streamlined Regulatory Investment Test and approval process that builds on the detailed cost benefit analysis already undertaken as part of the ISP. In addition, connecting transmission to renewable energy zones and accelerating transmission upgrades will require funding. A fund should be set up as quickly as possible to underwrite expenditures on ISP (Group 1) projects that are time critical.

The Government should increase the amount of funding available in its Grid Reliability Fund by \$1 billion per year and progress projects identified by AEMO in its Integrated System Plan Step change scenario.

Investment (\$million) – forward estimates

ITEM	2020-21	2021-22	2022-23	2023-24
<i>Accelerate investment in transmission</i>	1000	1000	1000	1000

4.3 Make government lead by example on transition to renewables

The government should lead the clean energy transition by example and commit to power a portion of the government's own energy use through renewable energy, fulfilling this commitment by running reverse auctions and signing Power Purchase Agreements or Contracts for Difference. This will support new clean energy projects.

4.4 Bring down the cost of on-demand renewables and storage

The government should invest in a 'Sunshot' style initiative, like the policies implemented in the United States, targeted at significantly driving down the cost of on-demand renewable energy and storage. This would include identifying and providing incentives for advanced research and development, domestic manufacturing and market transformation connected to concentrating solar thermal with storage, batteries, pumped hydro, sustainable bioenergy and renewable hydrogen.

Sunshot was initiated by the US Department of Energy to drive down the cost and spur innovation in solar technologies. It included providing incentives for advanced solar technology research and development (R&D), domestic manufacturing, and market transformation to achieve a \$0.06 per kilowatt-hour target and enable large-scale solar generated power to account for 15–18 per cent of America's electricity generation by 2030. The target was met 3 years early and the initiative has been updated with a further goal to cut the levelized cost of electricity (LCOE) of photovoltaic solar by an additional 50 per cent to \$0.03 per kWh for utility-scale and cut the LCOE of

⁷ Clean Energy Council, Australia's Energy Generation Investment Outlook, available [here](#).

concentrating solar power to \$0.05 per kWh for baseload power plants, while also addressing grid integration challenges and addressing key market barriers to enable greater solar adoption.

Australia's efforts to drive down the cost of on demand renewable energy should include further R&D coordinated by ARENA and investment support from the Clean Energy Finance Corporation (CEFC).

The government should also support large energy users to contract for 'on demand' zero emissions energy by offering a government underwriting scheme consistent with ACCC's recommendations on supporting 'firm' energy (focused on underwriting the latter years of projects to assist with access to finance). The government has announced an underwriting scheme and a short-list of 12 projects, but it is unclear what forms of support will be provided and the short list includes gas projects and a coal upgrade, which should not have access to the scheme. ACF recommends that the underwriting scheme be focused on transition to zero emissions energy, should not be available to coal, oil or gas projects and should be run by the CEFC.

4.5 Clean up transport

Australia must address the contribution of vehicle pollution to our overall climate pollution. Transport is currently responsible for more than 19 per cent of Australia's climate pollution, second only to electricity generation. Transport is also one of Australia's fastest growing sectors for climate pollution. As of 2017 transport pollution had increased 57 per cent since 1990. By 2030 transport pollution is projected to be 82 per cent higher than it was in 1990.⁸ It is also a significant contributor to health-damaging noxious pollution.

ACF welcomes the work on vehicle emission standards undertaken by the Ministerial Forum on Vehicle Emissions however it is imperative this work quickly delivers new CO2 emissions standards and noxious pollution standards that bring Australia in line with other developed countries. Government support for low and zero emission vehicles such as electric vehicles (EVs) is critical to support their uptake.

