

Impact Analysis Statement

Summary IAS

Details

Lead department	Department of Energy and Climate
Name of the proposal	Legislating the Queensland Government's emission reduction targets
Submission type <i>(Summary IAS / Consultation IAS / Decision IAS)</i>	Summary IAS
Title of related legislative or regulatory instrument	Clean Economy Jobs Bill 2024
Date	February 2024

What is the nature, size and scope of the problem? What are the objectives of government action?

As global decarbonisation picks up pace over the next decade and beyond, Queensland will need to embrace new opportunities to maintain its leading economic position.

The Queensland Government recently committed to a new Emissions Reduction Target (ERT) in the form of an additional interim target for 2035 of 75% below 2005 levels. This additional target will help Queensland keep pace with other Australian jurisdictions and facilitate a more planned pathway to achieving the target of net zero emissions by 2050.

In July 2021, the Queensland Government launched the Queensland Climate Action Plan (QCAP). QCAP includes two economy-wide ERTs:

- achieve zero net emissions by 2050
- reduce emissions to 30% below 2005 levels by 2030.

These ERTs are long-standing and were originally publicly committed to by the Queensland Government in 2017.

The Queensland Government is seeking to demonstrate its commitment to a credible and stable emissions reduction pathway that supports jobs, economic growth and emerging industries. Industry and investors are seeking greater certainty regarding Queensland's path to net zero. This certainty is necessary to attract investment and support Queensland communities to sustainably transition to a low-carbon future.

What options were considered?

Due to the specific objectives that underpin this proposal, only two options were considered:

- **Option 1 – Maintaining the status quo (base case)**

Option 1 would maintain the status quo. Queensland's ERTs would remain policy only. No new laws would be introduced.

- **Option 2 (preferred) – Establish ERTs in legislation**

Option 2 would translate Queensland's ERTs into law. It is proposed that new legislation be developed to provide the highest level of government commitment to supporting a low carbon future economy. The legislation will enshrine existing ERTs into law and require future interim targets to be set for 2040 and 2045. This will help provide certainty to industry to invest in decarbonisation, and will support growth of emerging industries and new job opportunities.

What are the impacts?

Option 1 – Maintaining the status quo (base case)

Under this option, Queensland's ERTs would remain a public policy commitment and would not be elevated through legislative intervention. New ERTs could be introduced but they would not be legislated and there would be no legal requirement regarding the setting of new interim ERTs. There would also be no requirement for independent evaluation of Queensland's progress against the ERTs. A requirement to table an annual report on emissions reduction progress could be introduced but would have no legislative grounding.

This option is inconsistent with community expectations for the Government to act on climate change by reducing the state's carbon emissions. It is also unlikely to address calls from industry for certainty from Government in relation to its commitment to decarbonisation and emissions reductions. A common theme of feedback from industry representatives has been uncertainty regarding decarbonisation policy, including target setting and the pathway to net zero.

This option maintains uncertainty for investors seeking low carbon opportunities, likely limiting opportunities to harness investment in Queensland industries.

Option 1 is inconsistent with the growing consensus approach in other Australian jurisdictions. All states and territories and the Commonwealth (except the Northern Territory) have either enshrined emissions reduction targets in legislation or announced an intention to do so.

Option 2 – Establish ERTs in legislation

Option 2 proposes legislation that will commit Queensland to achieve the following ERTs:

- a. reduce greenhouse gas emissions in Queensland to an amount that is at least 30% below 2005 levels by 2030.
- b. reduce greenhouse gas emissions in Queensland to 75% below 2005 levels by 2035.
- c. achieve net zero greenhouse gas emissions in Queensland by 2050.

This option is designed to demonstrate the highest level of government commitment to its targets.

Option 2 also proposes a requirement to legislate new interim ERTs for 2040 and 2045, together with criteria that must be considered when deciding on these ERTs. This will provide a clear and planned transition to support achievement of the 2050 target. It is proposed that there will be a requirement to set targets at least 10 years in advance to support certainty for industry and investors. In setting these new interim ERTs, a number of factors must be considered, including economic, financial, social and environmental benefits and costs. Compared to the base case, where the Queensland Government can set ERTs without being subject to any requirements, it is expected that the proposed legislation will ensure more accountability and transparency.

