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- TRANSCRIPT -

Thanks Glyn, thanks Jeremy. Very good to be here. Thanks to the University of Melbourne and the Social Justice Program for creating the event which will help fill out what has been an underdeveloped area of Australian thinking about the climate change issue.

As Glyn just suggested, the whole area of climate change I'm finding a stimulating one. I took about the same interest in it as the average literate citizen until about a year ago when the Premiers and the then Leader of the Opposition asked me to conduct a review of the impact of climate change on Australia and of policies for Australia.

I found that some of the old wisdom of economic policy analysis is readily applicable in this area. There are some dimensions of this problem that require new thinking, new analytic approaches and that's quite stimulating for someone at my stage of career, who spent too long thinking about old problems and thinking they've got the answers to old problems.

The climate change problem is at its heart an ethical problem. It's a problem of income distribution and it's a problem of income distribution with dimensions that we don't usually think about very much. It is first of all an intergenerational income distribution question. If we were only worried about the welfare of the human species during the rest of my lifetime, or even Glyn's, we wouldn't do much about climate change. The main impacts are longer term ones. The most important potential impacts are very long term ones. And you have to value the welfare of future generations to want to do anything about this problem.

That's why so much of the discussion of Professor Nick Stern's report, which came out in Britain in 2006, revolved around a rather esoteric discussion of discount rates. The economic concept of discount rates as applied by Nick Stern turned out to be quite controversial, and people were examining philosophically the question of what is the right discount rate through which you should compare the welfare of different generations.

If you apply a commercial sort of interest rate and discount future values to the present - and things that happen in a hundred years time don't count very much - if you discount at a rate of 7.2%, the value of something that happens in ten years time is only half the value of something that happens today. And the value of something that happens in twenty years time is only one quarter the value of something that happens today. And something that happens in sixty years time is of very small proportion of the value of something of equivalent dimension that happens today. So the discount rate you apply to future income and wealth and welfare turns out to be crucial in forming a view about whether you should do anything about this problem at all.

There's also a dreadful international income distribution dimension to this problem. It might make perfect sense for a rich country like Australia to sacrifice some current income for the benefit of future generations. It will not seem quite as simple a matter for a poor country, with most of its people in abject poverty, that needs rather strong economic growth now to get people out of poverty and give people the luxury of thinking about environmental values and the welfare of future generations.

And regrettably, doing something serious about mitigation of climate change is going to require serious efforts from all, including developing countries. Developing countries, in starting to think about this problem, we first heard this at the Rio de Janeiro summit in the early nineties, the United Nations discussion that first put a program of global mitigation effort on the international agenda. We heard from developing countries that developed countries were responsible for all of the concentrations of greenhouse gases now in the atmosphere. They had got rich by using fossil fuels and putting emissions in the atmosphere, so it was the developed countries responsibility to do something about it. This was put forward as an ethical question, a question of international income distribution, related to historical responsibility but also related in more conventional ways to equity. The rich should take responsibility for dealing with the problem and the poor countries should still be able to put their resources into getting their people out of poverty.

The problem with that is, as has become evident in recent times and as our own work in the review has highlighted, we are running towards dangerous climate change so rapidly and developing countries are now making such a large contribution to the growth of greenhouse gas concentrations in the atmosphere that there won't be a solution, unless the major developing countries at least are central parts of the mitigation effort from an early date.

There's also an awful domestic income distribution dimension to the problem. The most vulnerable in our community would be the most affected by climate change itself. If we don't do anything about the problem it will be the old, the frail, that suffer the worst health effects. People who are relatively well off will be able to insulate themselves from the effects of climate change relatively easily at an expense that is moderate compared with their own incomes and wealth. Poorer people in our society won't be able to. So that argues that there's an income distribution and an equity reason for us putting quite a lot of effort into avoiding dangerous climate change.

But the first things you think of when you consider mitigation efforts, unless you put other measures alongside them, will have disproportionately costly and damaging effects on people on relatively low incomes. And so if you're not careful you will greatly exacerbate income distribution problems. You'll put large additional burdens on the most vulnerable in the process of trying to do something about the problem. So climate change and the policy issues around it are at heart ethical questions, ethical questions framed by the most difficult imaginable of income distribution dilemmas.

It's now well understood that many social and economic problems cannot be successfully treated with traditional linear analytical approaches. In the literature these are called wicked problems, and wicked problems contrasted with tame problems. More than thirty years after the term was introduced from the urban planning literature, the Australian Public Service Commission last year produced a guide to policy makers entitled Tackling Wicked Problems.

