

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the 2024–25 Budget Estimates

Melbourne – Thursday 23 May 2024

MEMBERS

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Michael Galea

Mathew Hilakari

Lauren Kathage

Bev McArthur

Danny O’Brien

Aiv Puglielli

Meng Heang Tak

WITNESSES

Lily D’Ambrosio MP, Minister for Climate Action; and

John Bradley, Secretary,

Carolyn Jackson, Deputy Secretary, Regions, Environment, Climate Action and First Peoples, and

Mark Rodrigues, Executive Director, Climate Action and Circular Economy, Department of Energy, Environment and Climate Action.

The CHAIR: I declare open this hearing of the Public Accounts and Estimates Committee.

I ask that mobile telephones please be turned to silent.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2024–25 Budget Estimates. The committee’s aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

I advise that all evidence taken by the committee today is protected by parliamentary privilege. However, any comments repeated outside of this hearing may not be protected by this privilege.

As Chair I expect that committee members will be respectful towards witnesses, the Victorian community joining the hearing via the live stream today and other committee members.

Witnesses will be provided with a proof version of the transcript to check, and verified transcripts, presentations and handouts will be placed on the committee’s website.

I welcome the Minister for Climate Action the Honourable Lily D’Ambrosio and officials from DEECA. Minister, I am going to invite you to make an opening statement or presentation of no more than 5 minutes, after which time committee members will questions. Your time starts now.

Lily D’AMBROSIO: Thank you very much, Chair. Victoria is proudly our country’s leader when it comes to climate action. We were the first jurisdiction in the country and one of the first in the world to set a 2035 emissions reduction target.

Visual presentation.

Lily D’AMBROSIO: Our target of net zero by 2045 means that Victoria is one of a handful of governments with a legislated net zero target date of 2045 alongside other climate leaders like Germany, Sweden and California.

Victoria has historically been a highly carbon intensive economy, but rather than see this as an excuse to be a laggard we have embraced it as an opportunity for leadership. We know that our ambitious targets are achievable because we have met every one of our renewable energy and emissions reduction targets to date. We have cut our emissions by 31.3 per cent on 2005 levels, putting us already within the range of our 2025 target of reduced emissions by between 28 and 33 per cent, so effectively we have already met that target. We smashed our 2020 target of 15 to 20 per cent reductions. What we achieved in 2020 was a 29.6 per cent reduction in emissions.

We are also equally committed to taking ambitious action to respond to the unavoidable impacts, risks and opportunities of climate change. We were the first in Australia to develop system-based adaptation plans informed by the latest climate science and designed to build Victoria’s resilience to the impacts of climate change. The budget just passed now provides \$9 million over three years under the climate action output to continue the award-winning ResourceSmart Schools program to embed sustainable behaviours amongst Victorian school communities to reduce greenhouse gas emissions, resource usage and the amount of waste going to landfill.

This budget also includes investments of \$1.85 billion across portfolios to support climate action, remembering climate action is a government-wide responsibility here in Victoria. Those actions to support climate actions include \$843.6 million over five years to drive down transport emissions and support cleaner transport options and \$639.7 million over four years to protect our growing state's precious water supplies as our climate gets drier and we experience periodic floods. There is \$115.7 million over four years for the Future Forests program, which includes funding for restoration of forest post-timber harvesting, collection and storage of tree seeds to restore forests, and fire ecology and forest modelling. There is \$90.6 million over three years for energy and Solar Homes initiatives to support the transition to renewable energy and drive down power bills, including energy efficient hot-water rebates; \$72.2 million over four years to support Victorians in emergencies; \$44.8 million over four years for supporting the resources sector to achieve net zero and the Big Build which will drive industry investment into critical minerals required for the energy transition; \$24 million over two years for planning initiatives that support climate action; and \$10.2 million to partner with the Australian government and continue the Future Drought Fund that supports farmers and communities to build resilience. This builds on the almost \$2 billion committed alongside the climate change strategy and over \$1.7 billion invested in the 2023–24 budget.

I know I do not have much more time, Chair, but I will say that we have made significant progress in legislating our emission reduction targets, including our 2035 target, and we have brought forward achievement of net zero emissions from 2050 to 2045; legislating changes to the land use planning system that will mean climate change is considered whenever planning schemes are created or amended; and updating our *Gas Substitution Roadmap* to support more Victorians to make the switch to an electric future, saving them money on their energy bills and reducing emissions. We have phased out gas connections to new homes requiring planning permits, helping new home owners save around \$1000 on their energy bills each and every year or up to \$2200 if they have solar.

Victorians joined 14 subnational jurisdictions to – sorry, we have conducted hazard assessments along the coast, and of course the future focus will be on Victoria's climate science report in 2024, Victoria's second climate change strategy spanning 2026 to 2030, and a second round of emissions reduction pledges. This will be followed by the next set of seven adaptation action plans covering 2027 to 2031.

