

update

Sustainability & Climate Change



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AUGUST 2010

VICTORIA LEADS THE WAY WITH ITS CLIMATE CHANGE BILL

The Victorian Government has recently issued two important documents regarding climate change, namely:

- The Victorian Climate Change White Paper – the Action Plan (**White Paper**)
- The Climate Change Bill 2010 (**Bill**)

The White Paper contains Victoria's action plan to combat climate change within the next four years. It is supported by the Bill and will be supplemented with an Implementation Plan, which will be issued later in 2010.

Together, these documents position Victoria as the most progressive of Australia's states and territories in tackling climate change. Among other things, we can expect:

- significant reductions in Victoria's greenhouse gas emissions
- limits on development and operation of brown coal-fired power stations
- initiatives to support investment in and uptake of renewable energy, particularly solar energy
- additional measures to promote energy efficient homes and businesses
- investment in research and development of 'clean technologies'
- establishment of new carbon sequestration rights and a market for their sale and purchase
- introduction of a Victorian agricultural offset scheme and a voluntary vehicle registration offset program
- measures to support local design and manufacture of low emission vehicles
- adoption of a state-wide Climate Change Adaptation Plan, which will identify priorities and risks of climate change across the state

Key elements of the White Paper and the Bill are set out below.

The White Paper

The White Paper contains 10 key actions:

Legislating to cut Victoria's greenhouse pollution by at least 20% by 2020 compared to 2000 levels

The White Paper indicates that this equates to a 40% cut in each Victorian's average contribution to greenhouse gas emissions.

The emissions reductions will be achieved through:

- energy and fuel efficiency
- changes to the energy mix
- improved agricultural practices
- land carbon sequestration

The White Paper also identifies measures to make industry less polluting by using the licensing and works approval processes for the most emissions-intensive industrial and commercial sites pursuant to the *Environment Protection Act 1970 (EPA Act)*.

Moving towards a cleaner energy future

Greenhouse gas emissions from brown coal-fired generators will be reduced by up to 4 million tonnes over the next 4 years through conducting a competitive open book process to retire generation capacity. This could be achieved by closing two of the eight units at the Hazelwood power station in Victoria's Latrobe Valley.

No new approvals will be granted for new coal-fired power stations based on conventional brown coal technologies.

Further funding will be provided to explore the development of a carbon capture and storage hub.

The government will invest in initiatives to assist the Latrobe Valley, which is the centre of Victoria's electricity generation sector, to help it diversify its economic base.





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Making Victoria the Solar State

To supplement the national Renewable Energy Target Scheme, which seeks to achieve 20% renewable energy supply nationally by 2020, the White Paper states that additional support will be provided to drive investment in solar energy in Victoria.

The Government will increase electricity supply from large-scale solar power generators to approximately 5% by 2020 through policies including a state-based feed-in tariff. This measure is expected to result in the construction of between 5-10 large solar plants across northern Victoria by 2020.

The Government has also committed to working with business and community groups who wish to install renewable energy facilities that are larger than residential in scale. Furthermore, it has undertaken to establish a Medium Scale Solar Working Group to develop initiatives for encouraging business facilities across Victoria to use solar energy.

\$5 million has been committed for up to 10 solar energy hubs across Victoria, which will provide 8.6MW of community-based solar power.

A 'Green Door for Renewable Energy' will also be established to streamline the planning process for new renewable energy developments that satisfy the low emission threshold of 0.5 tCO₂/MWh.

The Government has also undertaken to provide competitive grants for pilot renewable energy plants and technology projects, including smart grid technologies and energy efficiency for the commercial and industrial sector.

Supporting cleaner and more efficient homes

The Government has committed that, from May 2011, it will implement a decision already taken by the Council of Australian Governments that all new homes and major renovations will be required to meet a 6 star minimum energy rating.

A goal has been set to improve the energy efficiency of existing houses to an average 5 star equivalent energy rating by 2020 by, amongst other things, implementation of a comprehensive retrofit program. The State rebate for installation of solar hot water systems will also be extended.

