



Mr Tony Simovski
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Dear Mr McNamara

Regulation Impact Statement – Final Assessment Second Pass – Emission reduction options for synthetic greenhouse gases – Contributing to Australia’s 2030 emissions reduction target

I am writing in relation to the attached Regulation Impact Statement (RIS) prepared for options to reduce emissions of hydrofluorocarbons (HFCs) by 85 per cent by 2036 in contributing to Australia's 2030 carbon emissions reduction target. The regulatory burden to business, community organisations and/or individuals has been quantified using the Regulatory Burden Measurement framework.

The Department of the Environment has not yet established 2016 offsets. For 2014 and 2015, the Environment portfolio has reported substantial net compliance cost reductions and I am not aware of any reason why the Department of the Environment will not continue to deliver on its red tape reduction target this year in line with the Government's regulatory reform agenda.

I am satisfied that the RIS addresses the concerns raised in your letter of 12 April 2016, specifically:

- **Objective** – A clearer, more specific objective has been identified as the target of reducing HFC emissions by 85 per cent from 2016 levels by 2036, as a contribution to Australia's 2030 carbon emissions reduction target.
- **Options**
 - Restriction of competition -the RIS now analyses an auction as well as a grandfathered option for allocation of quota under Options 2a and 2b, a legislated phase-down of HFCs. The RIS recommends an auction allocation process based on this additional analysis.
 - Non-regulatory option -the RIS outlines a non-regulatory option and analyses its potential to achieve emission reduction through education and communication to encourage uptake of existing regulation and policies in place under the Ozone

Protection and Synthetic Greenhouse Gas Management Programme and industry practices.

- **Impact analysis**

- **Emission reduction of options** – the RIS outlines the expected emissions reductions achievable for each considered option. These are as follows (all 2017-2036 figures):
 - Option 1 – No Additional Regulation - is expected to result in emissions reduction due to a more skilled workforce and technological change pushed by global drivers.
 - Option 2 (a & b) – Two alternative options for legislated HFC phasedowns (by imposing declining quota on imports of bulk HFC) is expected to result in emission reduction between 3.99 (2a) and 9.15 Mt CO₂-e (2b).
 - Option 3 (a & b) – Two alternative-options for bans on specified equipment containing HFCs, a) on supermarket equipment and b) on mobile air conditioning equipment has emission reduction potential between 0.28 (3a) and 6.14 Mt CO₂-e (3b).
 - Option 4 (a & b) – Two alternative options for mandatory equipment maintenance and leak testing regimes has emission reduction potential between 21.63 (4a) and 70.19 Mt CO₂-e (4b).
- **Impact assumptions** – the assumptions underpinning the impact analysis have been detailed and outlined. In addition to those included originally, this includes:
 - The application of a \$14/tonne abatement price in 2014, rising by 3 per cent every year to \$22/tonne in 2030. This assumes increasing cost of achieving emission reductions over time.
 - The calculation of energy costs by applying baseline energy costs across nine different equipment types, nominating changes to energy costs for two equipment types based on improved efficiency associated with low global warming alternatives.
 - Including base year capitalcosts for nine different equipment types ranging from \$1000 for domestic refrigeration to \$488 000 for commercial supermarket equipment. This assumes small and large equipment is expected to become more expensive with a move to lower global warming potential alternatives.
 - Including base year maintenance costs for nine different equipment types. This assumes maintenance regimes for small and large equipment is expected to become more expensive with a move to lower global warming potential alternatives.

- **Impacts on stakeholders** – an impacts on stakeholders section has been included for each option.
 - It outlines the major stakeholders likely to be impacted by the policy and how they are expected to be impacted.
 - Substitution costs have been outlined.
 - Transfer costs have been included, based on modelling to estimate the consumer surplus impacts of likely changes in gas prices under a phase-down, which we discuss as a distributional impact.
- **Cost effectiveness analysis** – the cost of abatement figures have been removed. The RIS relies on cost-benefit analysis results only to assess the options.
- **Consultation** – the consultation section has been expanded to outline the views of different stakeholders in relation to the four options. A summary table of all who provided comments, which option they commented on, and whether they specifically agreed or disagreed with it has been included.
- **One page summary** – a one page summary of the RIS has been included on the first page following the title page.
- **Figures** – Figures in the RIS have been amended to include only options discussed in the RIS.

Accordingly, I am satisfied that the RIS now meets best practice consistent with the Australian *Government Guide to Regulation*.

I submit the RIS to the Office of Best Practice Regulation for formal final assessment.

Yours sincerely



Dean Knudson
Deputy Secretary
Department of the Environment

21 April 2016