

Hon. Tim Pallas
Treasurer
Level 4
1 Treasury place
East Melbourne 3002

CC: Hon. Lily D'ambrosio, Minister for Energy, Environment and Climate Change

15 December 2017

Dear Treasurer,

Re: Delivering a safe climate and a fair, sustainable society through the 2018-19 Victorian Budget

The Andrews Government has taken important steps over the past three years to position Victoria as a leader on clean energy and climate change in Australia. This approach is starting to deliver policies that are reducing climate pollution, cleaning up Victoria's energy supply and reducing energy bills for Victorians.

However, the sheer scale and pace of climate change and the rapid developments in our energy system mean that Victoria must continue to step up its leadership. Further, our natural environment, which underpins our prosperity as a society, continues to struggle against unsustainable practices and trends. The 2018-19 State Budget is an important opportunity to ensure that Victoria continues to capitalise on the opportunities from clean energy while taking action to protect Victoria's precious natural environment.

Over the past three months, Environment Victoria has developed a comprehensive policy agenda for the 2018 State Election. This builds on the sustained engagement between Environment Victoria and the State Government on a range of policy issues over many years. This submission outlines both the immediate priorities that we have identified in collaboration with our supporters and our longer-term priorities for Victoria.

Areas requiring immediate action in the 2018 – 19 State Budget

An effective Flora and Fauna Guarantee (FFG) Act

In this term, the Government has undertaken a comprehensive review of the FFG Act. The introduction of legislation into Parliament should be a priority for the Victorian Government, particularly given the widespread support amongst stakeholders and the Victorian community to deliver an Act that provides meaningful protection to Victoria's most vulnerable species.

The 2018-19 Budget must provide significant resources to ensure that a renewed FFG Act can be properly implemented. To be effective, the FFG Act will require a well-resourced 'cop on the beat' with substantial enforcement powers and the capacity to impose tough penalties for non-compliance. The Minister must also have access to sufficient scientific capacity to act on emerging



threats and be able to confidently employ 'stop and protect' powers when these are needed to prevent further deterioration in a species' condition. Finally, communities must be supported to initiate legal action to protect threatened species. Meeting these requirements will require increased resourcing within both DELWP and Parks Victoria.

Energy efficiency standards for rental properties.

Renting has become increasingly common across Victoria, with nearly one in three Victorian households now renting. Over the past six months the Victorian Government has taken positive steps to improve the rights of renters. However, due to a lack of regulation in the rental market, too many Victorians are missing out on the benefits of energy efficiency because they live in a rental property. The review of the Residential Tenancy Act provides an opportunity to address this situation by setting minimum standards for health, safety and efficiency to be met by landlords before they are allowed to lease a property.

Implementing efficiency standards for rental properties would create homes that are safer and more comfortable to live in and could reduce Victoria's emissions by 1 million tonnes per year. Through the 2018 – 19 budget, the Victorian Government can set minimum, achievable standards that are coupled with advice and finance to help landlords meet the new standards. These standards would initially be set at a low and achievable level, allowing landlords to spread investment over several years, and then strengthen over time. They should also be linked to legislative protection against unreasonable rent increases to protect vulnerable tenants.

Increasing Victoria's supply of Renewable energy

Environment Victoria welcomed the announcement of the first reverse auction of 650 MW as part of a Victorian Renewable Energy Target. This auction will significantly increase the amount of renewable energy in Victoria, will create hundreds of new jobs and is an important next step in transforming Victoria's energy supply. To continue the momentum generated by this initial auction, the State Government should carry out a second auction before the end of 2018. Additionally, the Government should be willing to fund a larger amount of renewable energy in the first round of auctions, closer to the 1500 MW of projects promised by 2020 when the scheme was announced by the Premier, particularly if the costs submitted by those participating in the reverse auction are lower than expected.

The State Government should also commit to the full 5150 MW VRET target modelled by EY. This modelling showed that a 5150 MW target would create 9,800 jobs, push power prices down and reduce climate pollution by 140 million tonnes. It also showed that a 5150 MW target created more jobs and delivered lower energy prices than a 3200 MW target or sticking to business as usual.