Positioning Victoria to be a global leader in clean technology

The Victorian Energy Saver Incentive, which requires electricity retailers to improve the energy efficiency of their customers and makes energy efficiency more affordable, will be expanded. It will be extended to SMEs, providing direct support to businesses to cut costs and energy use, and the total efficiency measures will be doubled to 5.4 million tonnes CO₂ a year.

The Government will establish a new Clean Business Fund to support projects that would have been viable had a carbon price been introduced but are otherwise uncommercial.

The Government has also undertaken to develop a ClimateTech strategy to position Victoria as a 'top-5' global leader in clean technologies. This strategy will be released by the end of the year.

Consideration is also being given to expand the scope of application of the Environment and Resource Efficiency Plan (EREP) program, which requires major energy and water users to improve their energy efficiency and has been successful in reducing significant volumes of greenhouse gas emissions.

Creating new opportunities in agriculture, food and forestry

The Government has committed to establish the Victorian Carbon Exchange, where businesses and the general public will be able to offset their carbon emissions. In support of the Carbon Exchange, the Government will:

- legislate for the establishment of legal rights for vegetation and soil sequestration

- develop a Victorian agricultural offset scheme if no equivalent national scheme is implemented by July 2011

The Government is developing a Victorian Food Strategy. Among other things, the strategy will ensure that Victoria's food system is safe, secure, sustainable and resilient. The strategy will be released in 2011.

Delivering innovative transport solutions

The Government aims to be a leader in electric vehicles by, among other things, supporting local design and manufacture of low emissions vehicles.

It has set a target of reducing the Government's overall fleet emissions by 20% by 2015.

The Government has also committed to establish a new voluntary Vehicle Registration Offset Program, which will enable motorists to offset their vehicle emissions through the registration process.

The vehicle registration discount for hybrids will be increased and expanded to cover electric vehicles.

Greening Government

The Government has undertaken to improve energy efficiency across all government buildings and facilities (including hospitals, schools and offices) by 20% by 2018. Initiatives identified to achieve this goal include:

- investment of a further \$100 million in the next stage of the Greener Government Buildings Program to upgrade government buildings and facilities
- consideration of the installation of up to 50MW of cogeneration in Victoria's hospitals
- incorporation of climate change into the school curriculum

Given the important role played by local government in responding to climate change, the Premier has committed to host a Local Government Climate Change Summit in October 2010.



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Helping Victorians adapt to climate change

The White Paper indicates that a state-wide Climate Change Adaptation Plan will be adopted, whereby Government will work in conjunction with the local community to identify priorities and risks of climate change across the state.

The Government has also committed to creating a Climate Change Preparedness Program to provide local industries and communities with tailored advice to assist them in adapting to the potential impacts of climate change.

Strengthening our Climate Communities

The Government has committed to expand the Climate Communities program in order to deliver a broader range of initiatives across households, businesses, community groups and schools.

A new Climate Communities web portal will be established to provide access to programs, incentives and services for responding to climate change.

The Climate Change Bill

The Bill, which was introduced into Victorian Parliament on 27 July 2010, seeks to establish a framework for action on climate change in Victoria. The initiatives and changes introduced by the Bill are due to commence on 1 July 2011.

The main purposes of the Bill are to:

- establish a target to reduce Victoria's greenhouse gas emissions
- ensure that climate change issues are considered in the context of relevant decision-making
- provide for the creation of forest carbon rights.

Below, we discuss these purposes and the ways in which they are given effect under the Bill.

Reducing Victoria's greenhouse gas emissions

The Bill explicitly obliges the Government to ensure that, by 2020, Victoria's greenhouse gas emissions are reduced by 20% compared to 2000 levels.

The Bill amends the EPA Act to enable the Environment Protection Authority (EPA) to recommend the making of regulations to limit the emission of greenhouse gas emissions. The White Paper indicates that these regulations will be used to regulate greenhouse gas emissions from large emitters through EPA licensing and approvals.

The Bill also provides for the establishment of climate covenants under the EPA Act, which are voluntary agreements entered into between the Government and any person or body for the purpose of facilitating and implementing activities and measures directed at addressing climate change. The White Paper states that these covenants will allow communities, regions, industry and other stakeholders to take ownership of climate change issues.

