



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL  
TERRITORY**

**STANDING COMMITTEE ON CLIMATE CHANGE,  
ENVIRONMENT AND WATER**

**(Reference: ACT greenhouse gas reduction targets)**

**Members:**

**MS M HUNTER (The Chair)  
MS M PORTER (The Deputy Chair)  
MR Z SESELJA**

**TRANSCRIPT OF EVIDENCE**

**CANBERRA**

**WEDNESDAY, 8 APRIL 2009**

**Secretary to the committee:  
Dr H Jaireth (Ph: 6205 0137)**

**By authority of the Legislative Assembly for the Australian Capital Territory**

Submissions, answers to questions on notice and other documents relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Committee Office of the Legislative Assembly (Ph: 6205 0127).

## **WITNESSES**

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*Amended 21 January 2009*

## **The committee met at 2 pm.**

**DENNISS, DR RICHARD**, Executive Director, the Australia Institute

**THE CHAIR:** Welcome to this public hearing of the Standing Committee on Climate Change, Environment and Water inquiring into ACT greenhouse reduction targets. This afternoon we will be hearing from Dr Richard Denniss, Executive Director of the Australia Institute—I would just like to welcome Dr Denniss—followed by Mr Ian Anderson, board member of the Nature and Society Forum, and Mr Geoff Pryor, Director of Pryor Knowledge. They will be giving evidence in a joint session. We will try to conclude each session in about 45 to 50 minutes. Dr Denniss, I understand that the secretary has sent you our privileges statement. Have you read the card?

**Dr Denniss:** I have.

**THE CHAIR:** Do you understand the statement?

**Dr Denniss:** Yes.

**THE CHAIR:** Before we proceed to questions from the committee, Dr Denniss, would you like to make an opening statement?

**Dr Denniss:** Yes. Thank you very much for inviting me to come along. Let me start by congratulating the committee, and I think all the political parties, on taking what I think is quite a visionary stance, certainly in the Australian context, in terms of saying what it is that we need to do and how it is we need to get there. Climate change is, without doubt, the biggest problem that the world and Australia face. While the ACT is a small territory in a small country in a big world, frankly, everyone lives in a small community as part of a big country somewhere, and if individual communities do not try to make a significant difference then there is literally no prospect of our solving the problem. Again, I think the committee needs to be congratulated and I appreciate the chance to come along.

My view is that for an economy such as the ACT the capacity to reduce emissions is substantial and the economic cost—even though I think it is small for the community generally—is particularly small in the ACT. The reason for that is that we have a very service intensive economy. The data make it very clear to us that it is the household sector and the commercial property sector that have the biggest potential savings of emissions purely through the pursuit of low cost or negative cost efficiency measures.

While I am happy to take questions about why other sectors of the economy might be exaggerating the economic cost of reducing their emissions, those issues do not apply in the ACT. We do not have any emissions-intensive, trade-exposed industries of any significant scale and, therefore, the economic arguments about the need to tackle greenhouse gases do not apply in the ACT. That does not suggest for a minute that there will not be adjustment costs and that there will not be people who would prefer to leave things as they are. But the cost to the economy in the ACT of pursuing ambitious emission reductions I would say would be trivially small. In fact, I would argue that in the long run it will be substantially positive—that is, getting people to

spend less money buying energy they do not really need will reduce their costs.

Looking at energy efficiency in the way that we have looked over time at things like labour productivity, we have said to employers, “We want to help you lower your labour costs per unit of output.” Governments have taken a strong and active stance in order to help employers reduce the amount of resources they use to produce their output. Firms have turned a blind eye to energy efficiency for a long time for a range of reasons. Interestingly, the main reason is that the costs to them of ignoring efficiency are actually quite small.

So we have a market failure in that most service sector providers spend a very small percentage of their budget on energy. Therefore, making even significant changes and significant savings to that budget is very small in terms of their bottom line. If you spend two per cent of your budget on energy and you save 10 per cent of your energy, you have reduced your costs by 0.2 per cent, and that is not much. While the environmental and the social benefit of people pursuing those savings is substantial, frankly, managers and boards are usually chasing much bigger fish than that.

I can provide you with some data, I think. I do not know how public it is, but I am pretty sure I can furnish you with some data on the potential savings in commercial property. A very large commercial property investor with tens of billions of dollars worth of commercial property assets are currently pursuing 60 per cent energy savings across their entire portfolio—60 per cent—and after three years they are at an average of 45 per cent. They have owned these assets for many years; they have just never tried before. They are not doing anything that does not pay for itself. They spent some managerial time saying, “Right, this is somebody’s problem. Go away and see what you can do.”

For a city like the ACT I think that is very important because these are the same buildings that use most of the energy in the ACT. The goal is not just worthy; it is essential. The costs of achieving it are trivial and I would argue that the economic benefits are substantial. It is just an adjustment cost of change. It will not take long and it will not cost much money.

It is very important for the ACT to understand that under the proposed carbon pollution reduction scheme—the CPRS—the achievement of any significant emission reduction in the ACT will not reduce Australia’s emissions by a single kilogram. Unless modified, the CPRS as currently proposed will simply transfer any emission reductions in the ACT to other states. There are a fixed number of permits in circulation at a given point in time and if we purchase few of those permits some other state is more than entitled—in fact, that is what the trading in an ETS does—to purchase those permits.

While I commend the ACT for having this inquiry and trying to achieve this worthy goal, I think it is very important for the ACT Legislative Assembly to understand how a state-based scheme does—or, more precisely, does not—interact with a proposed commonwealth scheme. I think that is all I have to say as an opening statement.

**THE CHAIR:** Thank you. Given that basically you have touched on the CPRS and you consider voluntary emissions to have the effect of freeing up permits for big

polluters elsewhere, what are the options open to the ACT to take strong action on greenhouse emissions?

**Dr Denniss:** I would argue that the main option is to argue forcefully with the federal government to modify its legislation. The ACT is not unique in seeking to have its own state-based policies. During the last Queensland state election Anna Bligh announced a whole range of policies which she thought would reduce emissions in Queensland. They would not. They might reduce emissions in Queensland and, if so, they would just free them up for other states.

The Victorian government were recently embarrassed when a government document was leaked highlighting that all of the proposals in their green paper are pointless. They are rewriting that green paper as we speak. The South Australian government has a renewable energy target and an energy efficiency target. So the ACT is not alone. I think it is leading the nation with the talk of ambitious targets. They are far more ambitious than the targets the other states are talking about. I think COAG is the appropriate venue for trying to modify the federal government's proposal so that this can happen.

Failing that, what can the ACT do to reduce emissions? Under the CPRS it could buy permits and rip them up. The committee needs to understand how different that is. We should not spend money on energy efficiency; we should not spend money on feed-in tariffs; we should not spend money, bizarrely, trying to reduce emissions in the ACT. We should take taxpayers' money from the ACT, purchase permits from the Rudd government and rip them up. That is the main mechanism that the Rudd government is proposing that would allow voluntary—and “voluntary” does not mean “individual”; “voluntary” means “additional to the price signalled in the CPRS”. That is the main mechanism.

The only other thing that the ACT could do would be to put effort into what are called the uncovered sectors, so maybe plant some trees and do not get credits for planting the trees and then do not sell those credits to someone who can pollute more. But we are really talking about quite trivial stuff that has nothing to do with energy use.

