



Climate & Recovery Initiative

Stakeholder Roundtable Four

3 March 2021, 4:00-6:00pm AEDT

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Climate & Recovery Initiative

The **Climate & Recovery Initiative (CRI)** is a collaborative initiative coordinated by the Centre for Policy Development and ClimateWorks Australia, with a steering group that includes Pollination Group, Australian Industry Group and the Australian Council of Trade Unions. Working together, we are seeking to identify the best ideas and opportunities for aligning Australia's economic recovery with climate and transition priorities, and to get them into the right hands.

Our stakeholder roundtable series brings together trusted leaders, experts and advisers from business, regulation, policy and the community to consider the challenges and opportunities ahead. The fourth roundtable in the series will take stock of changes in the United States under the Biden Administration and revisit some key proposals that could influence Australia's roadmap to COP26.

This briefing pack contains:

- Instructions for joining via Zoom
- Roundtable agenda and participant list
- Update on the Roadmap to COP26
- Overview of a proposed model for an Australian Carbon Transition Commission
- Update on CRI proposals



Joining the roundtable via Zoom

This meeting will be conducted on Zoom video conferencing. For this meeting to run as smoothly as possible, we would prefer that all attendees join the Zoom call with video. If you are unable to join via video or have difficulties connecting on the day, please contact **Jeremy McEachern** at jeremy.mceachern@cpd.org.au or on 0420 883 468.



Joining via laptop

Please join the call 5 minutes ahead of the start time

1. Start the call on your computer or tablet by clicking the following link:
<https://us02web.zoom.us/j/87188193801?pwd=dTluRnFoMGdkMU95cDB3WWNpTmF5UT09>
2. For those without Zoom installed please click “join from browser” at the bottom of the screen. For those with Zoom installed please click “open zoom.us”
3. If prompted, please enter your name
4. If prompted, please enter the meeting ID 871 8819 3801
5. Turn on your video and ensure your audio is connected



Joining via phone

1. Please join the call 5 minutes ahead of the start time
2. Join the call using one of the following numbers:
+61 2 8015 6011
+61 3 7018 2005
+61 8 7150 1149
1. Use meeting ID 871 8819 3801
2. Use password 439414
3. Press # when asked for participant ID

During the discussion

1. When you would like to contribute to the conversation please click “Participants” at the bottom of the window, then click “Raise hand”
2. Please “mute” your microphone when you are not speaking
3. Use of the “Chat” function will be available throughout the call to ask specific questions or provide feedback when required

Agenda – Roundtable Four, 3 March 2021

Time	Duration	Agenda Item
4:00pm	10 mins	Welcome and introductions <i>Travers McLeod, CEO, CPD and Anna Skarbek, CEO, ClimateWorks</i>
4:10pm	45 mins	The Biden Administration and the global climate & recovery agenda <i>Anna Skarbek</i> Featuring remarks from Paul Bodnar , Managing Director of the Rocky Mountain Institute and former Special Assistant to President Obama and Senior Director for Energy and Climate Change at the National Security Council.
4:55pm	15 mins	Updates on key CRI proposals <i>Travers McLeod and Anna Skarbek</i>
5:10pm	45 mins	Building a vision for jobs and transitions in key regions <i>Travers McLeod</i> Including discussion of a proposed model for an Australian Carbon Transition Commission
5:55pm	5 mins	Conclusions and next steps <i>Anna Skarbek</i>

Overview of the CRI process



Identifying priorities

Framing paper on opportunities for transition-aligned recovery

First stakeholder roundtable to identify key priorities and opportunities (25 June)



Refining key CRI proposals

Develop key proposals and analysis identified through first roundtable

Second stakeholder roundtable to refine and test support (8 September)



Shaping medium term agenda

Refine CRI proposals and work towards implementation

Pursue collaborations and policy development to **elongate the window for influence** and support better climate-recovery alignment in 2021 ahead of COP26

Third stakeholder roundtable (23 November)

First CRI public forum (23 Nov)



Supporting ambition & action

Pursue key priorities from the **'roadmap to COP26'** and share intelligence on an evolving domestic and global agenda

Fourth stakeholder roundtable (3 March)

Second CRI public forum (tbc)

Fifth stakeholder roundtable ahead of key global meetings in second half of 2021 (tbc)

Key question for this roundtable:

How does Australia catch up to the pack on the alignment between climate and recovery before COP26?