I'm pleased to see that climate change was defined as a classic example of a wicked problem, mainly because of the different stories or narratives that can be used to define the problem.

Now it's been drawn to my attention recently of Public Service Commission usage of the concept of wicked problems. Before I was aware of it in the ST Lee Lecture at the Australian National University in November last year I called the climate change problem a diabolical problem. Today I would like to explore ways in which the wicked or diabolical nature of the problems of climate change affect the most vulnerable in our community.

We know a fair bit about how to solve tame problems. It doesn't mean it's easy but we can see clearly how we go about solving them. A tame problem has a well defined and stable problem statement with a definite stopping point. We know when it's been solved. It has a solution which can be objectively evaluated as being right or wrong. It belongs to a class of similar problems which can be solved in a similar manner. It has solutions which can be tried and abandoned. It comes with a limited set of alternative solutions. Building a bridge or health screenings might be examples. Not easy, but linear and there is a known, well worked out approach to a solution.

Wicked problems are different. Wicked problems are hard to define so that people have different ideas on the nature of the problem. They have many interdependencies and multiple causes that interact. Wicked problems don't just keep still. They interact and evolve in a dynamic social context. New forms of wicked problems emerge, while one is seeking to understand and solve the original version. Or the solution leads to new, unintended consequences.

In the ST Lee Lecture last November I said that the features contributing to the diabolical nature of the climate change policy challenge were uncertainties surrounding relationships between atmospheric gas concentrations and the timing and extent of dangerous climate change; the long lags between emissions and impacts making it difficult to rely on observation of impacts to prompt timely policy change; the need for unprecedented international cooperation for successful mitigation, alongside the existence of powerful incentives for international countries to free ride on others; and the complexity of the income distribution effects of climate change and effect of mitigation.

The first two issues relate to the uncertainty that surrounds the science of the issue. At this university gathering I should note how impressed I am by the uncertainty of the science on this question. In the current state of scientific knowledge, the further you dig the more questions arise. I think that makes a case for higher levels of investment in the science, both nationally and internationally.

The third and fourth issues, that's the international dimension and the complexity of the income distribution effects, relate to the uncertainty that surrounds the political economy of the issue.

In November last year I also said the policies which have large effects on income distribution invite fierce contest between competing interests. Climate change policy has the three acute dimensions of equity to which I've alluded, the intergenerational, the international and the domestic. The intergenerational equity question can be formulated formally in terms of discount rate. But it boils down to the question of the extent to which one generation should be willing to forego current consumption to allow greater consumption for future generations. Do we value

the welfare of our grandchildren less than, as much as, or more than the welfare of our children?

The international equity question arises from the costs of climate change itself and mitigation varying greatly across countries. It is affected by the historical responsibility for current greenhouse gas emissions, which countries which were not responsible for what's in the atmosphere now think are very important. Currently rich countries don't think those issues are very important.

But there is also a huge difference between current emissions of poor and rich countries. There will be no solution to the global greenhouse problem, climate change problem, unless there is constraint on growth in Indian growth in emissions. But currently Australian emissions per capita are thirteen times as high for carbon dioxide as Indian per capital emissions.

How then do we carve out a global agreement that will enable the world to agree on a path that will have developing countries like India and China as part of the solution? This is an issue that I covered in some detail in the interim report that I put out in February and which is on the Climate Change Review's website, and I'm not going to talk very much about that today.

Thirdly, there's the domestic equity question and this is the issue I want to talk about today. Putting a price on carbon will be the central feature of any effective mitigation regime. This will raise the cost of many everyday items. The dilemma is how do we design and scheme where such a cost is not unreasonably carried by households with low incomes? How do we ensure that climate change and its mitigation do not force highly regressive changes in income distribution?

When I first came to this issue in a way that was more profound than that of a citizen interested in this as one of the large number of questions one comes across all the time, when I dug a bit deeper I was struck by the casual consideration of the income distribution dimensions of the solutions that were being discussed. We had had two major exercises in policy making around the Emissions Trading Scheme, the first one sponsored by the states, the National Emissions Trading Scheme, the NETT's exercise, which has done a lot of work on how an emissions trading scheme could be developed.