**MR SESELJA:** That approach, Dr Denniss, would have some perverse outcomes, I assume. If we were forced to take that approach in order to reduce emissions we would not see any of the benefits of economic changes in terms of green energy and green industries in the ACT.

**Dr Denniss:** That is right.

**MR SESELJA:** We would presumably stay still.

**Dr Denniss:** That is right. I agree it would be perverse and, as an economist, I find it bizarre. It is easier to talk about this at the individual level, but the argument holds at the state level. If an individual had \$2,000 to spend and was motivated to reduce emissions and came to me and said, “What should I do with my \$2,000? I am thinking about putting a solar panel on my roof,” under the CPRS I would have to say, “Well, don't waste your money putting a solar panel on your roof. That would just reduce the amount of coal-fired electricity you are using and give you access to cheap hot water

for the rest of your life. Do not do that. Take that \$2,000 and buy some permits and rip them up.”

To suggest that, rather than encouraging people to invest in energy efficiency measures, people should go and purchase a financial asset and then destroy that financial asset seems very odd. I am not suggesting for a minute that individuals should not pursue energy efficiency measures that are cost effective. If the cost of electricity makes you want to save electricity so you can save some money, or if the ACT government wants to save some money, you should invest in energy efficiency right up until the point where the cost of the investment is less than the amount saved. You have got to understand the issues and the motivation. If the motivation is to reduce emissions, spending money on energy efficiency will not reduce emissions.

**MR SESELJA:** In an article you wrote entitled “An idea whose time never came”, published on 25 February this year, you talk about and compare the CPRSs proposed with the carbon tax:

... if the scientific predictions get worse or the politics get better, it will be much easier to change the carbon tax than to change the CPRS targets.

Are you able to expand for us why that is the case?

**Dr Denniss:** Yes, sure. Let me just start by saying what I have said a number of times: a carbon tax is better than a badly designed emissions trading scheme. I have tried to make suggestions about how to improve the design of emissions trading, but if for me the choice was between a carbon tax and a bad emissions trading scheme I would happily take a carbon tax.

The way an emissions trading scheme works is: you set the level of pollution that you are happy to have and then you let the market bid for the right to use that. So with emissions trading we know the quantity of pollution but we do not know the price. With a carbon tax we set a price for carbon and then we let the market figure out how much it wants to buy. So with emissions trading we know the quantity of pollution but not the price; with a carbon tax we know the price of pollution but not the quantity.

The problem with emissions trading when the science is changing so rapidly is that we have to pick a number; we have to pick a level of emissions that we are comfortable with between at least now and 2020 and say: “Right. That is the amount of pollution we are going to have. All we are not sure about is what the price of it will be.” But the problem is that, once we have picked the number, if the science changes we might wish we had picked a different number.

Whenever you hear people say, “The reason we like emissions trading is because it delivers certainty,” what they just said was, “The reason we like emissions trading is because once we pick that number we have picked the number and we cannot revisit it.” The whole reason that the big polluters prefer an emissions trading scheme is because the scheme is designed not to be fiddled with, so if the science says to us two years after we pass the CPRS, “Gee, you really should have picked a smaller number,” we are in real trouble.

**MR SESELJA:** That seems to run counter to what Penny Wong has been saying. She has been arguing publicly that there is some flexibility there, that each year you are able to then review mechanisms. Do you dispute that?

**Dr Denniss:** Explicitly. She said a number of things that she has not repeated; she said them once and they were not quite right and she tried it a different way. But the thing you need to understand is that the 2020 target of five to 15 per cent is basically chiselled in stone. When Penny Wong has talked about the flexibility to change the targets each year, she is referring to the trajectory towards which we get to that fixed end point. But the end point is fixed.

I can provide the committee with specific answers to very specific questions that Penny Wong has been asked. But generally she gives people the impression that this scheme is flexible in the way that you describe. For example, in the press conference following the release of the draft legislation last month, a journalist pressed her on this issue and asked, “Can I just clarify: if individuals try really, really hard, can we go instead of from five to 15 to six to 16?” Her answer was unequivocal: “No, five to 15 per cent is the target range of the government. That is what we will have.”

So there is a lot of confusion—I think unnecessary confusion—about the fact that, yes, the government has discretion about the shape of the trajectory, which gives us a little bit of flexibility, but the destination is not up for grabs. If the minister were clear with people about that, it would help; it would lift a lot of confusion. But she is clear about it if you ask her exactly the right question.

**MR RATTENBURY:** Dr Denniss, your analysis, I understand, around the issues with the cap and the floor was based very much on the government’s initial discussion paper. Do you see any change in the now draft legislation?

**Dr Denniss:** No. The approach through the green paper, the white paper and the now draft legislation is consistent. The government has nodded in the direction of voluntary action a number of times. Penny Wong said on the *7.30 Report*—and this might be one of the things you heard her say—“I have got ministerial discretion. I can change the targets each year.” She said that on the *7.30 Report*. What she meant to say was, “In the white paper each year I can make changes that occur five years hence,” but that still ignores the fact that the actual 2020 targets are not up for grabs.

There is explicit mention in the draft legislation of the factors that the minister must take into account when setting the trajectory, and then there is a subset that says, “And here are the issues that the minister ‘may’ take into account when setting the trajectories.” One of the factors that the minister may take into account when setting the trajectories is the nature and extent of voluntary action. But, apart from the fact that that is something that she may take into consideration, I repeat that the 2020 target does not change even if she took voluntary action into consideration.

The question to ask people, if you can find someone who disagrees with the broad thrust of what I am saying, is: what page of the white paper should we read? Which section of the draft legislation should the committee read? When someone looks you in the eye and says, “No, no, no, we are measuring voluntary action and, if the ACT government does this, here is where we will reduce the number of permits,” I would

ask them to point out to me which section of the legislation that is in, or which page of the white paper it is on, because I am not aware of it—and I have been quite public about this—and no-one has rung or emailed me to point it out.

**MR RATTENBURY:** A couple more questions in that vein: I understand that it would still be possible to fix this problem but it would simply require an amendment to the proposed legislation?

**Dr Denniss:** Yes.

**MR RATTENBURY:** My second question then on that train is: I also understand from your analysis that if the federal government were to set a deeper target, a bigger reduction target, this would be less of an issue because there would be, I guess, more room for voluntary action to have an impact?

**Dr Denniss:** Let us take that on a number of bases. If the question is, “If the government had set a 40 per cent emission target would I be agitated about this problem,” the answer is, “Probably not.” But there are a number of reasons why we need to think through the design, even if there was a much more ambitious target. The first one is, as I said before, that when the science is changing it is a big risk to basically set aside a particular quantity of pollution and say, “Right, we don’t need to revisit that for the next 11 years.” The science is changing. So, even if we had what we think is an ambitious target today, what happens if in five years time the scientists say, “What you thought was ambitious back then is not enough.”

Economists would say that the design strength of emissions trading is what we call quantitative certainty—the certainty that you know the nature and extent of the problem that you are going to solve. But, when the information is changing rapidly, the alleged benefit of quantitative certainty, I would argue, is a disadvantage because you have got a very inflexible instrument that does not cope well with change.

So I think that problem remains, but then the problem for this committee is, again, if the government sets a really ambitious target, what is the role for the ACT to have its own? I just think that is sad. I think individual communities should be able to set their own priorities. I think individual communities should be able to say, “Here is what we want to achieve.” No matter how generous the funding that a commonwealth government might give to education or health, any local community should be able to say, “And we would like to spend even more.”