Participant list for Roundtable Four

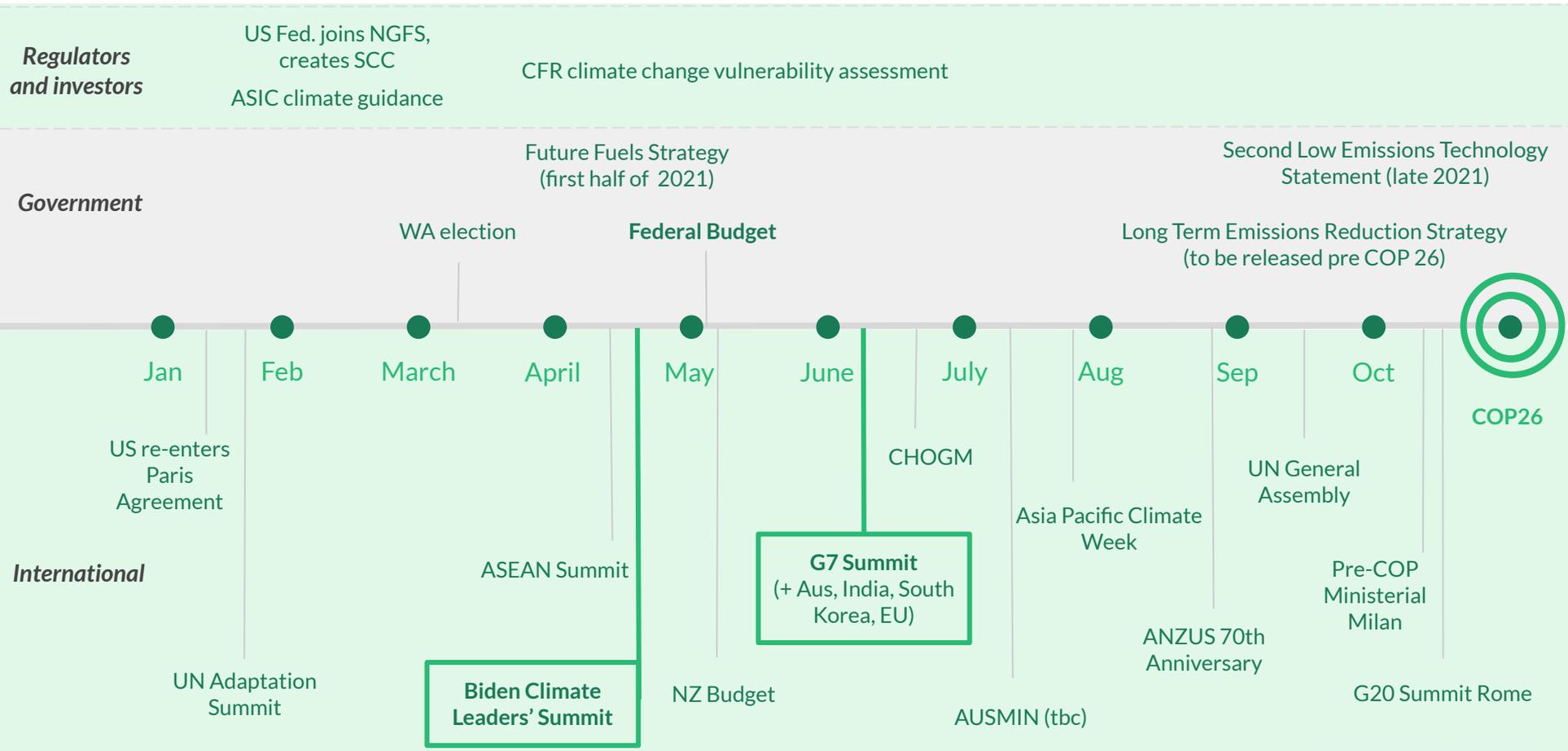
Name	Position and affiliation
Alex Heath	Head of Economic Analysis Department, RBA
Alison Weaver	Co-Director, Sustainable Finance, NSW Treasury
Angela Cummine	Co-Director, Sustainable Finance, NSW Treasury
Anna Skarbek	CEO, ClimateWorks Australia
Bianca Sylvester	Director, CEFC
Brian O'Callaghan	Lead, Oxford University Economic Recovery Project
Cathie Armour	Commissioner, ASIC
Chris Barrett	Deputy Secretary, VIC Dept. of Treasury and Finance
Darren Miller	CEO, ARENA
David Thodey AO	Co-Chair, Australian Climate Leaders Coalition & Chair, CSIRO
Don Russell	Chair, AustralianSuper
Emma Herd	CEO, Investor Group on Climate Change
Eytan Lenko	Executive Chair, BZE
Fiona Simson	President, National Farmers' Federation
Geoff Summerhayes	Chair, Sustainable Insurance Forum & former Board Member, APRA
Guy Debelle	Deputy Governor, RBA
Graham Sinden	Head of Climate Risk, APRA
Helen Bennett	Head of Climate Change Division, Dept. of Industry, Science & Energy
Ian Learmonth	CEO, CEFC
Innes Willox	Chief Executive, Ai Group
Joann Wilkie	Deputy Secretary - Economic Strategy and Productivity Group, NSW Treasury
John Lydon	Co-Chair, Australian Climate Leaders Coalition & Senior Partner, McKinsey & Company
Kate Wilson	Executive Director, Climate Change and Sustainability, NSW Department of Planning, Industry and Environment
John Thwaites	Chair, ClimateWorks Australia