Establish the Great Forest National Park

The proposal to develop the Great Forest National Park has won wide support from across Victoria. The new park would provide a wilderness escape within reach of every Melbournian and would



play a key role in helping protect Victoria's rare and precious biodiversity, such as the Leadbeater's Possum. The park would stand as a long-term achievement of the Andrews Government remembered for generations to come. The park would also have significant economic benefits for Victoria, creating 750 jobs and bringing 380,000 extra visitors to Victoria's spectacular central highlands. It is critical that this Park is delivered ahead of the 2018 state election to ensure that the Andrews Government has a consistently strong story to tell on climate change and the environment.

Regulate climate pollution through the EPA

The Victorian government has undertaken significant reforms of the EPA, which were warmly welcomed by Environment Victoria. However, the EPA is still failing to regulate carbon pollution and is therefore failing to act on the single greatest environmental threat we face. Without regulating carbon pollution through the EPA, it is highly unlikely that Victoria will be able to meet the climate change targets that the Andrews Government has promised.

The Climate Change Act allows the EPA to regulate CO₂, but the EPA has been unwilling to address this challenge to date. The 2018-19 budget can be used to empower the EPA to tackle the most pressing environmental issue of our time, with a clear mandate and sufficient budgetary allocation to develop new policy and frameworks for regulating climate pollution.

Use the Sustainability Fund to drive ambitious environmental programs

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 could have been used to drive innovation, reduce emissions and protect our environment. Instead, the fund sat unused for years helping to prop up the state budget. The Andrews government has taken steps to start spending money coming in to Sustainability Fund on environmental programs, but the rate of investment is still far too low. In the 2018 -19 Budget the Government should accelerate expenditure from the fund in line with its intended purpose and to meet the scale of the environmental challenges that we face.

Expenditure from the fund should be used to deliver the priorities outlined above and other environmental programs. There is a significant opportunity for Victoria to expand its recycling industry in light of China's imminent ban on important waste from countries like Australia.

Policy priorities for the next term of Government

Environment Victoria has developed a comprehensive policy agenda for the 2018 election, which is attached to this submission. Particular priorities in this agenda include the following areas:

- Victoria needs a comprehensive package to deliver energy efficiency and household renewable energy to all Victorians, through the provision of comprehensive, tailored advice delivered across the State through People's Power Hubs. This support should be combined



with a revolving fund to help support vulnerable and low-income households to implement energy efficiency programs and an expansion of the Victorian Energy Upgrades Program.

- Victoria cannot rely on the market to deliver sufficient energy storage to meet the State's needs. To address this, Victoria should immediately undertake feasibility studies of possible sites for pumped hydro, based on the modelling undertaken by the ANU. Victoria should also increase the amount of battery storage through a hot-spot mapping of storage demand and using reverse auctions to increase the 40MW of batteries already procured.
- The Latrobe Valley Authority should become a permanent statutory authority, with a mandate to support the Latrobe Valley through the closure of the remaining coal-burning power stations that is likely to occur over the next fifteen years.
- A new Commission for a Hotter and Drier Victoria should be established to develop a transition vision for Victoria's environment, land-sector and agriculture. The Commission would identify unsustainable practices and work with rural communities to develop inclusive agriculture and land-use transition strategies to balance economic, social and environmental goals.
- In 2017, the Alcoa aluminium smelter was provided with a \$240m bailout package over four years to continue to manufacture aluminium in Portland. The plant is a significant consumer of Victoria's electricity, using 10 percent of the state's supply. The bailout package will expire in 2021, and a decision will need to be made about the future arrangements for the plant. Given the incredible wind resources in the South West, any future support should require a commitment to power Alcoa with new renewable energy.

These proposals are developed in greater detail in our state election agenda.

We are committed to continuing to work productively with the Andrews government and we look forward to seeing these important environmental priorities incorporated into the next Victorian budget and beyond. We would welcome further discussions with you on these or any other matters.

Yours sincerely,



Mark Wakeham
CEO Environment Victoria