There are important issues of federation here. How would subnational levels of government respond if the commonwealth government of the day said, “We’re going to spend \$1,000 per capita on education, and if your level of government wants to put more in we are going to take some out.” It is unprecedented, I would argue, in interstate relations to do it that way.

So, yes, I agree with the sentiment that if the target was much stronger the consequences of ignoring voluntary action would be lower. I do not think that should affect the consideration that the ACT Legislative Assembly has when it is addressing the issue of should we have territory-wide targets, because, regardless, you need to think about the interaction between those targets and the proposed commonwealth

scheme.

**MS PORTER:** Can I just go back to when you were initially talking about what we can do here, if we are going to do something other than buy permits and tear them up. You were saying that our capacity to make a change is substantial, and I thought you said that the cost is particularly small. It is a long time since you said all these things so—

**Dr Denniss:** No, that is all right.

**MS PORTER:** I just wrote some dot points down here. You said that some commercial entities are now grasping the nettle and doing things about it that they could have done a long time ago but used excuses like it would cost too much et cetera as to why they had not done it. You said that in fact it is because it does not alter their bottom line all that much so therefore they are not motivated to do it.

**Dr Denniss:** Yes.

**MS PORTER:** We have heard before that the built environment contributes a large amount to it. But the built environment in this town is not necessarily environmentally friendly, as you know. So my concern is the cost of retrofitting. I am not so sure that it is all that cheap to retrofit, and certainly not to knock a building down and build another one. That is my first point. The other point was that transport does not seem to feature in your dialogue, and you know that we are very reliant on the car—

**Dr Denniss:** Yes, On the first point, if by built environment you mean the buildings rather than the urban form, the—

**MS PORTER:** Sorry. I was just talking about buildings; there are obviously other built environments like roads et cetera.

**Dr Denniss:** Yes. The retrofitting is precisely what I was talking about before. I will clarify it, because I actually think the company is quite proud of this data. There are a number of experts. I am sure Hugh Sadler or someone would confirm what I am saying. In a nutshell, the cost of retrofitting buildings to make them far more energy efficient is exactly the investment that I was talking about before that is actually, in the long run, cash positive. The large owner of commercial property that I was talking about project that for every \$100 they spend on retrofitting they recoup \$58 per year. The return on investment is 58 per cent. And that is in part—and this is exactly why the ACT I think is well placed—because they buy old inefficient buildings that no-one has ever tried to reduce energy in. Building six-star, brand-new buildings has a high up-front cost, but retrofitting old buildings to make them pretty good, as opposed to shining models of success, is not that expensive and delivers a lot of savings.

Economists think in terms of diminishing marginal returns: the more you invest in something the less you get out of it; if you keep pouring money into the same problem, you get your biggest benefits up-front and down the track lose out. So, almost by definition, the best thing to do is to not knock down all these old buildings but do simple things that for the last 30 years have not been done. I repeat that the main reason it looks like those things have not been done is not because in isolation they

did not make sense, but in perfect organisations, as most of us participate in, if you have got choices—say, you are negotiating an enterprise agreement with your employees, you are upgrading your IT infrastructure, the government is introducing the GST or the CPRS; if there are 20 things that your organisation has to do—you can always put off “Let’s invest in energy efficiency in our building”, especially if your energy costs are two or three or four per cent.

I can provide you with some evidence but, in a nutshell, retrofitting old buildings is a really good, cheap, easy way to save a hell of a lot of energy and that is why Canberra is well placed. It is much harder to retrofit a blast furnace. In fact, you cannot do it; you have to go and build a new one. You cannot tinker with a blast furnace; you have got to build them from scratch.

Your second point was about transport. I have focused on stationary energy but the arguments that I make apply, unfortunately, just as much to transport emissions as they do to stationary energy. If everyone in Canberra stopped driving a car and caught public transport to work next year, that would not reduce emissions by a single kilogram once the CPRS comes in. If we bought a lot less petrol in the ACT, the petrol refineries would sell a bit less petrol, they would not have to buy as many permits, and the permits that they are not buying would be free for the aluminium or some other sector to expand. So, leaving aside, unfortunately, the problems of the CPRS, if the ACT wants to make substantial savings from the transport sector, there is no doubt that investment in public transport is a very good way to go about doing that.

Canberra’s broader urban form is not perfectly designed for public transport, unfortunately, but there are important things that we could do and there are very simple things that can be done to encourage—it sounds banal but it just needs to be done—car pooling, to encourage the switch to fuel-efficient vehicles. We do not all have to drive Priuses. If we can get people out of Commodores and into Corollas we can reduce emissions by 40 per cent tomorrow. We are not waiting for someone to invent the Corolla; we are waiting for people to buy them.

**MR SESELJA:** I might move to some of the costs for state and territory governments. You wrote in one of your research papers in August about the costs to state and territory governments and of the CPRS being something in the order of \$1.4 billion. I think it is \$26 million for the ACT. Could you take us through those additional costs broadly and would it be any different were it to be, say, a carbon tax versus an ETS?

**Dr Denniss:** To answer the second question first, no, it would not matter if it was a carbon tax or emissions trading. The public sector is a big user of energy. There is a cost in running these lights now. Once the CPRS comes in, these lights will cost nine per cent more to run. In that paper we aggregated the amount of energy consumed by local, state and federal governments. It is very large, as you can imagine. Hospitals use a lot of energy. The provision of water requires a lot of pumping. Pretty much every government service delivery is dependent on energy to some extent. We find it quite surprising that, while so much effort has gone into compensating the household sector and some of the big polluters for the higher cost of energy, there has been—I will simplify it—virtually no public debate about the fact that the CPRS will make local, state and commonwealth government costs increase.

I do not think \$1.4 billion a year is trivial. Unless the commonwealth, which collects the revenue from selling the permits, provides compensation to local government, state government and even to its own commonwealth government departments, there are only two options: other tiers of government have to either increase their own taxes or provide fewer services. The easiest analogy is that the CPRS imposes an efficiency dividend, effectively, on other levels of government. I am bemused as to why the state premiers and chief ministers have not been more concerned about that.

**MR SESELJA:** Is that \$1.4 billion figure and the \$26 million for the ACT based on our not responding with more energy-efficient buildings and the like? Is that if things go on as they are?

**Dr Denniss:** Yes, it does assume things go on as they are. But, again, where is the budget, either from the commonwealth or the ACT, for line agencies to invest in energy efficiency measures? In the private sector, I can go and borrow money to invest in good ideas. The commonwealth government is assuming that its own commonwealth agencies will respond to price signals by changing their behaviour, yet it is not providing them with any funding to go and change their behaviour. If you want to install efficient lighting in this building—and I think in recent times that has happened or is occurring—that is not cheap. Just to be clear, our estimates take energy use as is. We did not project energy use increasing over time, which is what happens with larger and larger governments. But we did net out some potential revenue sources for the state governments. That is a net figure of \$1.4 billion.

**MR SESELJA:** Can I ask another question, chair?

**THE CHAIR:** Certainly.

**MR SESELJA:** It is around targets. That is obviously what we are inquiring into. We are trying to look at what is the right target for the ACT. Putting aside for a moment the argument about how the CPRS impacts upon that, if that hurdle were cleared, what, in your opinion, would be a reasonable target for the ACT? You were clearly critical of the Rudd government's five to 15 per cent. You have talked about the ACT being in a somewhat different position to the rest of the country in terms of the way we produce energy. Do you have a figure in mind as to what you believe would be achievable, if those other hurdles made it reasonable for us to pursue targets?

