

Environment Victoria Budget Submission 2019

A four year plan for Victoria's environment

February 2019

Who we are

Environment Victoria is one of Australia's leading independent environment groups. With more than 40 member groups and over 100,000 individual supporters, we've been representing Victorian communities on environmental matters for over 40 years.

Our vision is of Victoria as a global leader and national catalyst for solving the climate crisis, and provides a model for a thriving, sustainable society that protects and values nature.

Our mission is to take on the biggest threats to our climate and environment. We inspire, empower and lead people and communities to take action, building power to solve the climate crisis, achieve a healthy environment and secure a fair and thriving Victoria.

Overview

The 2018 election was a resounding endorsement of strong climate change and renewable energy policies. Across the State, Victorians rejected promises of new coal or gas power stations and put their support behind solar and wind.

This term of Parliament presents the Andrews government with both great opportunities and great challenges. The next four years could help ensure the future sustainability and prosperity of our state, replacing dirty, old fossil fuels with renewable energy and establishing strong protections for nature. But, as the IPCC 1.5 degree report from October 2018 makes clear, any delay will expose Victoria to increasingly severe impacts, ecosystem collapse and an exponentially greater mitigation challenge for future generations.

To meet Victoria's climate change goals we need a rapid shift to renewable energy – with clean energy solutions like wind, solar and batteries now the most cost-effective way to provide new power to Victorians. To harness these clean sources of power, we need a reliable pipeline of renewable energy projects and a clear plan to phase out Victoria's three remaining coal-burning power stations, which are responsible for over a third of the state's greenhouse gas emissions.

As we transition away from fossil fuels, we must continue to support workers who are employed in (and who are transitioning out of) the coal industry and the communities in which they live. The announcement of an electric vehicle manufacturing plant in the Latrobe Valley is a leading

example of the kind of interventions needed to bring new opportunities to the Valley. Further, we hope the Andrews Government will continue to support workers and communities by maintaining and strengthening the Latrobe Valley Authority.

The Andrews government also faces a number of vital legislative decisions arising from the *Climate Change Act*. In the next three months the government will receive independent advice on appropriate targets for carbon reductions by 2025 and 2030. We expect that the targets the government adopts based on this advice will be consistent with global efforts to keep warming below 1.5 degrees, and will be coupled with effective industry-specific and economy-wide policies to reduce emissions. One important opportunity that will occur very early in this term is using the EPA's review of coal-fired power station licences to apply limits on how much CO₂ the generators can emit. Given the urgency of the climate crisis, every opportunity to make a difference must be taken. Delay will mean failure.

While the government made significant progress in increasing the amount of renewable energy and creating a strong architecture for action on climate change over the past four years, it made much less progress in protecting our forests, rivers and threatened species. We believe this new term of government presents an opportunity to reset this agenda, with a concerted push to improve the health of the state's natural assets through stronger laws and policies, the creation of new national parks and protected areas, and the protection and recovery of environmental flows. The tone for this term can be set early by moving beyond the stalled forest transition taskforce and declaring a robust process for creating new national parks.

Victorians want their Government to lead on environment issues

In 2018, Environment Victoria ran our largest election campaign on record. We made over 100,000 calls and texts to Victorians which led to thousands of conversations about the importance of using their vote to support clean energy, climate action and environmental protection. We funded billboards - in Mordialloc, Caulfield, Ararat and Bentleigh - highlighting the positives of renewable energy, and ran advertisements promoting renewables on regional TV, in *The Age* and across major regional papers. We also had a significant presence on social media, hitting over four million Facebook impressions.

Throughout the election campaign, climate change and clean energy were prominent issues. Parties promising ambitious climate change policies were rewarded, while promises to build a new coal power station or declare a moratorium on establishing new national parks fell flat.

Polling undertaken during and after the election has confirmed this view. Exit polling undertaken by Galaxy immediately after the election found that one in five voters cited clean energy as a key issue influencing their vote. Similarly, extensive focus groups conducted before the election by Roy Morgan showed that both Labor and Green voters were deeply concerned about Matthew

Guy's lack of climate change policies.¹ Finally, ReachTEL polling commissioned by the Victorian National Parks Association showed that three quarters of Victorians support establishing a comprehensive network of National Parks and conservation reserves and would welcome increased funding and more government action to protect nature.²

This confirmed that Victoria has passed an inflection point where any party that seeks to govern has no choice but to present credible, ambitious climate change policies. Policies to support clean energy and move away from fossil fuels are no longer a 'nice to have' but a necessary condition for winning office.

What does success look like?

In the next four years, the Andrews government has the chance to leave an indelible positive mark on the future of our State. To achieve this, it is important to be clear about what an ambitious but achievable roadmap looks like. To do this, Environment Victoria has identified seven overarching goals that we expect to be achieved by 2022:

- Goal 1: Guarantee a clean energy future for Victoria**
- Goal 2: Make Victoria a leader in tackling climate change**
- Goal 3: Support a just transition in the Latrobe Valley**
- Goal 4: Reduce Victoria's reliance on dirty brown coal**
- Goal 5: Create a step change in energy efficiency Victoria**
- Goal 6: Deliver a fair go for nature**
- Goal 7: Unleash a circular economy**

Priority actions for the 2019-20 budget under each of these goals are detailed below.