4.6 Double Australia's energy productivity

Increasing Australia's energy productivity ambition is an important part of cutting pollution and supporting Australia's competitiveness as many other countries pursue the benefits of a strong energy productivity agenda. The current target of a 40 per cent improvement by 2030 is unambitious. Even then we are not on track to meet this unambitious goal. In fact, global analysis has found Australia is going backwards on energy efficiency. We are ranked the worst of developed countries in 2018 (2018 ACEEE International Energy Efficiency Scorecard, cited by Climate Analytics). In December 2015 when this target and the accompanying plan was announced, the plan identified several energy productivity measures. Australia needs to implement only half of them to achieve the 40 per cent target.⁹ Research and modelling has demonstrated Australia could double its energy productivity by modernising the electricity system and would receive enormous benefits for doing so.¹⁰

ACF calls on the Federal Government embrace the huge opportunity provided through energy efficiency. The Government should commit to double energy productivity by 2030 and set policies to achieve this target. These should include strong vehicle emissions standards (at least as strong as US standards) and improved building and appliance standards. For industry, the Government should:

- Re-introduce an expanded Energy Efficiency Opportunities Act.

⁸ Climate Analytics, Australia's Vehicle Fleet: Dirty and falling further behind <https://climateanalytics.org/media/australiacimatefactsheets2019-transportsector-climateanalytics.pdf>

⁹ COAG Energy Council, National Energy Productivity Plan 2015-2030, December 2015, p. 13 <http://www.coagenergycouncil.gov.au/publications/national-energy-productivity-plan-2015-2030>

¹⁰ ClimateWorks, Australia's Energy Productivity Potential, March 2015, <http://climateworks.com.au/project/current-project/australias-energy-productivity-potential>

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- Establish a Clean Energy Solutions Centre as a one-stop-shop to help industry transition to clean energy and use energy more efficiently.
 - Establish an industrial clean energy grants and financing program.
 - Establish an energy management training program.

4.7 Make Australia a renewable energy superpower through exports

The government should resolve to make Australia a renewable energy superpower and drive the development of a renewable energy export industry. To do this, the government should:

- Undertake a Senate or House Inquiry to hunt out the jobs and new Australian industries that could be developed along the renewables supply chain and investments that will maximise local jobs.
- Invest in Australian labour force development for domestic renewable energy export pathways, including funding for TAFE, apprenticeships and new university courses, particularly in areas experiencing renewables booms such as northern Queensland and Port Augusta.
- Develop a Renewable Export Strategy for Australia that investigates and builds the case for action for all the possible renewable export pathways, including but not limited to renewable hydrogen.
- Facilitate bilateral and multilateral renewable exports agreements with key trading partners and make renewable exports a priority for Australia's trade and foreign policy.

5. Remove subsidies that entrench the use of fossil fuels

5.1 Reform the Fuel Tax Credits Scheme

The Government continues to subsidise fossil fuels, particularly through the Fuel Tax Credit Scheme (FTCS), and provides tax breaks for fossil fuel exploration, production and consumption. The FTCS subsidises the cost of fuel and therefore subsidises pollution. This continuing budget support for the use of diesel fuel constitutes a barrier to innovation, established and maintained by government. It is projected to cost the Federal Budget almost \$34 billion dollars over the next forward estimates period, with the mining sector currently receiving nearly half (44 per cent) of all credits claimed.

ACF has previously proposed several ways to reform this subsidy, without disadvantaging users who make small claims, such as farmers. One such reform is outlined below. It is to be noted that abolition of the subsidy does not prevent businesses that use fossil fuels from claiming a business deduction for the cost of those fuels from the income tax they pay. Savings from the FTCS could be invested into research and development to reduce fuel use, lower environmental impacts and support small businesses to find new ways to use clean technology and become more energy efficient.

ACF suggests one possible method for restructuring the FTCS: **introduce an annual \$20,000 cap per claimant.**

Industries take advantage of fuel tax credits. It is not ACF's intention to disadvantage users of the scheme that make small claims, such as farmers. Therefore, ACF proposes an annual \$20,000 cap per claimant, so those making small claims would not be adversely affected. The cap would be phased in over several years, starting with an \$80,000 cap and stepping down by \$20,000 a year until a final cap of \$20,000 is reached. This cap would ensure most industries – including the vast majority of claimants from the agriculture and tourism industries – are able to continue to receive credits as they do now.

Using figures from the 2019-20 Budget, the \$20,000 cap proposal would save an estimated \$18.7 billion over the forward estimates period.