Name	Position and affiliation
Kellie Caught	Senior Advisor - Climate & Energy, ACOSS
Ken Henry	Board of Governors, CEDA
Louise Davidson	CEO, ACSI
Mark Joiner	Independent Non-Executive Chairperson, QBE Australia
Mark Wakeham	Senior Advisor - Climate, Energy & Just Transition, ACTU
Matthew Brine	First Assistant Secretary, Environment, Industry and Infrastructure Division, Fiscal Group, Treasury
Meghan Quinn	Deputy Secretary, Markets Group, Australian Treasury
Mike Rowe	Director General, WA Dept. of Water & Environmental Regulation
Patrick Suckling	Senior Partner, Pollination Group
Paul Bodnar	Chief Strategy Officer and Managing Director, RMI & former Senior Director for Energy and Climate Change at US National Security Council
Paul Grimes	Coordinator General - Environment, Energy and Science, NSW Dept. of Planning, Industry & Environment
Sam Mostyn AO	Chair, Citi
Sarah Gill	Senior Manager - Climate Change, WA Dept. of Water & Environmental Regulation
Sarah McEvoy	Executive Director - Strategic Policy and Programs, WA Dept. of Water & Environmental Regulation
Stephen Bygrave	Acting Executive Director - Electricity Roadmap Taskforce, NSW Dept. of Planning, Industry & Environment
Tennant Reed	Principal Advisor - National Public Policy, Ai Group
Tim Reed	President, Business Council of Australia
Toby Phillips	Program Director, CPD
Travers McLeod	CEO, CPD
Wayne Byres	Chair, APRA

The 'roadmap to COP26'

Recent developments and key points for discussion

Milestones to COP26 - the global agenda continues to accelerate



Current state of play for Australia

Net zero by 2050

Significant movement internationally (Japan, China, Korea, EU, UK and US) on net zero targets. Australia's updated aim: "as soon as possible, and preferably by 2050." Introduction of Corporate Emissions Reduction Transparency report to track corporate pledges and progress.