¹<http://www.roymorgan.com/findings/7805-concerns-about-next-victorian-government-whether-alp-or-l-np-november-16-2018-201811160740>

² <https://vnpa.org.au/victorian-polling-results/>

GOAL 1: GUARANTEE A CLEAN ENERGY FUTURE FOR VICTORIA

What does success in 2022 look like:

- Renewable energy is providing an increasingly large share of Victoria's energy, with the State meeting its 2025 renewable energy target by delivering a reliable pipeline of 1000 MW of new renewable energy projects each year.
- The Solar Homes program has drastically increased the amount of solar power on Victoria rooftops, giving hundreds of thousands more Victorians access to solar and energy efficiency.
- Victoria's grid is ready to shift to 100% renewable energy through strategic investment in storage, transmission and demand management.

2019-20 budget priorities:

- 1. Ensure the construction of a further 1000 MW of renewable energy by announcing a second reverse auction**

Victoria's transition to renewable energy will rely on a reliable pipeline of large-scale projects being delivered over the next decade. This will ensure that Victorian renewable manufacturers have the confidence to invest in new facilities and workers have reliable employment.

Victoria currently has eleven wind farms and seven solar farms under construction, which are predicted to provide a 2518 MW of clean energy capacity. However, data from Green Energy Markets shows that over 4400 MW of renewables projects in Victoria are currently in development. These projects could be unlocked with appropriate policy settings, providing enough renewable energy to power over 6.6 million homes by the middle of the next decade. This would avoid over 15 million tonnes of carbon pollution every year and create over 11,800 construction jobs and 400 ongoing jobs in Victoria.³

The Andrews government has set a goal to source 40% of Victoria's energy from renewable sources by 2025. To best achieve this, Victoria should provide a clear, transparent timeline by guaranteeing to bring online at least 1000 MW of renewable energy annually. This would provide a smooth, predictable pipeline of new projects and would ensure that Victoria meets the VRET.

This process should start by funding a reverse auction of 1000 MW in the 2019-20 State Budget.

³ <https://environmentvictoria.org.au/2018/10/09/making-sure-the-renewable-boom-delivers-for-victorians/>

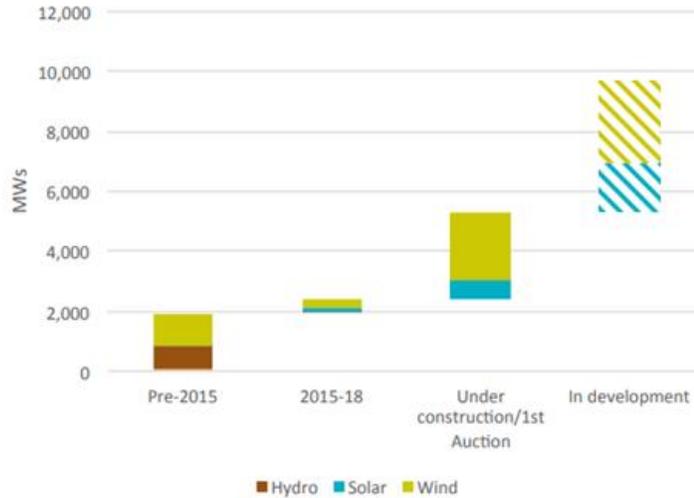


Figure 1: Construction of new renewable energy in Victoria. Data source: Green Energy Markets

2. Fund Solar Homes to ensure at least 10% of the 10-year target of 650,000 homes is delivered in the first year, and embed energy efficiency into the program's DNA

Environment Victoria strongly welcomed the announcement of the Solar Homes program. The size and reach of the program has the capacity to reshape the energy market and give every Victorian the chance to benefit from renewable energy.

The Solar Homes program also provides an opportunity to improve energy efficiency. Many Victorians are unaware of the benefits of basic efficiency measures, which means they are missing out on lower bills, affordable emissions reductions and improved comfort. They may also be unaware of opportunities to self-consume more solar power, which helps pay-off solar investments sooner.

The Government can maximise the value of Solar Homes by integrating the existing *Victorian Residential Efficiency Scorecard* into the program. This could be done in two ways:

- Offering rebates for Scorecard assessments for eligible households, which would be provided in addition to existing solar power, solar hot water or battery rebates given the complementary benefits that efficiency upgrades add to clean energy investments.
- Requiring households who access no-interest loans to undertake a Scorecard assessment, with the cost of assessment incorporated into the no-interest loan so as to maintain the 'no upfront cost' nature of the scheme.

The 2019-20 budget should provide sufficient funding to fully initiate the program and expand the program to include energy efficiency.

3. Develop a strategic investment plan for Victoria's grid

Victoria is rapidly increasing the amount of renewable energy in its grid, which requires a more dynamic grid. At the same time, many new generators are requesting to join increasingly congested transmission lines. To facilitate and smooth the uptake of renewable energy generation and avoid bottlenecks in connections we need to upgrade Victoria's grid, making it more sophisticated, with an increased capacity to store energy, move energy to where it is needed and manage demand dynamically.