Then the Howard Government in its final period set up a taskforce on which a majority of the members were business people with interests in the energy and transport and related industries. They came out with a report last May on the design of an emissions trading scheme. It had rather casually suggested we should put in place an emissions trading scheme. You shouldn't be able to emit greenhouse gas without a permit and the permit should be given free to, or most of the permits, most of the permits should be given free to the people who are currently responsible for the emissions.

Economic analysis suggested to me that would lead to a very large income transfer from ordinary households to the corporations that were responsible today for large quantities of emissions. If you require a permit before you can emit greenhouse gases and you restrict the volume of the permits as is necessary if this is going to be the mechanism through which you gradually reduce your total emissions, then those permits to emit are going to have high value. The people who hold those permits will have something of value. They'll have a piece of wealth. They'll have an economic asset.

They will be, if you like, in a monopolistic position in relation to that right to emit greenhouse gases. Anyone else competing with them will have to go into the market and buy and permit. But they've been given one free. Now in a market situation it would be unreasonable to expect behaviour on pricing or on investment to be affected by the fact that they got the greenhouse gas permit, emissions permit, free. They will charge the value of that in setting the price of for example electricity or petrol. That's what economic theory would lead you to expect in a competitive market.

I have a fair bit of faith in economic analysis. Some people don't and for those who don't you can actually look at the experience of what has happened in other countries. When the Europeans set up an emissions trading scheme a number of years ago, they went about things in the way that we went about them in Australia. They gave free permits to the big energy companies. The people who were responsible for that bit of public policy might have thought, might have believed it, when the energy companies said, "Well give us the permit free and we won't charge much for electricity."

Well what actually happened was the price of the permit was factored into the electricity price. Every time the carbon price went up a bit, which is a necessary part of the process of reducing greenhouse gas emissions, households paid more. They became poorer and the profits of the energy companies went up. This wasn't compensation for having to buy the permits. This was actually a transfer of wealth. The market capitalisation of the big energy companies on the London and Berlin and Paris stock exchanges increased, increased, increased. It was a wonderful time to be a shareholder in those companies.

But this transfer from ordinary households to the big energy companies poisoned politically the scheme. People began to be resistant to the idea of a rising carbon price because it simply led to a transfer from ordinary households to the energy sector. That is one of the reasons under pressure, political pressure, European countries started giving out more permits and that led to at one stage to a collapse in the carbon price. So the emissions trading scheme for a while didn't do the job that it was supposed to do.

It was always naive to think that giving a free permit to an emitter would affect pricing behaviour. You would expect giving a free permit to an energy company or a petrol distribution company to have the same effect on pricing of petrol or electricity as someone inheriting a house could be expected to take into account the house for nothing in the rent that they charge or the price that they charge for the house if they sell it. It's just not what happens in a market economy.

Well the Europeans have learnt that lesson, or at least the Treasury bureaucrats in Berlin, London and Brussels have learnt that lesson. The recent green paper on the post-2012 arrangements, the new arrangements, the post-Kyoto arrangements for Europe, anticipate auctioning all of the permits for the domestic energy sector. Now there will be political resistance to that. Lots of arguments will be given. But that's the recommendation from the officials in Brussels and Whitehall and Berlin, and it's based on analysis as well as experience. I'm sure those Treasury bureaucrats had a very clear idea five years ago of what was going to happen but they found it difficult to make the case then. Now they've got the experience of what actually happened to help them to make the case.

I was struck by the absence of consideration, even of discussion of these matters, when we started our work in the middle of last year. Since the middle of last year, since we've been undertaking our work, our review process has come some way to putting onto the public stage a range of ideas for handling these issues. We've gone further on the intergenerational and international elements and you'll see especially the international story in the interim report.

But on the domestic distribution I think we've succeeded in having the idea accepted that deliberate measures will be required to counteract the potential perverse income distribution effects of an effective emissions trading system. In the time leading up to our final report in September we will seek to refine our thoughts on measures on income distribution associated with the introduction of the emissions trading scheme.

Today in saying a little bit more about my current thinking on these issues, I'd very much welcome discussion here at this forum and through formal submissions to our review which will help to shape the final recommendations of the review.

Just to focus specifically on domestic income distribution effects. Unmitigated climate change, not doing anything about the problem, would do great damage to the poorest in our community. The rich can look after themselves reasonably well, even in an environment damaged by climate change. Putting a price on carbon runs the risk of damaging the welfare of low income Australians immediately but also through structural pressures that it puts on the economy. An effective emissions trading scheme will affect different parts of the economy, different geographic regions differently and it's possible that it could hurt some industries in ways that did substantial damage to some communities. We've got to think about that issue.