Mixed community sentiment

Disparate messaging on climate risks & opportunities has created mixed public support towards change in key regions. But recent polling shows strong support for 2050 net zero targets (81%) and investment in jobs and industries backed by renewable energy (87%) [Essential Research Feb 2021].



Bumpy transition

Lack of a clear and just transition plan means economic and social uncertainty, especially for regional Australia.



Diminishing resilience

Increasing severity and frequency of extreme weather events – bushfires, floods, droughts.



Diplomatic engagement

Australia has been an outsider in the world of climate diplomacy & green trade negotiations. Australia did not have an opportunity to speak at the Dec 2020 UN Climate Ambition Summit, but will participate in key G7, G20 and Biden Administration summits where climate has been identified as a key focus.

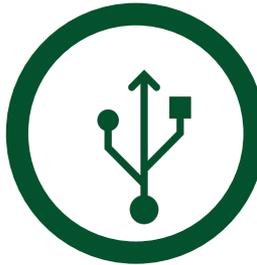
Road to 2030

26-28% reduction target is aligned with a catastrophic 3-4° C global warming trajectory.



Tech roadmap

Increasing support from government to develop key technologies. Important developments in key sectors, including consultation on Future Fuels Strategy and a growing focus on soil carbon and agriculture.



Trade outlook

Australia's biggest exports face substantial risks, but there is huge potential upside from global green recovery and decarbonisation. EU and UK moves towards potential carbon border adjustment taxes have emerged as a key issue.

Recapping the “roadmap to COP26”

At the November CRI roundtable, we discussed a “roadmap to COP26”, highlighting a range of activities and priorities that different stakeholders can pursue to strengthen Australia’s position going into COP26 and for the long term.

This roundtable will focus on two themes that were identified as key priorities in November: responding to major shifts in Australia’s trade and diplomatic outlook, and advancing a more coherent and compelling vision and policy platform for a transitioning Australian economy.



SECURE AUSTRALIA'S POSITION IN A GREEN GLOBAL ECONOMY

VISION FOR JOBS AND TRANSITIONS IN KEY REGIONS

ACCELERATE KEY INVESTMENTS AND ACCOUNTABILITY MECHANISMS

BUILD NET ZERO POTENTIAL FOR 2050

STRENGTHEN 2030 TARGETS

1. SECURE AUSTRALIA'S POSITION IN A GREEN GLOBAL ECONOMY

Global policy momentum on climate and recovery continues to surge. The Biden Administration has unveiled an ambitious climate-aligned agenda for jobs and recovery, and signalled a major focus on driving global climate action.

Meanwhile, the European Union's proposed carbon border adjustment tariff has started progressing through legislative processes, gaining assent from the relevant committee of the European Parliament. The United Kingdom has also taken leadership of the G7, and plans to use the June summit (which Australia will join as an observer) to secure more concrete climate commitments from members.

Global finance is also shifting gears. Following his pioneering leadership on the TCFD framework and prudential oversight of climate risk, Mark Carney is convening a UN effort to build financial channels for green investment. For the second year in a row, the world's largest asset manager, BlackRock, is making significant changes to incorporate climate risk into its portfolio assessments, and now also its marketing. Non-state groups such as C40 cities, Climate-Smart Agriculture, Climate Action in Financial Institutions, Global Green Freight, and many more are gearing up ahead of COP26. Australian progress is not reflected in these global fora.

Global demand is already moving away from carbon-intensive goods. Of Australia's top-20 trading partners, 14 have made pledges of net zero carbon emissions by mid-century (representing 83% of exports across that group).

The United States has re-entered the scene

The Biden Administration has made climate a central plank of its agenda. Executive orders in January 2021 framed climate as an “essential element of US foreign policy and national security” and called for “a whole of government response to the climate crisis”. We are already seeing this climate focus become mainstreamed across many areas of the government.