Savings (\$million) – forward estimates

ITEM	2020-21	2021-22	2022-23	2023-24 ¹¹	TOTAL
<i>Fuel Tax Credits Scheme – Budget Forecast</i>	7,937	8,424	8,966	9,332	34,659
<i>Fuel Tax Credit Scheme under a \$20,000 cap proposal¹²</i>	3,247	3,665	4,186	4,655	15,933
<i>Savings – under a \$20,000 Cap proposal</i>	4,690	4,759	4,780	4,677	18,726

¹¹ Projected figures based on average annual growth rate of FTCS between 2020-21 and 2023-24 using forward estimates in the 2019-20 budget

¹² Based on the latest fuel taxation statistics which are from the 2017 year. <https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Taxation-statistics/Taxation-statistics-2015-16/?page=3#Statistics>

6. New national environmental laws

6.1 National Environment Protection Agency

The federal government has historically played an important role in protecting the places and wildlife Australians love, but indicators show the biodiversity and health of our environment continues to decline. Our national environment laws need to be strengthened and improved, not weakened and degraded. Evidence shows economic savings attributed to the failed one stop shop for environmental approvals have been wildly and simplistically over-estimated to date.

Developing a robust set of national laws and programs is a critical step to safeguarding our future. Specifically, a new generation of national environment laws must:

1. Ensure national responsibility and leadership for reversing the decline in Australia's environment.
2. Prevent the destruction of primary, remnant and old-growth forests.
3. Prevent the extinction of native fauna and flora.
4. Protect and recover key biodiversity areas, threatened ecological communities and threatened species, including the provision of strict protections for their critical habitats.
5. Substantially reduce Australia's greenhouse gas pollution and increase carbon sequestration in biodiverse landscapes.
6. Safeguard freshwater ecosystems, including from extractive and industrial processes.
7. Reduce, to as close to zero as possible, air pollution, plastic pollution and chemical pollution across Australia.
8. Safeguard Australia's protected areas as well as its national and world heritage places'
9. Prevent the introduction of, and reduce the current extent, spread and population size of invasive species'
10. Effectively protect Australia's wildlife from commercial exploitation including illegal wildlife trade and unsustainable fishing.

Alongside a rigorous reform agenda, Australia needs an independent national agency to administer national environment laws. Such an agency must be free from political interference and partisan decision making, be defined in law and have sufficient capacity, resources and systems to regulate, monitor and implement environmental legislation. Such a body must also play a central role in coordinating programs and processes with state and territory governments to ensure efficient administration of environment law.

Investment (\$million) – forward estimates

ITEM	2020-21	2021-22	2022-23	2023-24
<i>Total funding for an independent national environment agency*</i>	220	260	360	360

*Total appropriation would include funding via re-profiling an estimated \$120 million out of Outcome 1.5 and 1.6 of the Department of Environment and Energy.

6.2 National Environment Commission

Alongside an independent EPA to regulate environmental impacts, a National Environment Commission is needed to help the Federal Government develop national and regional plans to protect and manage Australia's environment. A National Environment Commission would have authority to work with all jurisdictions to:

- Conduct bioregional planning.

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- Coordinate regulation and policy across jurisdictions to minimise regulatory conflict and overlap.
 - Develop national environmental standards.
 - Gather nationally-consistent data to inform policy and regulation.
 - Report to Australians on environmental indicators.

Investment (\$million) – forward estimates

ITEM	2020-21	2021-22	2022-23	2023-24
<i>National Environment Commission</i>	45	60	60	60

7. Re-connect habitats

7.1 Establish a national environment fund with an annual investment of \$2 billion

While Australia is one of the world's most biologically diverse countries, we have one of the worst track records on species extinction and deforestation. At no time in history has our natural environment been more degraded or threatened through unsustainable land use, over extraction, invasive species and the rising threat of global warming. The recent bushfires have only added to that pressure. Reconnecting important natural places gives wildlife safe places to feed, breed and migrate.