The centrepiece of climate change mitigation in Australia is going to be the introduction of a national emissions trading scheme. It's not the only way to go about dealing with mitigation. You could do quite a lot through regulation. That's really what the Californians have done so far, although Governor Schwarzenegger wants to take that further and introduce an emissions trading scheme soon. But they've got down energy consumption, or at least the growth of energy consumption quite a lot, through regulation of energy use.

You could do it through a carbon tax and quite a lot of economists like that because amongst other things it's less corruptible than an emissions trading scheme where you'll have political pressures to hand out free permits to interests that put on the most pressure. But as I said in our discussion paper on the ETS which came out a week or so ago, there's quite a lot to be said for a good emissions trading scheme, and we aim to define a good scheme. We hope that the community won't be persuaded on the merits of an ETS on the basis of good design and then introduce an ETS of poor design. In those circumstances we could turn out to have made a mistake in adopting an ETS rather than one of the other approaches. But I've got a fair bit of faith in the Australian policy making process, when the system is working at its best. We're aiming to have a good emissions trading scheme.

We argued in our Emissions Trading Scheme discussions paper for a commitment to direct a substantial part of the proceeds from the auctioning of - we argued for auctioning of all permits and then committing a substantial part of the proceeds to those in the community who are most vulnerable to the increased costs of higher electricity and fuel prices in particular.

There are a number of ways in which you could use that auction revenue to reduce the vulnerability of low income people. You could give revenue back to the community in targeted ways through reform of the tax and social security system. And we all know there are lots of weaknesses in our tax and social security system, including how the two systems interact with each other that diminish incentive for workforce participation. That might be an efficient way of giving some revenue back in ways that improve the welfare of low income Australians.

It could be given back, some of the revenue, as support for information and adjustment related to energy efficiency, helping poorer families use energy more efficiently. And there's a lot in Australia that can be done in that area. This is an idea put to us in a submission by the Brotherhood of St Laurence that we are examining closely. We're certainly interested in hearing more from people who have thought through how you could do this.

The case for compensation for low income Australians will be competing in the political market place against other valid claims on the revenue. There will be valid claims on the revenue from the auctioning of permits for support for research, development and commercialisation of low emissions technology. If we are successful in developing quickly commercially viable alternative technologies for transport, for generation of electricity, then this will reduce the costs of mitigation, reduce the burdens on the whole community. So one could see an income distribution as well as a mitigation benefit in doing that. That's a valid claim on part of the revenue.

For the new low emissions technologies to work there will have to be quite a lot of investment in infrastructure. For example, the best locations for the low emissions energy won't be the same locations as the location for the current coal based power stations. We'll need an expensive addition to our electricity transmission network. That may have a valid claim on emissions revenue.

The large coal based electricity generating companies, who naturally are disappointed that questions have been raised about the issue of free permits to them, are tending to fall back on the argument that even if it won't affect our pricing or our investment, we deserve compensation. We made very large investments and the rules have changed. Well in the framework we've put forward in the emissions trading scheme paper, we're suggesting that that should be treated as a claim on equity, an income distribution claim to be judged by governments in the same context as they make judgements about whether other groups in the community have claims on equity grounds. It is an equity claim. It's nothing to do with the economic efficiency of the scheme.

And in the end, the emissions trading scheme will be a national scheme, in the end. The Prime Minister and Minister for Climate Change and the Cabinet in Canberra will have to form a judgement on equity grounds about whether that part of the income, the revenue from the sale of permits which is being allocated on equity grounds, should go to one group of Australians who think that they have a claim on equity or another group. That's the context in which recent claims for payments on behalf of shareholders in electricity generating companies should be evaluated.

We need to keep in mind the point that I made in relation to the European example that the final resting place of the cost of emissions permits under the ETS will not be the same as the place at which the responsible ability for acquitting the permits will lie.

