

Climate change – post Copenhagen

In our last update we indicated, somewhat prophetically as it turned out, that the United Nations Climate Change Conference in Copenhagen in December 2009 (**Copenhagen Conference**) would not result in a binding agreement, but rather that the international community will be most likely to settle on a political commitment to reduce emissions instead.

Despite the extensive news coverage over the last month regarding the universal 'failure' of the Copenhagen Conference to reach a binding agreement, the international community have in fact agreed on a political (non-binding) commitment to reduce emissions (**Copenhagen Accord**).

In essence, the parties to the Copenhagen Accord recognise the scientific view that an increase in global temperature below 2°C is required to stave off the worst effects of climate change and, in order to achieve this goal, have specified that industrial countries will commit to implement, individually or jointly quantified, economy-wide emissions targets from 2020 (to be listed in the Copenhagen Accord before 31 January 2010). In addition, developed countries also agreed to support a financial goal of jointly mobilising \$100 billion a year by 2020 to address the needs of developing countries in relation to climate change.

Australia has now committed to a target of reducing emissions to 5% of 2000 levels by 2020, significantly less stringent than was considered necessary before the Copenhagen Conference started and probably as a result of the political climate worldwide and in our own backyard.

It is in this climate that the Labor Party once more considers introducing the proposed Carbon Pollution Reduction Scheme bill (**CPRS bill**) into the House of Representatives in order to establish an Energy Trading Scheme (**ETS**) for Australia. This is made infinitely more difficult due to the ever decreasing likelihood that our one time climate change ally, the US congress, will pass an ETS legislation this year. The position is further exacerbated by the recent change of direction by the Coalition under new leader Mr Abbott and their proposal to set up an emissions reductions fund to counteract the effects of climate change rather than supporting the significantly more expensive ETS.

We will over the coming months see intensive debate over the two options for Australia, namely a 'great big new tax on everything' (ETS) or the imposition of a 'mega tax' (Abbott's plan). Commentators at this stage are still drawn on which option provides the best long term strategy to reduce Australia's emissions to meet the global commitment. However, Mr Abbott's plan has the benefit of simplicity and may as a result sway the voting public in light of Mr Rudd's inability to explain the complex and expensive ETS to the public and business alike.

What is clear, despite the growing number of sceptics into the science of climate change, is that the issue will not go away and is one which may ultimately determine the outcome of national elections later this year.

We are well aware of the havoc this uncertain time can wreak on the sensible strategic planning for companies going forward, particularly in light of the buoyant times approaching us in WA. We are accordingly recommending that all business management teams gain an understanding of how the issue of climate change is likely to affect their business. This means not only understanding the requirements of the legislation currently in place (*National Greenhouse and Energy Reporting Act*) but also actively exploring options for the reduction of emissions, and the pitfalls and opportunities that result.

With this in mind, Lavan Legal will be hosting a seminar series on the current state of affairs in relation to climate change, and in particular:

- a review of lessons learned in relation to the practical application of the National Greenhouse Energy Reporting Act – scheduled for 25 March 2010;
- demystifying the options currently before Parliament, namely the ETS and the Coalition plan – scheduled for 21 April 2010; and
- identifying opportunities and pitfalls available to those required to or considering reducing their corporate emissions in the near future – date to be confirmed.

If you are interested in attending the series, please do not hesitate to contact Craig Wallace, Senior Associate for further information.

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