There will be no direct negative impacts on community or business associated with this legislation. The legislation will create certainty for industry to invest in decarbonisation, which in turn will support new jobs and economic growth opportunities.

There will be minimal direct impacts on government as a result of the proposed legislation.

There will be a requirement for an annual report to be tabled in Parliament, detailing the progress made towards meeting ERTs. While the preparation of this report will have some costs, additional costs are expected to be minimal because the Queensland Government already collects data on emissions reduction for other purposes. Annual reporting will promote accountability in the transition to net zero.

Government will fund additional costs for the expert panel to be established by the proposed legislation. Regardless of whether there is legislation mandating the provision of expert advice to government, it would be common practice for government to obtain expert analysis to support its decision making on optimum pathways to achieving its emissions reduction commitments, progress on achieving ERTs and associated matters. The legislated requirement will provide community and industry with the assurance that the government is receiving expert advice and that a broad-range of matters are being considered in planning the pathway to net zero.

Enshrining the ERTs in legislation will not, of itself, have direct costs on government or industry compared to the base case. Under the base case, these ERTs would still exist and new ERTs could be added, but they are just policy.

There will also be a requirement for emissions reduction plans to be developed for relevant sectors to provide a clearer pathway to achievement of the ERTs. The Queensland Government already develops sector plans but there is no legislative requirement for them. Any additional costs associated with the legislative requirements in the

Bill are expected to be minimal given the work already undertaken by government in developing sector plans and other plans that establish emissions reduction actions. The sector plans will provide greater certainty for industry and investors by providing a clearer plan for emissions reductions by sector. Any actions outlined in sector plans will be informed by emissions and economic modelling to identify the best options to deliver emissions reductions at the same time as economic benefits and cost savings for Queenslanders, and will be developed through government decision-making and state budget processes.

Who was consulted?

A. The consultation undertaken to date (when did it occur, and who was consulted?)

There has been ongoing consultation within the Queensland Government. While there has not been direct consultation on the proposed legislation outside of Government, the Government has considered general industry and community sentiment and feedback in preparing the proposal.

B. The views and concerns of stakeholders consulted

Submissions on the Commonwealth's Climate Change Bill 2022 were considered. This Bill contained amendments to legislate Australia's ERTs (including net zero emissions by 2050). The Bill was supported by major stakeholders across multiple sectors including unions, business, energy and resources, conservation groups as well as community, legal and research organisations. Submissions stated that previous policy uncertainty had hampered the investment necessary to address climate change. The support from both the Business Council of Australia and the Australian Chamber of Commerce was highlighted by the sponsoring Federal Minister.

Feedback on the New South Wales Government's Climate Change (Net Future) Bill 2023 was also considered. This Bill was generally positively received.

What is the recommended option and why?

The overarching purpose of government action is to provide greater certainty regarding Queensland's transition to net zero in order to support jobs and secure Queensland's economic future.

The proposed legislation under Option 2 will provide the highest level of government commitment to support a low carbon future economy. Achievement of the state's net zero target will be supported by clear requirements for obtaining expert advice, developing sector plans, reporting on Queensland's progress and setting interim targets for 2040 and 2045. The legislation of ERTs is consistent with the approach taken by other Australian jurisdictions and will help to demonstrate to industry and investors that Queensland is taking strong action to decarbonise its economy.

While ERTs are already in place under Option 1, their status as a policy commitment does not provide the level of certainty that industry and investors are seeking.

For these reasons, **Option 2 is the preferred option.**

Impact assessment

All proposals – complete:

	First full year	First 10 years
Direct costs – Compliance costs*	Zero	Zero
Direct costs – Government costs	Zero	Zero

* NB – this is exclusive of departmental staff time, which is assumed to come from existing resources and may entail up to three FTEs, based on Victoria's experience in implementing a similar target-setting model.



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