Key developments from the United States in the last 6 weeks have included;

- Formal US re-entry into the Paris Agreement.
- Pause on new oil and gas leases on Federal land, and reorientation of Federal procurement and infrastructure investment toward clean energy technology and jobs.
- New agencies and administrative appointments, including a White House Office of Domestic Climate Policy, the appointment of John Kerry as Special Envoy for Climate, and new ‘climate Tzar’ roles in Treasury and elsewhere.
- Planning a 22 April climate leaders’ summit, specifically designed to bring more countries to make specific decarbonisation commitments.
- Re-launched and co-chairing the G20’s sustainable finance group, focussed on transparency around climate risk and promoting a strong, green recovery.
- US Federal Reserve formally joined the NGFS and created a new Supervision Climate Committee.
- Progress towards COVID-19 relief (US\$1.9bn) and ‘Build Back Better’ (US\$2.0bn) policy packages with a major climate and clean energy focus.

The upcoming roundtable will include a discussion with special guest Paul Bodner on how the Biden Administration's action and ambition on climate is taking shape and implications for Australia and the world.

Special guest: Paul Bodnar, Rocky Mountain Institute



Paul Bodnar is Chief Strategy Officer and Managing Director at RMI, where he oversees programs in climate-aligned industries, climate finance, and U.S. subnational climate action. He also serves on the institute's Executive Council. Paul's expertise is in finance and public policy.

Paul served in the Obama White House as Special Assistant to the President and Senior Director for Energy and Climate Change at the National Security Council. Paul was a key architect of the Obama Administration's international climate policies, including the historic U.S.-China presidential joint climate announcement of November 2014, the OECD agreement to strictly limit public financing for coal-fired power plants, and the doubling of clean energy research and development budgets by 20 major countries through the Mission Innovation initiative. He played a principal role in formulating U.S. strategy for the Paris Climate Conference. Paul previously served at the State Department as lead negotiator for climate finance and Counselor to the Special Envoy for Climate Change.



RMI is a non-partisan, non-profit organization that works to transform global energy systems across the real economy. Its mission is transforming the global energy system to secure a clean, prosperous, zero carbon future for all.

2. VISION FOR JOBS AND TRANSITIONS IN KEY REGIONS

November's CRI roundtable highlighted that building a compelling vision for Australia's zero carbon future, and a credible policy platform to support an effective and just transition, is a critical priority for many stakeholders.

In early 2020, CPD undertook a scoping study on the design and strategic priorities for an **Australian Carbon Transition Commission**. This Commission process, in the widest view of its ambition, would seek to entrench a comprehensive and compelling vision of Australia's economic opportunities in a zero carbon global economy, align key actors and stakeholders behind that vision, and support policies and investments to build towards it – especially in the regions where opportunities and challenges associated with the transition are most pressing.

The scoping study involved extensive consultations with key experts and stakeholder groups, many of whom are now participants in the CRI process. It also drew on specialist commissioned research on (a) the Australian policy and research landscape on decarbonisation (b) options for the design and structure of a Commission process and (c) effective public communications strategies on climate and transition.

The following slides present an updated vision for an Australian Carbon Transition Commission-type initiative, drawing on the earlier scoping study. Our aim is to refine a Commission model (or models) that can advance Australia's vision, policy and planning for a just transition, and to discuss other alternatives and priorities as you see them.

Building a vision for jobs and transitions in key regions: *Proposed model for an Australian Carbon Transition Commission*

Setting up a decarbonisation agenda after the pandemic

The agenda of Australian governments – political and bureaucratic; state and federal – is currently dominated by managing the COVID-19 pandemic, vaccination rollout, and ensuring a strong recovery.

In the meantime, there are still opportunities for local communities and industry to coordinate on carbon transition. Towards the end of 2021, governments will likely have space to re-populate their agendas with other topics, including Australia's carbon transition.

We can draw a few key insights from previous CRI research and discussions:

- The cost of economic change and adjustment is concentrated on a small number of communities.
- Political economy matters as much as it did ten years ago – political leaders will have to make tough calls that create winners and losers; the political sales job will be easier if there is a positive narrative of transformation.
- Broad institutional support and consensus can create space for national leadership to swing in behind.
- Despite best efforts, there are significant gaps in the understanding and communication of benefits of a proactively-managed transition.