Now in addition to the income distribution effects across households to which I've just been referring, there will be regional income distribution effects. Climate change itself will have some diabolical regional effects. I wish the science were better refined. There's too much uncertainty about for example the extent of drying of southern Australia that will be associated with climate change. But it does seem from the applied science that one of the fairly likely possibilities is an extent of drying across the agricultural areas of southern Australia that will put very great pressure on communities in which large numbers of Australians live. We will have a regional problem that we will have to deal with. We're used to thinking about these sorts of problems. There are better and worse ways of dealing with them. You don't deal with them best by a knee jerk reaction that says economic life has to go on exactly as it has always done. Sometimes it will be efficient to provide additional infrastructure, additional research for plant breeding of dry land varieties of plants that will allow economic life to go on as it always has. But you need hard headed evaluation. And there will be circumstances in which the best response for the people concerned and for the wider Australian community is structural adjustment, helping people to do something else. We need to be clear headed about that.

We also could face some large regional structural problems associated with the mitigation itself. The mitigation program, the emissions trading scheme, will put a cap on the amount of greenhouse gases that can be emitted. That will fall steadily over time. That will encourage low emissions technologies. It will encourage energy savings.

One consequence will be that old ways of producing electricity, for example based on coal, will not be viable on the scale that they're currently operating. The success of the program requires structural change in the coal based electricity industry. We will not get mitigation without it. Keep that in mind whenever you hear someone say, "Ah, be careful about this, because it will lead to some coal based power station closing or some reduction in employment." This is an inevitable part of mitigation working if there is no new technology that allows electricity to be made from coal with low emissions.

Now fortunately there is a technological possibility. Fortunately because if you did just have a large decline in coal based energy generation then we would have substantial problems of stress of important communities that depend on coal based energy.

There is a reasonable prospect that through investment in research, development and commercialisation of new technologies, low emissions ways of using coal will be developed in a reasonably short period of time. Yesterday down in the Otway Basin we saw the world's largest pilot plant for carbon capturing storage launched. Very important development. We think we know that that can work technically. What we don't know is how far we can get costs down, whether coal based electricity, where the carbon emissions are captured and buried in ways in which they weren't returned to the atmosphere, whether that can be economically competitive with other forms of low emissions. There's a reasonable chance, it would be a wonderful thing if it did work, first because it would ease the overall adjustment to the low emissions economy. But also it would remove the stress on these large, important Australian communities that currently depend on the coal based energy.

We as a community have a very large interest in finding out as soon as possible whether we can make this work. That means more investment in research, development and commercialisation of the new technologies. I see that investment in that research, development

and commercialisation, as a pre-emptive form of structural adjustment assistance. That would be a more cost effective way of helping those communities than doing special things for them after they were under stress.

Of course if we can't make these technologies work on a large scale commercially, and I am optimistic, but if we can't then we will have a large responsibility to those communities to do things to make sure that people in the communities aren't disproportionately carrying the burden of climate change mitigation.

They are the main messages I wanted to introduce today. I think the Australian mitigation effort, the Australian contribution to the global effort to reduce greenhouse gas emissions is not going to work politically, it's not going to stick, we're not going to adopt the steady policies over long periods of time that's necessary to get our emissions down unless our community thinks the way we are going about it is fair. And I think for that reason that getting the income distribution effects of the ETS right is an essential part of getting the scheme itself right. It's not part of the design of the scheme itself but it's one of the extrinsic policies, the success of which will determine whether the intrinsic operations of the emissions trading scheme itself will work.

But we're not going to get the greenhouse gas problem, the global warming problem under control unless discussions like this are held successfully in many, many countries. This is not a problem that Australia can solve on its own. It's worthwhile our making a major mitigation effort only because our making that effort is essential to the world making the effort. There is not going to be, we can be quite certain, there's not going to be any action on reducing greenhouse gas emissions by China or India or Indonesia or Brazil unless all developed countries are making a major effort. It will still be a bit job to get them in, even if we are all making the effort. But our making the effort is a necessary condition.

So developing the framework for equity internationally is also an essential condition for getting the climate change problem under control. And of course the most fundamental equity question of all, the intergenerational one, is something we have to have thought through and be comfortable about or we won't think it's worth making the effort at all.

MC, Jeremy Moss:

Now we have a good deal of time for questions. There will be more questions I'm sure than we have time to get through so if people could be as concise as possible.

Q I'd really like to hear, this idea about carbon rationing.

A [Prof Garnaut] Well the emissions trading scheme is about carbon rationing. It's going to be a certain number of permits and you can't burn coal or burn petrol or otherwise cause emissions unless you have a permit, and the number of permits will be reduced over time. So that is carbon rationing. But I think you're raising a question that's been a problem especially in the British discussion about whether every citizen could be given a quota and each citizen could sell a bit of that quota if he or she managed to walk more and drive the car less. And someone who for some reason couldn't make those adjustments would have to buy a quota from everyone else. We've looked at that. At this stage I think the transactions and administrative costs would be very high, prohibitively high. I would be very interested to look at any experimental evidence of systems which were able to manage that. But that's my current view of it.