In the last term of Government, Victoria made significant investments in batteries and began experimenting with demand management and virtual power plants. This term, the Government should unite these efforts through a system-wide plan that identifies the investments required in Victoria's transmission, storage and demand management capacity. This should be clearly oriented towards ultimately running a 100% renewable energy grid.

4. Develop a roadmap to increase electric vehicle uptake

Australia's uptake of electric vehicles has been slow. To change this, Victoria needs a robust long-term plan to accelerate the adoption of electric cars and charging stations in a way that is as climate-friendly as possible. This plan should ensure that the adoption of electric vehicles supports rather than cannibalises efforts to improve public and active transport.

GOAL 2: MAKE VICTORIA A LEADER IN TACKLING CLIMATE CHANGE

What does success in 2022 look like

- Greenhouse gas emissions in Victoria levels are falling significantly, with the State firmly on-track to reduce emissions by at least 45-50% by 2025.⁴
- The Government has integrated its ambition to reduce emissions to zero by 2050 into both short and long-term Government decision making
- Victoria's departments, government bodies and other agencies are on track to reach zero net emissions from government operations by 2030.

⁴ For more information on climate targets, see our submission to the Independent Expert Panel on Interim Targets (May 2018). <https://environmentvictoria.org.au/2018/05/08/submission-victorias-interim-climate-targets/>

- Victoria has set strong sector pledges that are driving significant emissions reductions in key sectors across the economy.

2019-20 budget priorities:

5. Support, and fund efforts towards, emissions targets of at least 45-50% reductions by 2025 and 65-80% by 2030

Victoria has a strong framework for tackling climate change through the legislated *Climate Change Act*. The Act requires the Government to set two interim targets for emission reductions between 2021-25 and 2026-30 by March 2020. This process is being informed by an Independent Expert Panel, which will hand down its findings to the Minister for Climate Change in February 2019. To ensure this process is successful, the Government should announce its support for strong emissions targets in the 2019-20 budget and earmark funding to start the delivery of policies needed to achieve the Independent Expert Panel's recommendations.

6. Set strong emissions targets for Government operations and key sectors

Victoria's *Climate Change Act* requires the Victorian Government to set emissions targets across Government and in key sectors. These targets should be robust and effective, clearly putting Victoria on a path to zero emissions and reflecting the State's leadership aspirations. The 2019-20 budget provides an ideal opportunity to announce these targets, to demonstrate the level of ambition to be achieved over this term.

- **Whole of Government Pledge:** The Minister is required to announce the Government's own emissions reduction goal by 1 August 2020. This goal encompasses all emissions produced through government operations, such as energy use, waste and transportation. It is important that this target is both ambitious and can be achieved effectively. Comparable jurisdictions provide an indication of possible targets. For example, both the ACT and the City of Melbourne aim to be carbon neutral by 2020.⁵

To ensure that Victoria delivers a target that is in line with the ambition expressed by the Andrews' Government, the 2019-20 budget should announce plans to reduce carbon emission from government operations by 100% by 2030. As part of this, the budget should provide funding for government departments to undertake rigorous examination of emission reduction opportunities and to implement immediate priorities over the next five years.

⁵ <https://www.environment.act.gov.au/cc/what-government-is-doing> & <https://www.melbourne.vic.gov.au/SiteCollectionDocuments/emissions-reduction-plan.pdf>

- **Sector Pledges:** The *Climate Change Act* requires relevant government Ministers to set emissions reduction goals in key sectors of the Victorian economy and identify actions that can be taken by government to achieve these goals. Sector pledges will be produced by Ministries responsible for the the following sectors: Energy, including stationary energy, transport and fugitive emissions; Industrial Processes and Product Use; Agriculture; Waste; and Land Use, Land Use Change and Forestry. The 2019-20 budget should provide funding and adequate departmental resourcing for Ministries to identify ambitious emissions targets, develop robust sectoral plans and begin implementation of priority actions.

7. Implement international recommendations on climate change reporting and disclosure

The Task Force on Climate-related Financial Disclosures (TCFD) has established a new benchmark for the disclosure and reporting of risks relating to climate change. These reporting requirements are being widely adopted by the private sector, and the government should now apply these standards to its own operations. The government is responsible for a wide range of assets, which the public rely on. Both the government and the broader public need to know how exposed these assets are to (1) the impacts of climate change and (2) the transition risks posed by global decarbonisation and shifting markets.

This will ensure that the government and the public have a clear understanding of its exposure to climate risk. To that end, the state government should add the TCFD framework to the existing requirements under the Financial Reporting Directives used by public agencies in Victoria.

GOAL 3: SUPPORT A JUST TRANSITION IN THE LATROBE VALLEY

What does success in 2022 look like:

- The Latrobe Valley community, together with government and the private sector, is implementing a long-term plan for sustainable economic success, built on creating clean energy jobs, sustainable manufacturing and agriculture.
- The Latrobe Valley Authority has become an on-going, trusted and well-resourced body that is playing a key role in supporting and guiding the community through a just transition journey.
- Rehabilitation of former mines and power stations is being undertaken in ways that maximise community benefit and ensure long-term environmental sustainability.

- The Victorian Government is implementing a plan to transition workers at Victoria's three remaining coal generators to new employment opportunities.