Australia needs well designed and targeted programs that connect key biodiversity areas across the country, engaging and empowering local communities and partners to restore and protect critical habitats and implement recovery actions for our most threatened species.

Protecting and restoring habitats for Australia's nationally threatened species is an urgent priority. Research has highlighted that current targeted federal funding for nationally threatened species was approximately \$49.6m in the 2018-19 financial year. This needs to be significantly increased if Australia is to avert the worst of our national extinction crisis. As noted in one study:

*"There is empirical evidence that the more a country spends on conservation, the fewer species it loses (Waldron et al., 2017). The United States provides a strong case in point. Funding for actions listed under recovery plans is mandated under the Endangered Species Act 1973 (U.S.C., 1973), and the United States has seen relatively strong recovery in listed species. Money spent strategically on threatened species has achieved improvements in species' status (Taylor, Suckling, & Rachlinski, 2005). For example, 85% of listed birds achieve a documented stabilization or recovery following listing"*¹³

Using the US as a model it is estimated that Australia could reverse declining trajectories for all nationally threatened species with an overall investment of \$1.7 billion per annum.¹⁴ This estimate is built on mean cost data for the recovery of different classes of species. The mandatory development and implementation of recovery plans and protection of critical habitats would be a key component of this approach.

Similarly, there is need to reinvigorate existing landscape restoration funding. The NLP2 has made improvements in better focusing federal government investments on matters of national environmental significance. However, as noted in the *Review of interactions between the EPBC Act and the agriculture sector by Wendy Craik* (Craik Review), there is clear need for a fund to support the public benefits of protection, including by farmers, of matters of national environmental significance including.¹⁵ The Craik Review called for a billion dollar trust fund to be established to support innovative stewardship arrangements and to "directly purchase environment protection and biodiversity conservation outcomes through the acquisition and active management of land, based on a strategic and proactive long-term investment plan."

ACF encourages the Federal government to create a dedicated National Environment Fund with an initial annual investment of \$2 billion to:

- Establish a Threatened Species Recovery Program to implement threatened species recovery plans and protect critical habitats. This program should scale up, with a view to reaching \$1.7 billion by 2025.

¹³ Wintle, BA, Cadenhead, NCR, Morgain, RA, et al. Spending to save: What will it cost to halt Australia's extinction crisis? Conservation Letters. 2019; 12:e12682. <https://doi.org/10.1111/conl.12682>

¹⁴ Ibid

¹⁵ Dr Wendy Craik AM - Review of interactions between the EPBC Act and the agriculture sector A final report prepared for the Department of the Environment and Energy Friday 28 September 2018

- Establish a national program to support the strategic growth and management of protected areas including national parks, Indigenous Protected Areas, private landholder covenants and World Heritage Areas (\$210 million).
- Invest in landscape restoration projects across regional and suburban communities to protect and restore biodiversity, ecosystem services and help communities adapt to a changing climate (\$556 million).

Investment (\$million) – forward estimates

ITEM	2020-21	2021-22	2022-23	2023-24
<i>Threatened Species Recovery Program</i>	1235	1235	1235	1235
<i>National Reserve System Program</i>	210	210	210	210
<i>Landscape restoration and connectivity</i>	556	556	556	556
<i>Total National Environment Fund</i>	2,000	2,000	2,000	2,000

7.2 Improve tax incentives for conservation

Our tax system can be greatly improved to give property owners an incentive to protect biodiversity on their land. More than 80 per cent of Australia's land mass is outside of the protected area estate. Programs that encourage better stewardship of biodiversity on private land will have enormous long-term benefits for the public, the environment and the economy.

The Government should:

- Review 'Landcare operations' deductions to broaden the availability of concessions to include 'ecological management and restoration'.
- Enable conservation and ecosystem service investments to be a tax-deductible input, especially for productive land.
- Exempt private land conservation acquisitions from the GST.
- Clarify and distinguish between the private and public benefit of revenue produced on private lands with conservation value, as well as allow for ecological 'gifting'.