Decision-making

The Bill requires that decision-makers under the *Catchments and Land Protection Act 1994*, *Coastal Management Act 1995*, *Environment Protection Act 1970*, *Flora and Fauna Guarantee Act 1988*, *Public Health and Wellbeing Act 2008* and *Water Act 1989* must take into account:

- the potential impacts of climate change
- the potential contribution of a particular decision or activity to Victoria's greenhouse gas emissions
- any guidelines that may have been issued by the Minister to assist decision-makers in this regard.

Creation of a forest carbon rights

The Bill recognises a new class of proprietary right, known as a forest carbon right, which means:

- **Carbon sequestration right** - An exclusive right to the economic benefits associated with carbon sequestered by vegetation, other than vegetation that has been harvested, lopped or felled.
- **Forestry right** - An exclusive right to plant, establish, manage and maintain vegetation on land and take and deal with any vegetation that has been harvested, lopped or felled.
- **Soil carbon right** - An exclusive right to the economic benefits of carbon sequestered underground, excluding carbon stored within plants.

A forest carbon right may be created by the registered proprietor of a freehold or leasehold estate in land to which the right applies via the execution of an instrument of transfer approved by the Registrar under the *Transfer of Land Act 1958*.

Under the Bill, a registered proprietor of a freehold or leasehold may enter into a Forestry and Carbon Management Agreement (**Management Agreement**) with the owner of a forest carbon right relating to the land. The purpose of such agreements is to impose ongoing management obligations regarding the activities generating the forest carbon right, which are capable of binding successors in title. Disputes relating to Management Agreements are to be dealt with by VCAT.

Carbon sequestration may be undertaken on certain Crown land by third parties pursuant to a Carbon Sequestration Agreement, which grants carbon sequestration rights and authorises access and use of Crown land for the purpose of sequestration. The Bill sets out provisions that may be included in such agreements, including the creation of securities in favour of the Crown and the allocation of risk between the parties.



MADDOCKS SUSTAINABILITY & CLIMATE CHANGE TEAM

For further information regarding this Update, please contact a member of our team below:



Maria Marshall
Partner
61 3 9288 0551
maria.marshall@maddocks.com.au



Stan Kondilios
Partner
61 2 8223 4102
stan.kondilios@maddocks.com.au



Barnaby McIlrath
Senior Associate
61 3 9288 0614
barnaby.mcllrath@maddocks.com.au



Prue Burns
Partner
61 2 8223 4106
prue.burns@maddocks.com.au



John Rantino
Partner
61 3 9288 0694
john.rantino@maddocks.com.au



Todd Neal
Senior Associate
61 2 8223 4117
todd.neal@maddocks.com.au



Greg Campbell
Partner
61 3 9288 0587
greg.campbell@maddocks.com.au



Sean Rush
Partner
61 2 9225 6229
sean.rush@maddocks.com.au



Joshua Same
Associate
61 2 8223 4165
patrick.ibbotson@maddocks.com.au



Robert Gregory
Partner
61 3 9240 0770
robert.gregory@maddocks.com.au



Dariel DeSousa
Consultant
61 3 9288 0552
daniel.desousa@maddocks.com.au



Nicole Sommer
Associate
61 3 9240 0832
nicole.sommer@maddocks.com.au



Simone Holding
Partner
61 3 9240 0858
simone.holding@maddocks.com.au



John Thwaites
Consultant
61 3 8615 0380
john.thwaites@maddocks.com.au



Jake Dabscheck
Lawyer
61 3 9288 0517
jake.dabscheck@maddocks.com.au



Patrick Ibbotson
Partner
61 2 8223 4169
patrick.ibbotson@maddocks.com.au

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Maddocks

Lawyers
140 William Street
Melbourne Victoria 3000
Australia
Telephone 61 3 9288 0555
Facsimile 61 3 9288 0666

Angel Place
123 Pitt Street
Sydney New South Wales 2000
Australia
Telephone 61 2 8223 4100
Facsimile 61 2 9221 0872

Email info@maddocks.com.au
www.maddocks.com.au

Affiliated offices

Adelaide, Auckland, Beijing, Brisbane, Colombo, Dubai, Hong Kong, Jakarta, Kuala Lumpur, Manila, Mumbai, New Delhi, Perth, Singapore, Tianjin