2018-19 budget priorities:

8. Legislate to establish the Latrobe Valley Authority (LVA) as an on-going statutory body, with an expanded remit and resources.

The LVA was established in the wake of the closure of Hazelwood power station, and was provided with \$20m to be spent over four years. The Authority aims to engage the community in the process of managing the consequences of the energy transition, such as coordinating the delivery of worker transition support, financial planning, counselling and training. While the Authority initially faced challenges in winning community trust, it is now delivering tangible results for the Valley. The Victorian Government must build on this success, as the pace, depth and urgency of the energy transition will only increase in coming years.

The Authority's funding is set to expire in 2020, but its task is far from complete. Through the 2019-20 budget the Government should, by providing a new round of funding through the forward estimates, signal the intention to ensure the ongoing operation of the Authority to at least 2030. It should also transition the LVA to a Statutory Authority, which would give it a legislative mandate that reflects the scale and importance of its work. This would allow the LVA to plan and deliver projects with an assured future, attracting high-quality staff, while building on community efforts and knowledge to support the Latrobe Valley through the transition to renewable energy and assist the development of a revitalised and more diverse regional economy.

9. Begin preparing for the retirement of the Yallourn power station.

Yallourn is one of the most carbon intensive coal-fired power stations in the developed world. It was commissioned in 1974, and has been operating for 43 years. The plant's operation poses serious health risks for the Latrobe Valley, pumping out dangerous levels of carbon monoxide and PM2.5 particles, which are known to trigger chronic disease such as asthma, bronchitis and other respiratory problems. The plant has not upgraded its pollution reduction technologies since 1973, and Worksafe incident reports show that the plant has serious structural failures that are placing workers at risk.⁶

EnergyAustralia currently intends to close Yallourn in 2032, but given its age and condition, and the profoundly concerning health, safety and climate challenges posed by the plant, there is clearly a need to begin preparing for the likelihood of a much earlier closure date - potentially as

⁶ Environment Justice Australia, 2017, *Toxic and Terminal: How the regulation of coal-fired power stations fails Australian Communities*, Carlton, Australia

early as 2022. The 2019-20 budget should provide funding to assess replacement power needs and work with the community and affected workers to begin transition planning.

GOAL 4: REDUCE VICTORIA'S RELIANCE ON POLLUTING BROWN COAL

What does success in 2022 look like:

- The Yallourn Power Station has been retired, with sufficient replacement energy capacity bought online and a worker and community transition being successfully implemented.
- Remaining coal generators are being regulated in ways that actively reduce toxic air pollution and greenhouse gas emissions, and plans to phase-out the plants by 2030 are being developed.
- A sustainable future for the Portland aluminum smelter has been assured by transitioning the facility from dirty brown coal to 100% renewable energy.

2018-19 budget priorities:

10. Rein in carbon pollution from on coal-fired power stations through EPA-imposed licence limits on greenhouse gas emissions

Victoria's *Climate Change Act* gives the EPA the power to regulate greenhouse gases (GHG) from power stations. However, to date, the regulator has been unwilling to utilise these powers, instead allowing coal generators to pump unlimited greenhouse pollution into our atmosphere. This means that Victoria's environmental regulator is failing to address climate change - the most pressing environmental challenge facing our State.

Despite the extensive reforms to the EPA delivered in the previous term, the EPA's absence from climate change solutions remains a glaring omission that threatens to undermine the credibility of an otherwise respected public agency.

The EPA is currently undertaking a review into the licences of Victoria's brown coal-fired power stations. This is the perfect opportunity to limit greenhouse gas emissions from these polluters. To do this, the Government should ensure that the EPA imposes licence limits that require Victoria's coal generators to reduce their greenhouse emissions. An initial rate that requires reductions of 3% a year is the absolute minimum trajectory consistent with the legislated target of net zero emissions by 2050. As emissions targets for 2025 and 2030 are confirmed, that rate of emissions reductions at the power stations should be accelerated to meet those closer targets.

11. Require Alcoa to transition the Portland aluminum smelter to renewable energy

The Alcoa Aluminum Smelter in Portland is the State's largest energy consumer, drawing approximately 10% of the grid's electricity, and is an important employer in the South-West of Victoria. The plant received a four-year \$200m subsidy from the State Government in 2017, which required the plant to stay open till 2021. This agreement will need to be re-negotiated in the next year.

Over the past decade, global aluminum production has increasingly relied on renewable energy. This is becoming the industry standard, which will leave aluminium produced using dirty fuels such as coal facing a significant reputational and competitive disadvantage. To help ensure the long-term sustainability of the Alcoa plant, the Government should make any future support contingent on the plant sourcing 100% of its energy from renewable sources. This would provide a significant job stimulus in the north-west of the State - as new solar, wind and batteries would be required - and would ensure the long-term sustainability of Portland's facility in an increasingly carbon-constrained global market.