Is there a compelling 'consensus' vision and roadmap for Australian decarbonisation – something for community, industry and public sector leaders to connect with, and something that addresses the hard politics of transition?

... if not, how can we develop and articulate one?

Designing a process to create and advance the agenda

Essential components:

- Multi-stakeholder leadership that brings together respected leaders from the private sector, civil society, unions, and local community leaders. (Also if possible: government agencies, or ex-political / public sector leaders.)
- Articulating a credible narrative and vision of Australia's zero carbon economic opportunities, backed by these respected voices.
- Building an evidence base and a roadmap of specific actions and recommendations to accelerate progress towards key opportunities.
- A focus on “showing not telling” the opportunity, by supporting first movers and catalysing action in key regions that demonstrates the potential of a well-managed transition.

There are many viable forms that such an effort could take. In this slide deck we describe an independent commission, but it could also be...

Learning from examples at home and abroad:

Add to remit of **existing Commonwealth authorities**

A **state-based coalition** or **National Cabinet initiative**

An initiative of **Climate Business Roundtable** or **Climate Leaders Coalition**

An evolution/spin-out of this **CRI group**

A parallel series of **region-based coalitions**

...any other number of possible frameworks.

- Collie Just Transition Plan
- Latrobe Valley Authority
- Germany's coal-exit commission

The next slide outlines key design questions for discussion.

Key questions for discussion

Fundamental threshold question:

1. *Is there a gap, or a use, for a commission-style ‘consensus’ narrative and roadmap?*

if **yes** ...

if **no**, what else would help set up and advance coordinated action over the next few years?

2. *What level of public visibility is most constructive?*

There is a clear trade-off between quietly catalysing action behind the scenes, as opposed to working out in the open.

The former keeps more options open and will avoid getting on the wrong side of political decision-makers. The latter can provide public cover for tough decisions and start to socialise a new public narrative.

What would be most useful for coordinating and ratcheting up action?

3. *What format and activities would be most useful?*

CPD’s early 2020 scoping study was based on the format of an independent commission to drive this agenda (eg. see next slide). However, it may make more sense to auspice this under an existing organisation. Or rather than establishing a high-profile commission to drive a narrative, invest instead in an expert “clearing house” for best practice on transition planning and policy – gathering, sharing and promoting good ideas.

How should key players be organised, and what should they focus on?

4. *Would it need a formal authorising environment?*

If the Commonwealth was willing and interested, a national mandate would be a strong starting point. But a formal connection is risky without enthusiastic political support.

Without a Commonwealth mandate, an initiative could be formally authorised by a coalition of states, or it could be entirely independent of governments – working dynamically with interested parties.

Does a carbon transition commission need a formal authorising environment?

Potential carbon transition commission structure

(an example approach presented to solicit reactions – based on early 2020 scoping study)