**THE CHAIR:** Could I just add something to that question? What do you think are the factors you consider relevant in determining that target?

**Dr Denniss:** I will have a stab at a number, but before I do let me just put my economist hat on and say that the only people who can give you a good answer to that question are the scientists, not the economists. I think there is a big misunderstanding—I am not suggesting on this committee; you may or may not share the misunderstanding; it is a public misunderstanding—as to the purpose of emissions trading. The purpose of emissions trading is to solve an underlying problem and that underlying problem is climate change. There are two broad ways economists would say you can tackle it. You can set the price or you can set the quantity. The purpose of setting a price or quantity is to solve the underlying problem.

The question of the targets really is only an issue of: what does the science say we need to do to solve the problem? It is quite clear that the science says that, unless we make emission reductions that start at at least 25 per cent and increasingly look like 40 per cent, we are not going to solve the problem. Some people—although my guess would be not many economists, at least academic ones—would counter: “That is very good. We have the science on the one hand and we need to balance that against the economic.” I completely disagree. There is nothing to balance. If you want to solve climate change, it would be like asking someone what dose of a drug will cure an illness. There is a scientific answer to that question: “If you do not take at least this amount of your chemotherapy drugs for this period of time, you will not tackle your problem.” We do not then say, “Well, let me just balance the amount I need to take against the price.” In that case you would spend a lot of money on half a solution which would not cure your disease and which would leave you out of pocket.

The purpose of emissions trading is not to help the economy. I would argue that it is not going to hurt the economy anyway. The purpose of emissions trading is to get emissions below a level that is safe. Therefore, I would strongly urge you to ask the scientists what they think the answer to that question is. If you want to worry about certainty for business or certainty about price then emissions trading is the worst way to do it. If you want to pick a price, have a carbon tax and say, “Right, 10 bucks per tonne.” It is certainly not going to help, but we know what the price is.

Again, the economic argument is that it is all a bit hard: Australian businesses do not know what interest rates will be next month; we have no idea what the exchange rate will be in 12 months time; we have no idea what China’s GDP growth will be in two years time; we do not know what inflation will be; we do not know anything. The idea that Australian businesses need certainty and without certainty they cannot do their jobs is a pipe dream. We might be able to give them certainty about the number of permits that are around, but we cannot give them certainty about what price the permits are going to be. We cannot give them certainty about what the world demand for their stuff is going to be and we cannot give them certainty about what the interest rates on the billions of dollars of loans are going to be.

As an economist, I implore you to not take the economics of this too seriously. You either want to solve the problem or you do not. There will be dislocation and change associated with tackling it, but there was dislocation and change associated with the introduction of the national competition policy when tens of thousands of people lost their jobs in the energy industry. There was dislocation associated with the privatisation of all sorts of government services over the years. Let me stress that thousands of people are losing their jobs in Australia today because digital cameras are wiping out photo development labs. Thousands of people are losing their jobs because iPods are driving CD sellers out of business. I do not hear people complaining about that. It is a pity that people lose their jobs because of change. There will be change as a result of tackling climate change. The issue is how we can help assist, compensate and retrain the people who are affected. If a motivating force in the decision of what targets we should have is worrying about who might lose their jobs, we are going to get the wrong answer; we are going to get the wrong dose.

What sort of target do I think we need for the ACT? My reading of the science suggests that we need to be in the range of 25 to 40 per cent. I would go for at least 30,

because every time the science comes out we are not at the bottom of the rank. Climate change is happening much faster than we think it is going to happen. I would urge you not to go for the minimum, because the science keeps changing. I am sorry; that was a long way of saying 30 per cent.

**THE CHAIR:** Do you think that there will be pressure brought to bear on the federal government at some point to improve their targets? If you do think that, can you see that there would be benefits for the ACT to set a strong target and to be ahead of the game?

**Dr Denniss:** Yes to both. I have no idea how the government will respond to that pressure. It seems to respond far more to pressure to lower the targets. Let us wind back the clock: no-one this time last year thought five per cent was even in the realms of speculation. No-one this time last year would have thought that a government saying it was going to tackle climate change would come up with five per cent. We have lowered people's expectations enormously and now there is a lot of pressure from some to push those targets back to where we were this time last year, let alone where the science says we need to be.

I would say that the government are under pressure to increase those targets. I have no idea whether they will respond to that pressure but, regardless of whether they respond, I think that communities and states and territories have a right to go further than the commonwealth want to go. I would be proud to live in a community that was showing the kind of leadership that people are talking about here. Even if the federal government lifted their sights, why should we not lift ours even further? I repeat: if any economy in Australia can cope with significant reductions in emissions, it is ours. It is a service sector economy. Energy costs are a trivial percentage of the total, and other factors will dwarf the impact of the CPRS on ACT business.

**MR RATTENBURY:** Putting the moral element aside, do you see particular economic costs or benefits in being an early mover?

**Dr Denniss:** Yes, saving a lot of money on electricity. Economists generally consider that rational people make rational decisions and that profit-maximising firms would always act rationally to reduce their energy costs. Yet we know from mandatory commonwealth government audits of big energy users that when you send someone out to a factory, plant or commercial building and they walk around and look at what they are doing—the commonwealth government has a mandatory auditing framework in place—those companies are consciously or unconsciously not investing in simple energy-saving technologies that would save them money.

The benefits to the ACT in 10 years time, or even in five years time, are that if companies are required, coerced or excited about taking energy efficiency seriously then they will have more money either to pay higher wages or have higher profits or to invest in the expansion of their business. If we believe what we are saying about energy efficiency—and I encourage you to believe it; I am certain that it is true—energy efficiency means we can produce the same amount of stuff with less energy. That means you have more money in your pocket after you have gone through the hassle of changing things and that money will go somewhere. In the ACT there is a huge first mover advantage: we can get rich quicker.

**THE CHAIR:** I would like to pick up on what Mr Seselja was talking about—an article that you had written around the cost, the \$26 million, in the ACT. Have you taken this argument out to the state governments and what has been the response?

**Dr Denniss:** There has not been a response. I am bemused. I run a think-tank. We do policy research. We tell people about it. One of my jobs is to have a good sense of the sorts of things that you think people will pay attention to and the sorts of things that they will not. I got that one completely wrong. I thought that the state governments would have been very interested to show up at the next COAG meeting and say: “We appear to have been left out. I’m sure that was an accident. If everyone else deserves compensation, why don’t we?”

I should point out that we published another paper that said that the government had forgotten to compensate the community sector, which is a bit embarrassing in hindsight. But there was no discussion in the green paper about the need to provide compensation to organisations—for example, meals on wheels or aged-care centres run by the not-for-profit sector. The implicit assumption in the CPRS is that, if your energy costs go up, you pass those costs on to your customers. The community sector does not have any customers. Meals on wheels do not get more donations because the CPRS comes in. The reason I bring this up is that when we published that paper the community sector—in particular, the aged-care sector—knocked our door down and are now part of a \$1.4 billion assistance package to make sure that the community sector does not get left out. Why the states and the local governments have not asked is beyond me.

**MR SESELJA:** So you have had no response from—bringing it back locally—the ACT government or any of the ministers?

**Dr Denniss:** I had an email from someone clarifying some of the methodology associated with the way we had done the costings. I understand from conversations, although no-one let us know, that some states had argued that they were going to make more money because GST collections would go up. The reason for that is that when the CPRS comes in everything gets more expensive. The GST is 10 per cent of everything. Because this drives a little bit of inflation there is a little bit more money from the GST. But we actually net that cost out in the paper.

