Let’s plan for net zero pains and gain

A comprehensive stocktake of what the carbon transition would mean will shine a spotlight on Australia’s huge upside in a global low-emissions economy.

Frank Jotzo
Australian Financial Review, 12 Sep 2021

Pressure for Australia to take on a net zero emissions target is rising in the lead-up to the November COP climate conference. Most other developed countries and China have done so. It seems possible that Australia will commit to net zero.

But after all these years, there still is no comprehensive stocktake of what it would mean in terms of the pains and gains of transition away from carbon industries and the upside of new markets, and no inclusive process to work out how the nation might go about it.

The government has said that a long-term strategy is in preparation, and presumably this would be released before the COP26 UN climate conference in Scotland in November. Will that strategy meet the mark?

Other countries have produced comprehensive scenarios and plans of their national journeys towards net zero.

Some include detailed analyses of decarbonisation opportunities by each sector - such as Infrastructure Australia called for last week - economic analysis by region, identifying of future competitiveness, and thinking about social pressure points.

We have taken stock of international best practice in national long-term, low-emissions strategies, and there is no shortage of good examples.

The Morrison government has hinted that the national strategy would be based on the Technology Roadmap. A proper strategy would need to be far more than that.

The Technology Roadmap sets out a small number of cherry-picked technologies which the government will support for further development. That is only a tiny sliver of what needs to be done.

What Australia needs is a comprehensive analysis of how we can get to net zero under different scenarios for technological change; new economic and trade parameters in the
shift to low-emissions systems; what kind of investments are needed and how to mobilise them; ways to deal with the social and regional impacts of the transition; and the big picture of how to position the economy in a low carbon world economy.

And we need to get started cutting the nation’s emissions footprint, not just in land-use change and forestry - where most emissions reductions have come from so far, and in electricity supply - but also in industry and transport where emissions have kept rising.

Australia could readily achieve a much stronger 2030 emissions target if some effort is put towards that goal.

Most technologies needed for net zero are already available, as the Australian Academy of Technology and Engineering pointed out last week. The trouble in Australia is that there is next to no meaningful climate policy in place, and the politics of it is such that only baby steps seem on anyone’s mind federally.

By contrast, the carbon price prevailing in the EU and the UK respectively stands between $90 and $100 per tonne - four times higher than the carbon price that the Abbott government abolished in 2014.

The EU will put carbon tariffs on some imports from countries that do not have policies to constrain emissions. If other importers follow suit, then it could become a problem for Australian exporters.

We also need to understand what the inevitable falling away of demand for coal and later gas would mean for regions, such as central Queensland, the Hunter Valley in NSW, Victoria’s Latrobe Valley, and Western Australia.

The transition away from fossil fuels in overseas markets is under way. We will see demand for Australian exports fall. A compact for transition will be needed between industry, state and federal governments, the unions and local communities.

On the upside, a spotlight needs to shine on Australia’s huge upside in a global low-emissions economy: the virtually unlimited availability of low-cost renewable energy, coupled with a strong resources sector, and the human capital and investment frameworks that allow large new industries to emerge.
There is excitement about a hydrogen economy. The even larger prizes are in supplying the world with zero emissions ammonia and synthetic fuels, and a clean minerals and metals processing industry.

That could include converting some of the Pilbara’s iron ore into green iron and green steel, an industry that in time could create more value-added than Australia’s coal sector does now.

How can we catch up in the global green industry race, and give the private industry confidence to invest at large scale?

These things, and more, need to be explored fully and honestly in a national low-emissions strategy.

And a viable strategy is far more than just another report. We need an open process of teasing out the best available knowledge.

Business associations, civil society groups and the research community need to work together with governments on this. In stark contrast, there is no visible consultation process for the national strategy that is apparently under development.

There is appetite among major players for a structured national conversation.

We already have an institution that is perfectly geared to convene an emissions’ strategy development process, the Climate Change Authority. It has been sidelined by successive governments, but it could readily swing into action. The university sector stands ready to help, and large sections of business would engage.

Chances are that it will be left to the next federal government, whichever colour it may be, to take the running with a national net zero emissions strategy that has buy-in from all those who would put it in practice.

Frank Jotzo is a professor at the Australian National University's Crawford School of Public Policy.