8. Help communities and nature thrive

8.1 Secure carbon in biodiverse landscapes

There is enormous potential to store carbon in natural landscapes as well as protect and restore biodiversity across Australia. Using appropriate markets or regulatory mechanisms will be one of the most significant opportunities to protect biodiversity and address climate change with limited government funding. CSIRO modelling completed as part of the National Outlook Report indicates that policies promoting strong carbon abatement in native ecosystems could increase native habitats by 12 to 15 million hectares nationally and reduce the risk of species extinction by 10 per cent. Under very strong abatement settings this area of restored ecosystems could grow to 35 million hectares and reduce the risk of wildlife extinction by almost 20 per cent.¹⁶

ACF supports this mechanism to maintain existing carbon stores and abate pollution already in the atmosphere or unavoidable emissions. We do not support its use to offset pollution where it can be reduced or avoided through other climate policy, for example energy production switching from coal to clean energy.

8.2 Value nature in Government decision making

If a business generates revenue by selling off assets, those changes are recorded on its balance sheet and considered by the market. But if Australia as a nation generates economic growth by running down the environment, the decrease in our national balance sheet does not register in budget papers or quarterly economic reports.

It does not have to remain this way. Australia has world class institutions and practices in place that could be adapted and further invested in to ensure the environment is properly considered in government decision making. The Australian Bureau of Statistics has knowledge of and capability in the System of Environmental-Economic Accounting. A small investment would allow them to expand the scope of their work and ensure the system can be implemented across the federal bureaucracy.

For a relatively modest allocation of \$20 million per year, publication of a full SEEA account and ongoing data collection for Australia is feasible. It would provide decision-makers at all levels of government and in the private sector with vital information about our natural assets.

Investment (\$million) – forward estimates

ITEM	2020-21	2021-22	2022-23	2023-24
<i>Implement the System of Environmental – Economic Accounting across Government</i>	20	20	20	20

¹⁶ Australian National Outlook 2015 Economic activity, resource use, environmental performance and living standards, 1970–2050, October 2015
<http://www.csiro.au/nationaloutlook/>

Summary - Expenditure or Revenue Initiatives

PRIORITY	INITIATIVE	2020-21 (\$M)	2021-22 (\$M)	2022-23 (\$M)	2023-24 (\$M)
1. Community resilience and transition fund	National Energy Transition Plan and Transition Authority	10	10	10	10
	Rural and regional renewal investment program	3000	3000	3000	3000
	Community Resilience Program	1500	1500	1500	1500
	Smart Energy Communities Program	40	40	30	30
	TOTAL	4,550	4,550	4,550	4,550
2. Re-investing in research critical to the climate and energy transition	Climate Change Authority	10	15	15	15
	CSIRO	75	100	100	125
	Funding the Australian Renewable Energy Agency	306	338.2	340.1	350
	Reinstate the National Climate Change Adaptation Research Facility	5	5	10	10
	TOTAL	396	458.2	465.1	500
3. Restore Australia's international reputation on climate finance	Australia's contribution to the Green Climate Fund	3,200	3,200	3,200	3,200
4. Accelerate development of a clean economy	Accelerate investment in transmission	1,000	1,000	1,000	1,000
5. Remove fossil fuel subsidies	Reform the fuel tax credit scheme - <i>Savings from \$20,000 Cap on Fuel Tax Credit Scheme</i>	<i>(4,690)</i>	<i>(4,759)</i>	<i>(4,780)</i>	<i>(4,677)</i>

6. New national environment laws	Total funding for an independent national environment agency		220	260	360	360
	National Environment Commission		45	60	60	60
	TOTAL		265	320	420	420
7. Re-connect habitats	National Environment Fund	Threatened Species Recovery Program	1235	1235	1235	1235
		National Reserve System Program	210	210	210	210
		Landscape restoration and connectivity	556	556	556	556
	TOTAL		2,000	2,000	2,000	2,000
8. Help communities and nature thrive	Implement the System of Environmental - Economic Accounting		20	20	20	20
Total	Spending		11,431	11,548	11,655	11,690
	Savings		(4,690)	(4,759)	(4,780)	(4,677)
Overall Budget impact			6,471	6,789	6,875	5,703