**MR SESELJA:** You have netted that out in the total, haven’t you?

**Dr Denniss:** Yes. Some of the people who have said, “Here’s why we’re not worried about it,” clearly have not even read it. I am bemused. There is money on the table and the state premiers do not want it.

**MR SESELJA:** It might be a question for the minister when we have the opportunity.

**THE CHAIR:** Are there any more questions from the committee?

**MR SESELJA:** If we have time I would not mind one more.

**THE CHAIR:** Certainly.

**MR SESELJA:** It is a bit different to what we have been talking about. If you do not feel qualified or have not studied it then I understand. I am just interested in your views on the effectiveness of the feed-in tariff that is being implemented in the ACT. We understand that if the CPRS goes ahead in its current form you would say it is useless in terms of cutting emissions. Putting that aside, can you tell us about the effectiveness of the scheme as you see it?

**Dr Denniss:** I do not have much to say about it. I have put most of my effort into thinking about the national scheme and the compatibility of state schemes to it and, frankly, I made the decision that it is not worth putting effort into analysing something like the feed-in tariff until we have convinced the commonwealth government that state-based measures have a role to play. I am interested in the issues. I think that we need to have economic incentives to encourage people to invest in these sorts of technologies. But, to repeat myself, it would be putting the cart before the horse to evaluate the feed-in tariff until we have made room in the commonwealth scheme for it. I am sorry about that.

**Mr Seselja:** No, that is all right. That is a fair answer; thank you.

**THE CHAIR:** Thank you very much, Dr Denniss, for coming in this afternoon.

**Dr Denniss:** Thank you again. I will try and provide some of that data that I talked about. It was provided in an open, not-about-me kind of forum. If I cannot get that data, as I said, I will talk to Hugh Sadler and some other people and just clarify the nature and extent of the efficiency savings in commercial property.

**MR SESELJA:** They are not the ones who own the Empire State Building, are they? They are going save a few million bucks.

**THE CHAIR:** \$4.4 million, a year, I think, by retrofitting the Empire State Building.

**MR SESELJA:** Retrofitting the Empire State Building to make it energy efficient or more energy efficient.

**THE CHAIR:** Thank you very much, Richard.

**ANDERSON, MR IAN CLARKE**, Board Member, Nature and Society Forum  
**PRYOR, MR GEOFFREY GORDON**, Director, Pryor Knowledge ACT Pty Ltd

**THE CHAIR:** Welcome, Mr Pryor and Mr Anderson, to this afternoon's hearing on the ACT greenhouse gas reduction target inquiry. Have you received the statement that is on the buff piece of paper in front of you and can you confirm for *Hansard* that you have understood the content of the statement?

**Mr Pryor:** I do.

**Mr Anderson:** Yes.

**THE CHAIR:** Thank you very much. Would either of you or both of you like to start with an opening statement?

**Mr Pryor:** I am from a company called Pryor Knowledge ACT Pty Ltd but I am also here representing the Business Council. Madam Chair, I do have an opening statement to make, if that is okay with you.

**THE CHAIR:** Thank you, yes.

**Mr Pryor:** First of all, I would very much like to thank the committee for the opportunity to address it again. I understand that the terms of reference that you have deal with, I guess, quite a wide range of issues, covering climate change policy and programs, water and energy policy and programs, provision of water and energy services, conservation, environment and ecological sustainability. That is a mouthful indeed, isn't it?

I noticed the previous presenter talked specifically about the greenhouse gas emissions. I am interested in that subject but I want to talk a little bit more about methods of doing things. I guess a core assumption in this presentation is that the pressure on the ACT to become a sustainable city is certainly not diminishing; in fact, quite the opposite is the reality. For that reason I am interested in making a presentation about the ACT and a wider sustainability goal relative to the concept of a biosphere reserve.

Were the ACT to become a biosphere reserve, to use the ugly terminology surrounding this debate, there are possibilities that such a circumstance would drive the community, including government, to set and implement important sustainability targets. Indeed, as I hope to explain, the very nature of the debate around the biosphere reserve nomination would give an added impetus to consideration of all facets of sustainability.

I am here on behalf of the Business Council, as I was last time. Previously the Business Council approach was one which did not dismiss the possible advantage to business of an ACT biosphere nomination but there were important caveats underpinning any potential support for such a view. Since that time, however, the Business Council has not considered this matter and cannot presently be said to have in place a policy on the subject.

What makes this presentation relevant under such circumstances is the council's attitude towards a sustainable ACT economy. The Business Council has been active in considering and eliciting practical actions with such an outcome in mind. Within this pro-sustainability framework, it is interesting to consider whether the concept of a nomination of the ACT as a biosphere reserve might advantage or disadvantage present council policy directions.

In my previous presentation I listed a number of principles which ought to apply to this issue of nominating the ACT as a biosphere. I will very quickly repeat these because they are quite important: a nomination is the result of an agreed community way forward; stakeholder participation in the debate must be broad; the nomination must demonstrate it will promote a genuinely sustainable community; the process of a biosphere is not to duplicate existing forums—indeed, it might replace others in order to reduce duplication; the process of a biosphere must lead to concrete actions—if it's only talk, don't bother; the outcomes from a biosphere will demonstrably provide real business opportunities; tangible action does not mean an alternative way to increase regulation; demonstrable resources by government are provided in terms of people and finances to make things happen; triple bottom line accounting is applied so that under a biosphere all outcomes are truly costed and include so-called externalities; all the community is responsible for the challenge that a biosphere might make—consumers especially, in terms of consumption patterns and demands; any fallout from changes which might be brought about by a biosphere must be equitable; and civil rights of citizens are not reduced.

I still think those principles are appropriate because after reading the report by Cooper and Zissler on their trip to Madrid and other biosphere sites I actually felt they had been endorsed by the conclusions of that report. In amongst the many interesting observations in that report, I noticed on page 10 the following: "Social responses to climate change are essential." I mention this because all too often when we discuss the notion of sustainability the social dimensions to this concept are conveniently overlooked or deliberately put to one side when, in fact, the core issue is about social change. I thought it was interesting that the previous presenter made that point as well. Such social change needs to occur amongst the community at large, amongst the business community and within the political system.

I am particularly interested in the notion of an ACT biosphere for the very opportunity it might bring to this community. Through community discussion about what a biosphere reserve might mean, the social processes underpinning our community can be brought to the surface and will become a topic for public debate. When this happens I believe it will tap into a groundswell of interest and concern about our future. There are already many networks operating in the ACT where the idea of a sustainable future is an important matter of discussion and interest.

I have stated in the past in other public presentations that I think Canberra, by and large, is a risk-averse community. What we have is a community very much aware of the issue of the potentially negative and significant impacts of climate change and current modes of behaviour, but so far hesitant to take up the challenge to do something about this in significant terms.

The apparently radical idea of a biosphere reserve, therefore, may appear to many to

be just too confusing and alien, when in reality it is distinctively my impression from the previous standing committee investigation that the notion of such a reserve is all about what we as a community might make of it—that is, it is in our own hands as to what it might be.

One caveat I would make to this previous assessment is that the language used in a discussion about a biosphere reserve is both overly cerebral and distinctively off-putting. No wonder the idea has such little widespread currency. I think about my local shopping centre and asking all who go there what they think about a biosphere reserve, and I leave you all to figure out the likely response.