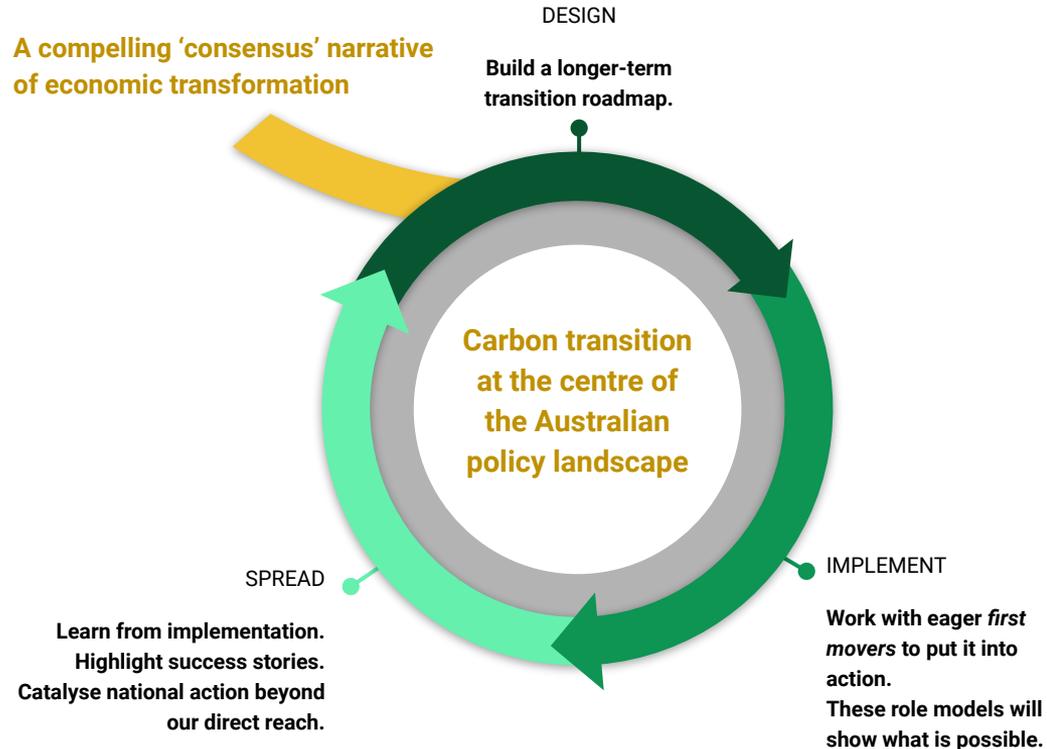
Structure and organisation

- 4-7 policy, business and community leaders from diverse backgrounds (committing 2-5 days per month)
- Timeline of 18-36 months
- Establish a secretariat to support the work

Goals

- Develop a new economic **narrative** that puts an innovative zero carbon economy at the core of Australia's strategy for growth.
- Synthesise evidence to **design** a roadmap for key sectors and industries, ensuring regional and community-level opportunities take centre stage.
- Support **implementation** of action within key regions, and then catalyse a broader **spread** and uptake of the vision.

A compelling 'consensus' narrative of economic transformation



Recap and update on CRI proposals:

New process on climate risk and resilience to inform the National Cabinet

Australian Clean Technology Market-Creation Co-Investment Partnership (CiP)

Proposal summary: New process on climate risk and resilience to inform the National Cabinet

Background

- There have been consistent calls for a new process to connect public and private sector activity on climate risk and resilience and facilitate coordination of resources, effort and expertise.
- The financial and economic dimensions of climate change are central to many initiatives underway. These include the Council of Financial Regulators Working Group on Climate Risk, the Australian National Outlook Project, the National Resilience Taskforce, the Disaster and Climate Resilience Reference Group, APRA's climate change financial risk vulnerability assessment and industry-led efforts including the Australian Sustainable Finance Initiative, Climate Action 100+, and the Global Commission on Adaptation.
- The transition to a new National Federation Reform Council structure provides an opportunity to enshrine a new intergovernmental process on climate risk and resilience.

The new intergovernmental process would:

- Focus on climate risk and resilience to enable jobs and investment in a challenging natural environment, informed by the implications of climate change for financial stability, economic growth, risk management and corporate governance.
- Provide a platform for high-level engagement by Commonwealth and state senior officials alongside financial regulators and business leaders.

Potential models

1. **Incorporate an explicit focus on climate risk and resilience as part of the new Council on Federal Financial Relations (CFFR).**
 - Frame climate risk as a key issue to be considered by Treasurers and officials as part of the economic policy agenda.
 - Reflects increased emphasis on climate risk and resilience by the Council of Financial Regulators and state treasuries.
2. **Establish a new ministerial forum or taskforce on climate risk and resilience, built around a 'Senior Officials Plus' model.**
 - Include selected financial regulators and leaders from business and civil society.
 - Chaired (or co-chaired) by the Secretary of the Treasury or Secretary of the Department of Industry, Science, Energy and Resources.
 - Supported by a government and business secretariat.
 - Reports to the CFFR and the National Cabinet.
 - Similar structure to the 2006-07 Joint Government Business Prime Ministerial Task Group on Emissions Trading.