GOAL 5: CREATE A STEP CHANGE IN ENERGY EFFICIENCY VICTORIA

What does success in 2022 look like:

- Victoria has become a leader in energy efficiency, leading to a reduction in energy consumption while maintaining the effectiveness and competitiveness of the Victorian economy. This includes a significant reduction in gas demand, obviating the need for costly and environmentally damaging gas imports.
- All new Victorian homes are built to an 8-star energy efficiency standard, with standards consistently and rigorously enforced.
- Victorian renters are living in safe, warm houses that are cheaper to run and lead to less carbon pollution through the establishment of robust energy efficiency standard for rental properties.
- The Victorian Energy Upgrades (VEU) program is driving deep efficiency investments in Victorian homes and businesses, with a particularly strong focus on low-income earners and vulnerable customers
- Victorian businesses and large industrial energy users have gained national and international competitiveness through efficiency-driven cost-savings.
- Government has implemented deep energy efficiency improvements across Government facilities.

2019-20 budget priorities:

12. Begin the development of an 8-star efficiency standard for new Victorian homes

Victoria was the first state in Australia to set a five-star efficiency standard for new homes in 2004. Since then, the cost of building efficient properties has fallen drastically and it is now cost-effective to build new properties to an 8 star standard. Implementing this standard would reduce bills across Victoria's rapidly growing suburban fringe and would partly offset the transport costs associated with new suburbs, while increasing the ability of residents to stay healthy and safe during extreme weather. It would also help reduce the amount of investment in electricity distribution infrastructure required to service new suburbs. The 2019-20 budget should fund the development of new build standards, bringing together stakeholders, scientists and communities to unleash the next wave of efficient buildings.

13. Fund more compliance officers to enforce residential energy efficiency standards

Victoria's six-star energy efficiency standard for new homes is easily achievable and delivers a range of benefits for homeowners (though it is long overdue to be updated, as noted above). However, too many buildings do not comply with the code and penalties for non-compliance are rarely enforced. Due to this, builders may decide they would rather risk non-compliance given the low chance of detection. To overcome this, the 2019-20 budget should provide funding to increase inspections and pursue stricter penalties in cases of non-compliance.

14. Fund DELWP & Consumer Affairs Victoria to develop a model for energy efficiency standards for rental properties

Renting is becoming increasingly common in Victoria, with nearly one-third of all Victorian households now renting. However, renters often miss out on the benefits of energy efficiency because they have to rely on their landlord to upgrade their property.

In the last sitting of Parliament, the Victorian Government passed the *Residential Tenancies Amendment (RTA) Bill 2018*. This legislation marked a significant improvement in the rights of renters, increasing security of tenure, giving renters more freedom to make modifications and allowing Government to set minimum health, safety and energy efficiency standards. The legislation itself does not set minimum standards, but rather accommodates energy efficiency standards that are set through other pieces of legislation.

With the RTA bill now passed, the Government must now develop, implement and enforce energy efficiency standards. Environment Victoria has developed a model in its report *Bringing Rental*

*Homes up to Scratch*⁷, which provides an affordable, phased approach to introducing efficiency standards. However, further developing this model within government will require funding for both DELWP and Consumer Affairs Victoria to undertake detailed modelling, analysis and legislative development. It is vital that this work be funded through the 2019-20 budget if the Government is to introduce these much-needed standards in this term.

15. Increase the Victorian Energy Upgrade target and set a low-income target

Victorian Energy Upgrades (VEU) program has consistently delivered affordable energy efficiency outcomes, helping 1.7 million Victorian households and 70,000 businesses access energy-saving upgrades. In 2016, the Government set annual targets for the program from 2016 to 2020, which will reduce CO₂ emissions by approximately 6.5 million tonnes. The Government also committed \$8.1 million to support this program.

The program has exceeded its savings targets for the last 18 months at significantly lower cost than anticipated. Despite this success, there is still significant untapped potential to increase Victoria's energy efficiency. While the program initially incentivised activity across Victoria's building stock, the current modest goals have seen the program focus on upgrading commercial lighting, which leaves the residential market untapped.

The 2019-20 budget should supercharge the VEU program and re-establish a strong focus on residential properties. This requires a number of steps. Firstly, the Victorian Energy Upgrades target should be significantly increased for 2021-2025. Secondly, a low-income earner sub-target should be introduced, which would force service providers to seek out opportunities to reduce energy usage for Victoria's most vulnerable residents. Finally, the government should reintroduce insulation into the scheme, which is the single most cost-effective measure for reducing energy costs and improving health. These measures would ensure that the program has a significant impact on Victorians' energy bills and reduces the state's carbon and air pollution associated with the Victorian energy sector.

16. Develop and fund a program to assist homes, businesses and industry to reduce their dependence on natural gas

Some forecasts for the gas market on the east-coast of Australia anticipate a tightening in gas supplies. While one possible solution being put forward (by AGL) is to start importing gas into Victoria through Westernport Bay, a better solution is for government to accelerate efforts to help homes, businesses and industry to (1) upgrade to more efficient equipment that reduces gas demand and/or (2) switch away from gas where possible, towards electric alternatives. This provides ample scope for reductions in gas demand, which helps to save consumers money,

⁷ Environment Victoria, 2017, *Bringing Rental Homes up to Scratch*, <http://environmentvictoria.org.au/wp-content/uploads/2017/09/Bringing-rental-homes-up-to-scratch-Sept-2017-online.pdf>

reduce greenhouse gas emissions, keep gas-using industries more competitive, and bypass the need to risk environmental impacts at any proposed gas import terminals.