So much is in flux today that we as a community struggle to make changes even when it is clear we must do so. But we all know the truth of the homily: “If you always do what you’ve always done you’ll always get what you’ve always got.”

Change of course is not automatically good, but exploring different approaches must be on the agenda in these days of climate change impacts. This is why the biosphere reserve concept merits consideration. With different language and coming from the community, the idea that we ought to have a sustainable Canberra is not at all frightening in reality. In fact, my observation is that there is a very strong desire by many Canberrans to find out how to do this. Even just the process of preparing for the nomination of the ACT as a biosphere reserve would of itself provide just the sort of inspiration and challenge to move the city positively along this path.

Sadly, if anything, and rather provocatively, it appears to be the political system which finds the idea of real sustainability change so challenging. For example, I recently heard the Chief Minister saying that the original no waste goals are impossible to achieve. Statements like this are being made precisely at a time when many businesses are hastening to utilise whatever elements of the waste stream they can technically and commercially deal with, or provide products and services to ensure they are not an issue subsequent to use. At a recent conference in Coffs Harbour—noted for its new-found water supply—I think you would all be surprised at the extent of business which exhibited there and which demonstrated that there are new streams of businesses emerging in this field. Certainly at this conference the importance of composting green waste took central stage—and, I must say, as a direct consequence of the consideration of the CPRS.

Additionally, politicians from both of the major parties in the ACT have recently been speaking of returning to normal by getting rid of water restrictions altogether as a result of impending infrastructure developments. This both ignores the evident realities of climate change and what will be normal in the future and discards the opportunities for ongoing smart behaviour change inherent in a population which has largely responded well to water restrictions.

The discussion about climate change has, however, been going on for some time now. Climate change is well and truly on the political agenda. It is a fact recognised amongst most members of our community and it is a matter of electoral concern. But we find that, despite much knowledge at our fingertips, the implementation of innovation in addressing these great challenges is still one of considerable struggle. Why should this be so?

This has been a subject for academic research about the failure of societies. In a popular book on the subject, *Collapse: How Societies Choose to Fail or Survive*, its author Jared Diamond refers to this research, pointing to many reasons why societies failed in the past, including a failure to acknowledge the problem; a rationalisation of destructive behaviour; having disastrous values—by which I mean it is often hard to abandon a policy in which we have invested so much previously—and communities and societies being unable to make changes because they do not have the knowledge.

To reiterate the point, such societal behaviours are clearly seen elsewhere. I have just read a book about the first century of Wall Street called *Street of Dreams—Boulevard of Broken Hearts: Wall Street's First Century*. My view from this history of the first century of Wall Street is that nothing has changed; the same recurring rounds of regulation and reform follow periods of financial collapse. I do not want to go too much into the depth of this matter here, but suffice it to say that there are very good examples of these behaviours right here in the ACT.

The biosphere argument for me has a special merit because it raises the idea of a different way to think about our world. It is an opportunity to find a new approach.

The Business Council has recognised that we need new approaches to the way we deal with current issues, but I need to stress here that the council is still to formally consider its position on the possible nomination of the ACT as a biosphere reserve. However, as a colleague in a recent council task force meeting put it, the train is rolling down the line, meaning the environmental challenge to business is coming fast upon us. The implication was that we ought to be in a better situation to deal with it than we are at the moment. We just cannot hide from the reality.

So the Business Council has embarked upon a study to identify what resources there are in local and regional businesses which have sustainability skills. It is amazing that we do not know. The last study of the environment industry in the ACT was, I believe, in 2002. This report suggested it was difficult to really know about the extent of the environment industry in the ACT because businesses often undertook at the same time some environmental business as well as traditional business activities. Additionally, many with especially relevant skills were small or even micro businesses. Finding out this information offers, amongst other things, the potential opportunity of developing associations of local, environmentally focused businesses so as to give even the smaller ones a chance to compete for national and international projects, as has been done in Victoria.

When challenged about their sustainability credentials, governments of all political persuasions tend to produce the reflex action that they are doing what is responsible. For example, the argument is that the right procurement policies are in place or that government departments report upon the implementation of environmental management strategies and that there are umpteen different policies always being evaluated for their environmental impact. If such actions were truly effective, we would not be here discussing the merits of a biosphere reserve, for in practice I think we would have one.

Government at both the territory and federal levels is a strong catalyst for local

business activity in the ACT, so far-sighted policies backed up by effective actions, consistency and cooperation at a government level are critical to motivate business to make sustainability happen.

This is, however, not to say that business is overly happy about being a participant in a sustainable economy, for many are not. Some have had a soft and profitable ride over the years without having to worry about sustainability; others may fear change and indeed suffer from change. Businesses also argue that consumers do not want what might be on offer under a sustainable regime, and there is some truth in this if consumers are not well prepared or knowledgeable about what to ask for.

However, over the years I have found that many business people are keen to know more and to do more in terms of environmental sustainability, and there are now many business people in the ACT who see a real opportunity in a new sustainable regime. These are the businesses that should be engaged in the discussion about a biosphere reserve, for such engagement can produce the type of business activity which is the future of the ACT. All here know, however, that engaging businesses in discussion about future directions is very much a multilayered process.

Business associations are a vital mechanism to facilitate such discussion. The Canberra Business Council has attempted to be a leader in this type of discussion but is also wary of being engaged in a debate where the outcomes are woolly; hence the idea of a biosphere reserve must be concrete. My suggestion of how to do this might take the form of engagement about specific projects; for example, the ACT government's proposed East Lake development. This is ostensibly an ACT government's model precinct. To make the concept of sustainability a reality in this precinct, there need to be identifiable and iconic developments.

I am part of a group which aims to develop a world leading, positive, sustainable, development centre. The notion of positive design—crudely but essentially a living biological architecture; putting more back into the environment than taking out—is gaining credence across the world, yet one of the originators of the concept resided in Canberra for many years without, to my knowledge, the concepts being outlined by her really given any credence.

Important as forums for such discussion are, businesses want more. They would participate if there were things to learn or the atmosphere conducive to taking seriously new concepts and business products and services. Sadly, the conservatism of government, as well as key groups in the private sector, makes innovation around sustainability less likely.

Another example where a discussion about a sustainable future can be made practical is found around some of the new school designs in the ACT where community discussion and sustainability knowledge are brought together. The catalyst for this occurrence may be hard to sheet home precisely, but the significance of the community role in this process cannot be underestimated. Business needs to be an integral part of these processes.

In conclusion, I recently read an American book titled *The Necessary Revolution: How Individuals And Organizations Are Working Together To Create a Sustainable*

*World*. The book was written by an author called Senge and a number of others. To my amazement, the opening paragraphs of the book focused upon the water conserving policies in place throughout Australia as a model of sustainable behaviour. This is what the book said about Australia:

... innovative Australians everywhere are also seizing the opportunity to rethink and re-create their lives and the infrastructures that govern them.

The author goes on say:

Business (in Australia), long dominated by mining and minerals industries, has become a vocal advocate for investment in innovative alternative energies.

The book then goes on to discuss how major multinational corporations are investing in sustainable practices.

