

New Climate Change Laws for Victoria – a boost for the business of clean energy transition

Dr Anita Foerster, Senior Research Fellow, Melbourne Law School

24 February 2017

On 23 February, the Victorian Government became the first in Australia to legislate to achieve the goals of the [Paris Agreement](#) – net zero greenhouse gas emissions by 2050.

What do these new, stronger laws to combat climate change at the state level mean for Victorian businesses and how effective can they be without similar action at a federal level?

Net-zero emissions targets enshrined in legislation send clear signals to Victorian businesses.

The centrepiece of Victoria's new *Climate Change Act 2017* is the long-term emissions reduction target of net zero greenhouse gas emissions by 2050. This target can be reached by a combination of emissions reductions, carbon sequestration activities, and, if the amount of sequestration does not balance any remaining emissions, eligible offsets from outside Victoria can also be used to make up the difference.

Interim emissions reduction targets set at 5 year intervals post 2020 will be used to ensure progress in meeting the long term 2050 goal. [The Victorian Government has already committed to reduce emissions by 15 to 20 per cent \(from 2005 levels\) by the year 2020.](#)

The new Act makes it a duty for the Premier and relevant Minister to achieve the long-term target and sets up a transparent process for setting interim emissions targets and reporting on their achievement. In this way, the legislation sends a strong signal to Victorian businesses that Victoria is moving away from fossil fuels to clean energy in order to do their bit to avert dangerous climate change. The emphasis for business is on the new jobs and economic opportunities created by the clean energy transition. One of the stated policy objectives in the Act is:

to promote and support the state's regions, industries and communities to adjust to the changes involved in the transition to a net zero greenhouse gas emissions economy, including capturing new opportunities and addressing any impacts arising from the need to reduce greenhouse gas emissions across the economy (s 22(d)).

Even in the absence of strong federal legislation and policy driving clean energy transition, state-level legislation can deliver emissions reductions and investment in clean energy.

The lack of a viable statutory and policy framework at the federal level to reduce greenhouse emissions to meet the Paris Agreement targets and support businesses to transition to a clean energy economy is a major ongoing concern in Australia and stronger laws that regulate and/or price carbon across the economy are urgently required.¹ However, state-led initiatives such as Victoria's new *Climate Change Act* are not only symbolic, they also stand to deliver significant emissions reductions if properly implemented.

¹ Eg <https://theconversation.com/direct-action-not-giving-us-bang-for-our-buck-on-climate-change-59308>; <https://theconversation.com/putting-carbon-back-in-the-land-is-just-a-smokescreen-for-real-climate-action-climate-council-report-65475>

For example, as part of the overarching Climate Change Strategy that will be developed under the new Act, government Ministers will take the lead in making Emissions Reduction Pledges at a whole-of-government and sectoral level:

- *Whole-of-government Pledges* will quantify emissions reductions and outline actions to be taken by government bodies to achieve these reductions from government operations and activities.
- *Sectoral Pledges* will quantify emissions reductions and outline actions to be taken by government (e.g. new regulation and policy) to achieve these reductions within prescribed sectors of the economy including stationary energy and transport, industrial processes and products, agriculture and waste.

Victorian businesses operating in these sectors can therefore expect new programs and regulations to achieve emissions reductions. Similarly, businesses providing goods and services to government will be impacted by whole of government pledges.

Pollution control measures, such as works approvals and licenses, are also likely to be directly employed in the future in Victoria to reduce GHG emissions.

The new Act explicitly provides that the Victorian Environment Protection Authority has the power to regulate the emission of greenhouse gas substances to contribute to the State's long-term and interim emissions reduction targets (s 101). The [2016 independent inquiry into the EPA](#) recommended that the government clarify the EPA's role in regulating GHG emissions and ensure the EPA has the appropriate statutory tools available to do this. In their [January 17 response](#) to the inquiry, the Government has confirmed that the role of the EPA and the tools available will be developed as part of the implementation of the *Climate Change Act*.

The new regime is not only about achieving emissions reductions. It also seeks to support communities and businesses to adapt to the potential impacts of climate change which pose major risks to businesses in all sectors.

Victoria faces [major adaptation challenges](#) from reduced rainfall, increased temperatures, more extreme fire weather and other extreme events and sea level rise. For Victorian businesses, these physical impacts have significant financial implications as they could lead to potential disruptions to operations, transportation, supply chains; damage to physical assets; and reduced resource availability, with significant financial implications.

The preparation of Adaptation Action Plans under the new *Climate Change Act* presents a great opportunity for businesses to be involved in developing timely steps to minimise exposure and maximise resilience to the physical impacts of climate change. The legislation specifically provides for input from the business sector in the preparation of these plans and broad consultation requirements also apply.

With the introduction of the *Climate Change Act 2017*, Victorian businesses are now operating in a progressive policy context that acknowledges the massive financial risks posed to the state economy by climate change and commits to use available state-level legal and policy levers to create conditions for clean energy transition. This new legislation presents great opportunities for progressive business to take advantage of these opportunities and get involved in shaping a positive transition to clean energy.