GOAL 6: DELIVER A FAIR GO FOR NATURE

What does success in 2022 look like:

- Victoria is transitioning the native forest logging industry out of high-conservation value native forests and into plantations, and there has been a significant expansion of area under protection, starting with the Great Forest National Park and followed by other much-needed parks.
- Significant investments have been made to protect our rivers through comprehensive restoration of riparian lands, and 3200 GL of water has been delivered through the Murray Darling Basin plan, with greater transparency and accountability in its implementation and with better assessments of the benefits of environmental water.
- Significant improvement in the protection of threatened plants and animals have been implemented through strengthened laws, institutions and private investment vehicles.
- Victoria has become a leader in joint management of national parks and conservation areas, with authorities working meaningfully and productively with traditional owners to sustainably manage waterways, forests and grasslands while creating employment opportunities for Indigenous Victorians.

2019-20 budget priorities:

17. Establish a Victorian Environmental Assessment Council (VEAC) inquiry to improve public land management in Victoria's Central Highlands

The Forest Industry Taskforce announced in 2014 developed a pathway to resolve logging and forest conservation issues in Victoria. Regrettably government has not acted on the recommendations provided to it by major stakeholders including paper manufacturers, sawmillers, trade unions and forest conservationists.

In the last four years there have been significant developments in the native forest logging industry, including: a continued failure for state government loggers, VicForests, to achieve even the lower-bar Controlled Wood certification with the Forest Stewardship Council; the state government's acquisition of the Heyfield sawmill; an erosion of social licence for the industry with 62% of residents in the Central Highlands and East Gippsland finding native forest logging to be

unacceptable⁸; and serious questions raised about the legality of logging (some of which are currently being tested in the Supreme and Federal courts).

As such, the Andrews government should urgently resolve issues impeding the establishment of the Great Forest National Park (GFNP) and initiate a VEAC inquiry to ensure the best management of the publicly-owned forest estate in the Central Highlands.

The GFNP would provide a new escape within reach of every Victorian, while playing a vital role in protecting Victoria's rare and precious species such as Leadbeater's possum, securing Melbourne's water supply, and helping mitigate climate change through carbon sequestration.

Establishing the GFNP would create 750 new full-time jobs and bring 380,000 new visitors to Victoria's spectacular Central Highlands.

18. Take steps to bring a renewed focus to environmental outcomes in the Murray Darling Basin

Victoria has committed to implementing the Murray-Darling Basin Plan in full and has repeatedly pledged its support for the environmental outcomes of the Plan. The key ingredient for a successful plan is ensuring there is enough water in our rivers for wildlife and communities to survive and thrive in the face of a drying climate.

The rate and volume of environmental water recovery has declined rapidly in recent years due to governments' reliance on expensive and uncertain infrastructure projects as the principal means of water recovery. Both the Productivity Commission and the South Australian Royal Commission have been critical of this approach and the latter strongly recommends a return to buybacks as the principal form of water recovery. There is an urgent need to decouple water recovery from regional transition or climate adaptation programs. The Andrews government should call for an immediate halt to all infrastructure-based water recovery while its effectiveness, costs and benefits are reassessed, and a proper analysis of the cost effectiveness of water recovery through different methods is conducted. An audit of water savings realised through infrastructure projects that accounts for loss of return flows to streams and aquifers is also required.

Recent work by the Wentworth Group of Concerned Scientists⁹ shows that the expected flow outcomes of the Basin Plan have not yet been achieved and there is little improvement on pre-Plan baseline outcomes. A major reason for this lack of progress is the failure to manage constraints, both physical and regulatory, that impede the delivery of environmental water. In fact constraints on the delivery of environmental water through the Goulburn River have tightened at the same time as the river is being damaged by high summer demand from downstream irrigators.

⁸ <https://www.smh.com.au/environment/sustainability/bush-turns-its-back-on-support-for-logging-native-forests-20181113-p50frc.html>

⁹ <https://wentworthgroup.org/2019/02/mdb-flows/2019/>

The Victorian government should be more ambitious in its approach to constraints management. The Royal Commission recommends a compulsory land acquisition program in the public interest with just compensation for land holders. The Victorian government should investigate this approach as a way of resolving the impasse.

The government has commissioned economic studies of the impacts of water recovery on irrigators but has done no comparable analysis of the economic benefits of environmental water recovery or of the costs of continued 'business as usual'. Through the 2019/20 budget, the government should commission a study of the non-market benefits of water recovery in Victoria.

19. Initiate a review into threatened species management

Over the last three years there has been a departmental review of the *Flora & Fauna Guarantee Act*. The findings and proposed legislative reform fell well short of the protection needed by Victoria's threatened species. This reform opportunity should be revived by appointing an independent inquiry similar to last term's inquiries into the Environment Protection Authority and the *Climate Change Act*. The inquiry should identify the shortcomings of our current structures and practices for protecting threatened species, frame new legislation, and set up programs and institutions needed to protect our precious flora and fauna. This inquiry should be announced through the 2019-20 budget to set an ambitious and effective agenda for environmental reform.