We should live up to such a positive perspective, if perhaps it is not an entirely accurate assessment of our innovation or our commitment. I believe putting forward the notion of the ACT as a biosphere reserve might be one way to do this. And, as I said at the beginning, I believe just considering a nomination process would lead to important sustainability issues around the nature of the ACT economy being considered, which in turn might facilitate appreciating a commitment to setting and implementing stronger targets among the steps required to developing a truly sustainable Canberra. Senge et al, the authors of the book, reflect the fact that many apparently see Australia as potentially a country forced by reality to be smart. I guess the question I ask is: are we?

**THE CHAIR:** Thank you, Mr Pryor. Mr Anderson, did you want to add something?

**Mr Anderson:** Yes, thank you. I have not got a prepared statement but I will try and respond to what I have been hearing.

My main interest is in the biosphere reserve, because of my background. For many years I worked in the Australian National Commission for UNESCO; the biosphere reserve program is one of theirs and for a while I was directly responsible for that, so I will come back to that.

Just reacting to a couple of the points that were made earlier, I am the very first to admit I am no economist, so I have great difficulty in responding to some of the detailed economic points that were made by the previous speaker—not Geoff but before him. But I would like to add to that to say that that is not necessarily a disadvantage. I do think a lot of people do not really think economically first; that comes in later. If you start off with just the economics, sometimes you can end up with different results from when you apply the economics later. If I am looking at climate change, my first worry is not how I can save money or how best to design a certain building; it is to acknowledge that the whole world faces an enormous problem, the seriousness of which could be colossal.

So my first reaction is: what do we do about it? And I think we come back to, yes, we have certain economic measures. There was mention earlier of retrofitting buildings.

Because my other position is as a member of the board of the Nature and Society Forum, I would like to mention that at least one member of the Nature and Society Forum is very interested in retrofitting and has a real problem with some of the ways buildings are being designed in the ACT, some of the developments. I am not an expert in that area, but that is certainly a detail point that we should be concerned with.

But the greater problem is climate change, and the simple fact is that whatever we do in the ACT it is not going to make much difference to the global response to climate change. But that is not to say we should not do anything. That comment is based on the fact that only two per cent of the world's emissions are from Australia, so whatever we do to affect our emissions is not going to make a difference as emissions. But our attitude can make an enormous difference, leading as an example, and that is where I see the true role of the biosphere reserve model, especially if Australia declares the ACT as a biosphere reserve.

I still believe it would be the first national capital around the world to be declared part of that UNESCO program. So it would be seen as a huge symbol, that Australia is making a huge international effort to show awareness of climate change, and is putting itself up to lead the way. I believe we would have some other people closely following. For example, I believe the new US president is very interested in sustainable development and so on as part of his platform.

I really think that would be a tremendously valuable way to go. Because of my long experience in UNESCO, I know how the organisation works. I know there has been great disappointment that Australia's effort has run down dramatically in the last five years or so, partly because of structural factors such as the secretariat being based in the foreign affairs department. That is not to criticise foreign affairs at all; it is just that the ideal position for such a secretariat for UNESCO in most countries is in the education portfolio.

I should stress again that I see education as the key to the approach to combat the effects of climate change in the ACT, even more than the economic instruments. I can see it in the community. You see the number of people now who are riding bikes and that sort of thing around the community. A lot of people have got the message that this is a really serious problem and they are wondering what they can do about it. So I see that we can build on that. We need to keep the education going, especially with the young people. The Nature and Society Forum has some projects specifically targeting young people.

The biosphere reserve I see as a way of internationalising things. Part of my experience with the biosphere reserve program was a very innovative program in the Riverland of Australia some 12 to 15 years ago. I happened to be involved in the development of a place called the Bookmark biosphere reserve there, which did a remarkable job in changing the attitude of the people in that Riverland area from a depressed community that could not see any future to a community that was globally leading the way in making big changes to the way the community saw itself. We have to thank a very innovative American lady, Dr Pamela Parker, who I think may have gone back to the US but who spoke here in Canberra some time ago in support of the ACT biosphere reserve.

Some of the measures they took were to develop twinning relationships with a biosphere reserve in Mongolia and to invite people down for regular exchanges of information, building on community. They invited a person from a very progressive biosphere reserve in Germany to come out and they learnt that the German biosphere reserve was really making an impact by marketing itself as a brand. They were selling products from this biosphere reserve with the notice “produce of the biosphere reserve” on it.

This could be a really great opportunity for leadership here in the ACT, to work out what we want to do in the way of dealing with climate change and then to try and exchange ideas with people from other biosphere reserves; to be seen to be helping UNESCO to promote this method. It is an open-ended process of development. We just need to think what we can do to reinvent ourselves as a global leader in this area. Perhaps I will leave it there.

**THE CHAIR:** Thank you. As you would know, there was an inquiry into a biosphere reserve, and a report was tabled in the Assembly.

**Mr Anderson:** Yes.

**THE CHAIR:** There still has not been a response from the ACT government, so how do you see this campaign, to at least get to that point of nominating for a biosphere reserve, going?

**Mr Anderson:** One way is to seek to engage the community. But it is a complex theory. It is hard to say to people how to work. I keep stressing that it is what you make of it. It is not that there is a blueprint. It has happened in the reserve in the Riverland. The people in that area thought about how they could turn the philosophy of it to their own advantage, and I would see the ACT as doing some of the same sort of things.

I see too that it is a kind of banner under which everybody can contribute, and if the ACT as the national capital was seen as mobilising action in this area we might find the states following our lead, so we have got a tremendous opportunity to innovate.

**Mr Pryor:** I am not sure if I fully understood your question, but I guess the thrust of what I am trying to say is that it is an opportunity to engage business. Business has not really been engaged in the process.

**THE CHAIR:** And how would you go about engaging business? What is the hook that is going to get business in? What is in it for them would be my question.

**Mr Pryor:** I think your previous speaker talked about the juxtaposition of economics and social direction. Businesses are not just unidimensional; they are obviously part and parcel of this community. So on one level they are hearing the arguments and concerns about climate change from their family members and from their social networks. But the Business Council is really concerned about how it might be able to take off as an economy, as a sustainable economy.

You cannot talk to business people, though, about cerebral notions like biospheres. It

is a waste of time to do that. It is not that they are thick; they are just basically not going to spend the time trying to work their way through what that means. That is why I was trying to say that I think you need some very concrete proposals, iconic examples, where people have the chance to say: “What are the business elements of this particular proposal? What is the Civic centre really going to be if it was to look at being a sustainable centre? What would be the East Lake precinct? What would it actually look like if it was to be a sustainable centre? It would be different.” If you talk to businesses and say, “I can make this happen,” or, “I am a bit worried about whether I am going to be sort of circumvented by my competition,” that is where you start.

I will just go back to one other point. The Victorian government paid for a network of small and medium sized enterprises to better network together about responding to both government and overseas tender opportunities or business opportunities. These people can do that by adding the knowledge they have about sustainable practices they put into practice through their business much better. But we have not had the same sort of support in that regard here in the ACT.

Your question was: how do you get a hook for business to enter into a discussion, which at first sight appears to be some distance away? In fact, the notion is to make sure that it is not at some distance; that in fact we are talking about a new type of economy and one which I think can be most productive, and which Richard Dennis highlighted as being a really interesting future direction.

**THE CHAIR:** I guess that would just lead me on to: what do you see as the opportunities for the ACT business community, if there were to be a target here in the ACT, that move towards reducing our greenhouse gas emissions and also living in a more sustainable city? What do you see are those opportunities?