Q Concerning the social justice aspect of a carbon tax, I personally don't see that there's going to be a great problem in as much as the revenue goes into the public purse and not say into the pockets of the House of Saud, enabling a tax shift which can of course be directed to where we want it to go. In other words, it's the heavy users, it's the carbon squanderers who will be hit hardest. Would you like to...?

A [Prof Garnaut] Well in that a carbon tax is exactly the same as an emissions trading system where you auction all the permits. The government gets the value of the permits. No I don't see a problem with it. I think that's the way we should do it. I'm comfortable with our doing it through an emissions trading scheme rather than a carbon tax. I think the income distribution effects end up being the same if you do it right. I acknowledge that there are opportunities for corrupting an emissions trading scheme. The discussion surrounding our review will mean that if that happens in Australia it will happen in a transparent way. Australians will actually be able to see what's going on which they might not have been able to do if the former Prime Minister's scheme had been implemented as proposed. I think there are some advantages of an emissions trading scheme over a carbon tax. You can be sure you're meeting your targets because the number of permits you hand out are equivalent to the target, whereas with a tax you don't know exactly what effect that will have on emissions. And if you're not getting enough emissions reduction you'll have to put up the rate of tax and that leads to some instability. But I think the essential point you're making is that the income distribution dimensions, the social justice dimensions of introducing controls on carbon emissions are manageable if the government ends up with the revenue and then uses that revenue wisely. I agree with that, and you can get that effect either through the carbon tax or through an emissions trading scheme so long as in the latter case you're selling the permits through a competitive process and the government's collecting the revenue.

Q You talk mostly with electricity as the paradigm case, and in economic terms there's not a lot of difference between electricity and petrol. But politically petrol seems *[inaudible] than electricity and I won't <background noise>.

A [Prof Garnaut] John, I think that at the moment petrol seems more politically hot than electricity only because petrol prices have been going up and electricity prices haven't been. I think that electricity will be just as hot when electricity prices start going up. And for the carbon prices we're talking, well for any carbon price proportionately, the effect on electricity prices in Australia is likely to be larger than the proportional effect on petrol prices.

Q As I understand there will be extensive mitigation activity, there will be necessary outside of the emissions trading regime, either in sectors that aren't covered by it or obviously to address things like regional distribution issues and equity issues like you addressed. The state governments will be leading a whole lot of those issues. Is there a case do you think for allocating some of the revenue from the auctions to the states, who'll be taking the lead on a lot of those activities?

A [Prof Garnaut] To answer the last question first, yes. We will have one chapter in our final review, our final report, on responsibilities within the Federation. One thing that I didn't have time to talk about but is very important, just as important to income distribution effects as mitigation, is adaptation. There will be many areas in which major adaptations are going to be required, for example in our health system. From what we think, from our analysis, will be the business as usual increase in concentrations of greenhouse in the atmosphere this century, the mean of all the scientific analysis, the mean of the distribution suggests that average temperatures in Australia will rise by about four and half degrees. That will change dramatically the distribution of health problems through Australia. Heat stress itself will be a problem. Lots of old people die when you have a heat wave in Australia. Well we'll have a lot more heat waves and they'll be more severe. But there will also be a shift in the geographic location of typical diseases. And that's going to require big adjustments of the public health system. And that's a state responsibility. So to deal with that adaptation problem is going to require an adjustment of Federal/State financial relations. And if we are using revenue from the sale of permits as at least part of the source of funding for investments related to adaptation, then there will need to be a transfer from the Federal Government to the State Government. And we'll be working through that and making some suggestions on allocation of responsibilities within the Federation. Even on the mitigation side, there will be some measures that are required that fall within the responsibility of state governments. We talked a bit about the Brotherhood of St Lawrence's proposal and their submission to us for support for low income families in energy efficiency. That in Australia responsibility for that sort of program would typically be within a state government, so you would need transfers. The new low emissions technologies, renewable technologies, in locations away from the existing electricity grids are going to require infrastructure investment in the transmission grids. In Australia, that is a state responsibility so transfers will be required. So you've touched upon what is a very important question.

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