20. Increase the Environment Contribution Levy to 7% for metropolitan users and 5% for regional users

The Environment Contribution Levy (ECL) is a modest levy collected from water authorities to fund sustainable water management and improve waterway health. The levy is a vital source of dedicated funding for projects that ensure the sustainable management of Victoria's water resources, such as drought proofing, river restoration, flood mitigation and improved metering and monitoring. This funding is desperately needed, with less than a quarter of Victoria's rivers rated as being in 'good' condition¹⁰. Climate change will exacerbate these existing problems, with water becoming even more precious.

The levy is set every four years, with 5% levied on metropolitan authorities and 2% on rural authorities. In 2016, the Victorian Government committed to a fourth tranche of the environmental contribution, which was used to fund the Government's *Water for Victoria* strategy. The fifth tranche of the ECL is scheduled to begin in 2020. The 2019-20 budget is an appropriate point to increase the levy to 7% for metropolitan users and 5% for regional users. This would provide a new source of funding for water projects and would reduce the inequality between metropolitan and rural users.

¹⁰ Commissioner for Environmental Sustainability Victoria, 2013, *State of the Environment Report*, Melbourne: Australia

21. Invest a further \$60 million into riparian riverbank restoration

Riverbanks are incredibly valuable places. When they are in good condition they stop pollutants entering the water, provide shade to keep rivers cool and prevent flood damage and erosion. As the climate changes, they will become increasingly important, creating refuges and migration opportunities for wildlife. Riverbanks need to be at the forefront of biodiversity conservation.

The number one threat to riverbank health is livestock grazing. To address this, the Government implemented the Regional Riparian Action Plan in 2015. This program has been highly successful, protecting nearly 2,300 kilometres of riparian land – equivalent to the distance between Melbourne and Cairns. The program currently only has funding to 2020. To send a clear signal of ongoing support, the Government should commit to scaling-up the program in the 2019-20 budget by providing \$60m of new funding to be delivered between 2020 and 2024.

22. Provide \$30-40 million for the Trust for Nature revolving fund

The Trust for Nature plays a vital role in protecting biodiversity by supporting private landholders to convert their properties to permanent protected habitats. To significantly ramp up this work, Victoria should invest between \$30 - \$40m in a Revolving Fund that purchases properties rich in biodiversity, applies permanent protections and then re-sells the properties. This would protect 60,000 - 70,000 ha of vital conservation land over four years, without affecting the budget bottom line, because the funds are retained as property assets and, once sold, can be reinvested.

23. Increase Parks Victoria's annual funding by \$50 million, with a focus on greater involvement of Traditional Owners and new protections in Victoria's Central West

To protect our national parks, government needs to significantly increase the amount of operational funding provided to Parks Victoria. An initial core funding increase of \$50 million per year in the 2019-20 budget, with subsequent annual increases of at least \$15 million in core government funding (non-tied) over the forward estimates, would bring Parks Victoria back up to an appropriate level of resources. This would provide funding for hundreds of skill-based positions such as rangers, as well as improving long-term land management programs.

As part of this, the government should commit to a comprehensive approach to, at a minimum, joint management of national parks and conservation estates with Traditional Owners, working collaboratively to build on the successful programs already in place across Victoria.

A particular geographic focus for some of this additional funding should be in public land in the Central West of Victoria. The forests and woodlands of Wombat (near Daylesford), Wellsford (near Bendigo), Mount Cole and Pyrenees Range (near Beaufort and Ararat) are worthy of better protection. Their immense natural values include over 350 threatened species such as the powerful owl and sugar glider and eleven significant headwaters of important rivers including the Moorabool, Werribee, Lerderderg, Maribyrnong and Wimmera. If protected, they will importantly

fill the many gaps in Victoria's conservation estate and help us meet global biodiversity targets. While the government has not yet made a decision on the draft VEAC report, provision should be made in the budget to commence park establishment, including relevant infrastructure, staffing, park planning and enhanced ecological management.

24. Complete the Yarra River Action Plan

Following advice from the Yarra River Protection Ministerial Advisory Council, the Victorian Government created the Yarra River Action Plan in 2017. Since then, the Government has undertaken welcome reform such as establishing the Birrarung Council as an independent voice for the River and passing the Yarra River (Willip-gin Birrarung murrn) Protection Bill, which recognises the river as a living, integrated entity and acknowledges the vital role the Wurundjeri people have in protecting the river for millennia. The 2019-20 budget should provide funding to complete the implementation of the Action Plan, including the rehabilitation of the Bolin Bolin Billabong and the establishment of a Taskforce to investigate the benefits of combining waterway management, open space, bay and coastal parkland management for greater Melbourne. The budget should also provide funding to increase environmental and cultural water flows.

The 2019-20 budget should also fund significant improvements in stormwater management, which is one of the greatest threats to water quality in urban areas. Pollution enters stormwater as both dissolved pollutants from roads, roofs, and carparks and as gross pollutants such as vegetation, litter and sediment from sources such as poorly managed building sites and bare lands. There are many options to reduce this pollution, including oil and grit separators, grassed swales, vegetated filter strips, retention ponds, and catch basin inserts, which remove gross pollutants at the source. However, only a small percentage of the stormwater drains feeding the Yarra River have pollutant traps. The Yarra Riverkeeper Association has identified a number of planning improvements which would improve stormwater management¹¹. This should be augmented through the establishment of a dedicated fund for councils to install and maintain gross pollutant traps on major stormwater drains.