Update: This proposal received strong endorsement from *Climate & Recovery Initiative* participants last year, with key jurisdictions undertaking to consider it further and tabling it as an option for the CFFR. Below we suggest several practical climate-related issues and priorities that the Council on Federal Financial Relations could focus on if the first model proposed above is it is taken forward.

For discussion: Possible priorities and work plan for a CFFR-level agenda on climate

1. Strengthening responses to climate as a financial system, governance and fiscal risk, beginning with <u>public sector balance sheets</u> .	
<i>Strengthen public sector climate risk management and preparedness</i>	<ul style="list-style-type: none">• Best practice responses for identifying, managing and disclosing public sector balance sheet risks• Infrastructure investments to address long-term risks, and unlocking new financing opportunities
<i>Support market and regulatory trends on climate risk in the financial system</i>	<ul style="list-style-type: none">• Support regulatory and prudential agenda on climate risk and consider policy implications• New analysis on how regions, states and sectors are impacted by financial market responses on climate risk
2. Expanded co-investment on <u>climate-aligned recovery and rebuilding</u>	
<i>Expand successful climate-aligned job creation and recovery programs</i>	<ul style="list-style-type: none">• Expand high impact, climate-aligned state recovery measures through matched funding or duplication of successful programs across jurisdictions
<i>Develop mechanisms for accelerated co-investment in clean tech & climate</i>	<ul style="list-style-type: none">• Develop funding mechanisms for co-ordinated Cth/State funding for clean tech that can leverage public (ARENA, CEFC) and private co-investment and support Tech Roadmap priorities (e.g. CIP proposal)
3. National strategy for <u>resilience and competitiveness</u> in a transitioning Australian economy	
<i>Co-ordinate responses to climate as a key issue for trade & the economy</i>	<ul style="list-style-type: none">• Priorities and opportunities for a revitalised national trade, industrial and investment strategy, informed by the latest developments on climate and competitiveness
<i>Shared planning on climate impacts, adaptation and carbon transition</i>	<ul style="list-style-type: none">• Managing economic risks and investment priorities on adaptation and disaster preparedness• Support for transition planning in communities most exposed by decarbonisation

Proposal summary: Australian Clean Technology Market-Creation Co-Investment Partnership (CiP)

What it is

- The CiP is a proposed model for providing financing to scale up supply chain responses in all clean technology markets across all Australian States and Territories and all sectors of the Australian economy.
- The CiP can be implemented as a partnership model between the Australian Government and state and territory governments, whereby state and territory government program investment, traditionally through the form of grants, can be coordinated to leverage co-financing investment contributions from the Australian Government and attract private investment. Australian Government contributions can be provided through existing agencies such as CEFC and ARENA and/or additional funding.
- Investment opportunities would be identified using a multi-sector goal-oriented approach, using competitive tender style rounds to achieve scale that catalyses market supply chains. Proposals would be called for to meet those goals.
- This model would collectively leverage a greater amount of overall private sector capital, delivering bigger economic and employment impacts, lowering economy-wide emissions and leading to greater resilience of the Australian economy.

How the CiP can be applied to Renewable Energy Industrial Precincts

- Australia's economy needs further support following the economic shock of 2020. Establishing renewable energy industrial precincts (REIPs) is one way governments can enable Australia's energy intensive industry to recover and benefit from lower priced renewable energy.
- A REIP is a group of industrial businesses closely located to each other and to high-quality renewable energy sources, powered completely by renewable energy.
- Using the CiP financing model, state governments could administer a competitive tender process calling for businesses within a REIP to indicate what support they need to use 100 per cent renewable energy.
- Successful businesses could also be eligible to apply for low-interest finance from the Clean Energy Finance Corporation to help them cover high upfront capital costs.

Update: Since the last CRI roundtable, we have had productive discussions with a number of state governments and the Federal Government on how they can collectively deliver REIPs in key industrial regions across Australia.