**Mr Pryor:** Do you mean for the businesses themselves?

**THE CHAIR:** Yes.

**Mr Pryor:** One of the really big opportunities is relating the IT sector to the environmental challenges. We have been strong in IT. The knowledge we have in terms of environmental understandings is one immediate example. But I share other presenters’ views about how to solve the problems of retrofitting your suburban environments, because that is a real opportunity nationally, internationally. As it happened, I listened to Radio National this morning, to a program called *Rear Vision*, which talked about the electric car. I thought it was absolutely fascinating that it determined that there is a history of whether the electrical car is really viable.

I have talked to various people—indeed, through the Business Council we talked to Toyota—about the possibility of the ACT being a centre for manufacturing of a couple of key component parts to those sorts of quite significant business sectors. So again it is not a lack of avenues; it is really the vehicles, if I can use the pun, to actually take these ideas forward. And there are many more than I who can come up with suggestions about these ways in which business can play a role.

**MS PORTER:** Could I just go back to the statement you made about not explaining it

to people in a shopping centre because they would not understand what on earth you were talking about, going to the biosphere idea. You may recall that Mr Seselja and I were on that committee—

**Mr Pryor:** That is right.

**MS PORTER:** and we did try to explain it to numbers of people, and I think on occasions we did not understand what we were trying to explain ourselves.

**MR SESELJA:** A vague concept at times, I think, we were dealing with.

**MS PORTER:** If I can be frank, it reminds me of restorative justice—trying to explain restorative justice to people, which I did in another inquiry for a couple years, last term. People want everything given to them in a couple of sentences. There are not a couple of sentences that explain it, so do you just give away the conversation about the biosphere entirely and only talk about sustainability and then later on introduce it: “Oh, by the way, we just thought we might be a biosphere.” Do you know what I mean?

**Mr Pryor:** Yes, I do.

**MS PORTER:** It is a bit tricky if you are not going to talk about it, if you are going to just pretend you are talking about sustainability, not mentioning about nominating for the biosphere, and then suddenly you say, “Oh, by the way, we want to do this.”

**Mr Pryor:** I think it is a really good point. Language is such an incredible thing. But most people who live in communities are very pragmatic, very concerned about how they live, and businesses are certainly that. If you go into the small shops in a shopping centre and say, “Your energy costs are going to go up,” they will ask, “Why are they?” “Well, because basically it is going to cost more.” What about your waste costs? How are you going to manage those? What is the system that will help you manage that more? What are your inputs? Where do you get this stuff from? And can you influence the people who actually supply these to take away all the extra stuff that they load on you so that you do not get charged for that? What is the ability to think about the design of the urban centre that we are talking about? Have you had a chance as a small business person to think about: do people ride their bikes, get into electric vehicles if you are older, or can you find an electric vehicle type of option, or can you have a proper bus system that comes down here? What opportunity have you guys had to do that? Should you actually have more design to change the nature of the quality? Can you think about water and waste water and plants within this?

So my perspective is that you tackle these people where they are at and merge through. As I said right at the beginning, I think the language in these issues is a very big problem and that is partly why people sometimes feel afraid, because they are just not sure what you are talking about.

**Mr Anderson:** Can I just comment on that, Mary?

**MS PORTER:** Yes, thank you.

**Mr Anderson:** The marketing of the term is difficult and I think perhaps what we are really offering, as people said early in the piece, is that the ACT is already functioning like a biosphere reserve in many ways. Not much is going to change directly as a result of that; it is just that it is putting what we are doing on the international map. I think it is too difficult to have to explain the concept to everybody in the community when it is not really going to make a direct difference to what they do. You can come up with a package of measures to deal with the climate, one of which, slipped in, is the nomination as the biosphere reserve.

As I said before, there is no driving of change coming from overseas. There is nobody telling you what to do when you nominate as a biosphere reserve. You just give your ideas for sustainable development to the international community. You just make it clear to people that it is what you make of it. The political advantage, if any, could accrue just because you are proud enough of what you are doing to give your ideas to the international community through nominating the national capital as a biosphere reserve. There is no actual cost to you of doing it.

**Mr Pryor:** Could I just add my little bit to your question. I am quite strong about the need for icons, so people can see them. I think about an experience I had recently at one of the early steps in the stage of designing a school. It was an interesting process because in fact there were four or five different points in this discussion where different components of sustainability were visually and orally represented. The people who attended—and that is another issue—actually started to see the connections. Businesspeople need to be integrally involved in that type of discussion as well. That gets back to trying to make this thing something tangible so that people can then relate to it.

**MR RATTENBURY:** Mr Pryor, does the Canberra Business Council have a view on what a suitable greenhouse gas target might be for the ACT?

**Mr Pryor:** I do not think they do have a formal policy, but the reason why I have talked about the biosphere is that they are concerned that there is an opportunity for business and a new type of economy. In terms of the figures, I will go back and ask again, but I am pretty confident that they have not taken a decision on that notion. But they are concerned about the fact that there should be, and they are concerned about the opportunities that exist for businesses and a new direction.

**THE CHAIR:** Have the Nature and Society Forum or the Canberra Business Council had any discussions about what you might consider to be the top three actions that the ACT government could do to efficiently and effectively drive down greenhouse gas emissions? If you also wanted to comment on how business might do that as well, that would be great, but certainly, first, what might we do from the government's perspective?

**Mr Anderson:** I have not put three together yet, but certainly I would see the public transport system as one definite way, because I believe ultimately we have to switch to electricity as our main energy source, and the sooner we start to do it the better.

**Mr Pryor:** I think business would like to have a real discussion with government and all political parties about how you would do it. That sounds a bit self-evident, but I am

not sure that that has actually happened yet. I gave the example that we do not know what are the businesses in the ACT and the region and what their capacities are to make a difference.

I guess also, to be challenging, it would be interesting to talk about the way in which financial systems are in place, and the issue of externalities is really quite critical. Businesses sometimes can be rather happy to overlook them, but I know that a number of larger companies have come to recognise that, for example, recycling waste as they demolish buildings and also planning how they might do that have saved them several hundred thousands of dollars. So how did they come to find that out? It took quite some time for some companies to take the punt on that. You probably know also that the airport led in the way in which its contract was important. So the actual detail of the business transaction is important in getting people to both think about and operate.

I also mentioned before the notion of precincts. There are some terrific opportunities; the East Lake development is clearly one that the government has in mind and I think it is a great opportunity. But it also has a holistic notion. It is not just about a site where things are plonked. It is about a site where people get to and get from, where material flows in and out and where knowledge sort of consolidates itself in the specifics of the site where things are happening. So I guess the Business Council has not sat down to say one, two and three, but there is a range of things under discussion that if brought more coherently together might be quite valuable.

**Mr Anderson:** Could I just add one more? To find ways of appealing to the conscience, if you like, of the individual is an important way to go. It is not just all about money. If people are made aware, and I believe they generally are now, that there is a massive threat posed to our long-term existence by climate change, you can just appeal to everybody to do what they can to minimise their effect. As I say, I can see from signs of people riding bikes and so on—far more than used to be the case—that it does have an effect. They do what they can within their budget to try and reduce their greenhouse gas imprint. You can advertise that frequently on television, or it can be in newspapers or on the radio; there are various ways of doing it. You can have people who are success stories saying how they reduce their greenhouse gases by so much by doing X and Y. I think that is very important. It is not just economics. People are driven by other factors.

**THE CHAIR:** Thank you. As there are no more questions, thank you very much for coming and speaking to us this afternoon.

**The committee adjourned at 3.37 pm.**