GOAL 7: UNLEASH A CIRCULAR ECONOMY

What does success in 2022 look like:

- Victoria has set ambitious targets, policies and programs to move to a circular economy combined with significant economic incentives to drive down the amount of waste going to landfill.
- Victoria has developed world-renowned expertise in recycling, with major projects using a high proportion of sustainable, recycled material.

¹¹ <http://yarrariver.org.au/wp-content/uploads/2018/09/Yarra-Riverkeeper-Election-Statement-280918.pdf>

- The quality of the material we collect to recycle has improved significantly, with steep improvements in contamination rates, handling and management of material.

2019-20 budget priorities:

25. Increase the landfill levy to match the NSW rate

The landfill levy has been a highly effectively tool for incentivising recycling and discouraging landfill dumping. The fund has also raised a significant amount of money for environmental programs. Victoria's levy¹² is less than half of the levy applied in New South Wales¹³ The 2019-20 budget should better capture the full cost of landfill and improve the economics of recycling by increasing the levy in-line with New South Wales. The Government should also introduce a proximity rule, banning the shipment of Victoria's waste to other states to avoid the levy.

26. Supercharge environmental programs through the Sustainability Fund

The Sustainability Fund was set up to fund environmental programs through environmental levies such as the landfill levy. Over time, the fund has accumulated over half a billion dollars, which should be used to drive innovation, reduce emissions and protect our environment. Instead, the fund sat unused for years helping to prop up the state budget. In the previous term, the Andrews government started to disburse the fund, but the rate of investment is still far too low. In the 2019-20 Budget, expenditure from the fund should be accelerated to meet the scale of the environmental challenges that we face

27. Adequately resource the development of a Circular Economy Strategy

The existing linear approach to resource use to support economic activity is having severe and irreversible impacts on the natural environment. We welcome the government's announcement that it will develop a Circular Economy Strategy. To that end, the 2019-20 budget should provide sufficient resources to the development of this strategy, to ensure it does more than provide for basic improvements in waste management and better recycling rates.

A Circular Economy Strategy is an opportunity for Victoria to stimulate new industries, capitalising on our strengths in research and development, following cradle-to-cradle principles for design and the manufacture of products. Efforts elsewhere, most notable the European Union, to move towards a circular economy means that early and committed efforts by Victoria to become a leader in this field will put local innovators and businesses at a strong competitive advantage, all while helping to reduce drivers of environmental degradation.

¹² 2018-19 - Victorian municipal waste: \$64.30 (metropolitan)/\$32.22 (rural)

¹³ 2018-19 - NSW municipal waste: \$141.20 (metropolitan)/\$81.30 (rural)

SUMMARY

The goals articulated through this document will put Victoria on a path towards a more sustainable economy. In all cases, there are specific actions the Andrews government can take in the first year of its second term to help achieve these goals.

The full list of 2019/2020 budget priorities, articulated in greater depth above, are:

1. Ensure the construction of a further 1000 MW of renewable energy by announcing a second reverse action
2. Fund Solar Homes to ensure at least 10% of the 10-year target of 650,000 homes is delivered in the first year, and embed energy efficiency into the program's DNA
3. Develop a strategic investment plan for Victoria's grid
4. Develop a roadmap to increase electric vehicle uptake
5. Support, and fund efforts towards, emissions targets of at least 45-50% reductions by 2025 and 65-80% by 2030
6. Set strong emissions targets for Government operations and key sectors
7. Implement international recommendations on climate change reporting and disclosure
8. Legislate to establish the Latrobe Valley Authority (LVA) as an on-going statutory body, with an expanded remit and resources.
9. Begin preparing for the retirement of the Yallourn power station.
10. Rein in carbon pollution from on coal-fired power stations through EPA-imposed licence limits on greenhouse gas emissions
11. Require Alcoa to transition the Portland aluminum smelter to renewable energy
12. Begin the development of an 8-star efficiency standard for new Victorian homes
13. Fund more compliance officers to enforce residential energy efficiency standards
14. Fund DELWP & Consumer Affairs Victoria to develop a model for energy efficiency standards for rental properties
15. Increase the Victorian Energy Upgrade target and set a low-income target
16. Develop and fund a program to assist homes, businesses and industry to reduce their dependence on natural gas
17. Establish a Victorian Environmental Assessment Council (VEAC) inquiry to improve public land management in Victoria's Central Highlands
18. Take steps to bring a renewed focus to environmental outcomes in the Murray Darling Basin
19. Initiate a review into threatened species management
20. Increase the Environment Contribution Levy to 7% for metropolitan users and 5% for regional users
21. Invest a further \$60 million into riparian riverbank restoration
22. Provide \$30-40 million for the Trust for Nature revolving fund
23. Increase Parks Victoria's annual funding by \$50 million, with a focus on greater involvement of Traditional Owners and new protections in Victoria's Central West

24. Complete the Yarra River Action Plan
25. Increase the landfill levy to match the NSW rate
26. Supercharge environmental programs through the Sustainability Fund
27. Adequately resource the development of a Circular Economy Strategy

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