The CHAIR: Thank you very much, Minister. We will go to Mrs McArthur.

Bev McARTHUR: Thank you, Chair. Thank you, Minister. I refer to budget paper 3, page 107, which outlines the proportion of light zero emissions vehicles as a key indicator for objective 3. What is the exact overall uptake of zero emissions vehicles since the government released its 2022 climate change strategy, and how much of that uptake does the government ascribe to the climate change strategy?

Lily D'AMBROSIO: Thank you. In terms of the road map for ZEVs and the transport work that is underway in terms of driving the uptake of ZEVs, we have set a target as a government that 50 per cent of all new car sales for passenger vehicles would be ZEVs by 2030. So that is our goal. Victoria's ZEV market share has increased from 1.8 per cent of new light vehicle sales in 2021 to 8 per cent of sales in 2024.

Bev McARTHUR: Thank you. Minister, can you provide an exact figure for how much the government's zero emissions vehicle uptake targets will reduce Victoria's emissions per year?

Lily D'AMBROSIO: I think you are talking about the number of vehicles that we committed as a government to as part of the government fleet – is that correct?

Bev McARTHUR: Yes.

Lily D'AMBROSIO: Well, with the government's passenger fleet, we made a commitment to deliver 400 ZEVs. That has been met. This will contribute some savings on emissions of course. One of the key drivers of the government actually going to ZEVs amongst its own vehicle fleet is to help kick off and accelerate a second-hand market. When you think about a government fleet or any other fleet, those cars typically churn and go into the second-hand market much sooner than if you or I as a private citizen went to buy a car, which can be on the road in private ownership for maybe 10 or 15 years. With fleets, of course the turnover is far more frequent, and that helps to get more cars in. In terms of an actual emissions reduction figure, I will not have that to hand, but I would be happy to provide that if it is available out of this session.

Bev McARTHUR: Thank you, Minister. Minister, your government in its climate change strategy 2022 outlined a goal to see 50 per cent of all Victorian light vehicle sales being zero emission vehicles by 2030. What percentage of all new vehicles purchased in Victoria are zero emissions vehicles?

Lily D'AMBROSIO: Well, it is 8 per cent, as I mentioned earlier. It has gone from –

Bev McARTHUR: Minister, if it is 8 per cent, how are we going to get to 50?

Lily D'AMBROSIO: When we released our strategy, our pledge, our plans for emissions reductions in the transport sector and our road map for ZEVs, we made it very clear that there would be a need for complementary actions across jurisdictions. There are some areas of the market where no state government has jurisdiction. So one of the key drivers – not the only driver but one of the key drivers – would be federal government ambition, and we have finally got a government federally that is actually able to deliver that. That is why the national vehicle efficiency standard was set by the federal Parliament on 27 March, and they will do a lot of the driving to get us to that light vehicle use. But of course it will not be the only thing that will be needed to deliver that. We will be updating our five-yearly sector pledges, sector plans, for emissions reduction, and we will have more to say in the transport space, as we will in the other sectors, as we release those plans in due course.

Bev McARTHUR: We will just assume we will not get to the 50 per cent anytime soon.

Lily D'AMBROSIO: No, that is incorrect.

Bev McARTHUR: Minister, in your presentation you have talked about the cessation of the commercial native timber harvesting as of 1 January 2024. How do you quantify the environmental benefit or reduction in emissions expected as a result of the thousands of job losses caused by the destruction of that industry?

Lily D'AMBROSIO: I am not sure if the question is about the emissions reduction or jobs.

Bev McARTHUR: Well, it was in your presentation, Minister, so clearly it relates to your climate action plan. The climate action plan will destroy thousands of jobs and an industry, so just tell us how that is going to help your emissions target.

Lily D'AMBROSIO: I will stop you right there, because at no stage in any of our sector plans have we talked about shutting down the native harvesting industry.

Bev McARTHUR: What?

Lily D'AMBROSIO: Yes, listen to that. It is new – surprise. Court cases actually brought the whole system to a halt.

Bev McARTHUR: Oh, right.

Lily D'AMBROSIO: Well, that is right. But of course we will count, and the national inventory of emissions will count, any reductions in emissions as a result of that event. Of course they are being counted.

Bev McARTHUR: Well, Minister, aren't you just exporting an environmental problem? We are going to be importing timber from jurisdictions that do not have the environmental controls that we might have. So what figures have you used to account for the environmental impact of timber being imported from other jurisdictions?

Lily D'AMBROSIO: I am here as the climate action minister.

Bev McARTHUR: Well, you put it in your presentation, Minister.

Danny O'BRIEN: It is about emissions.

Lily D'AMBROSIO: It is about emissions, yes.

Bev McARTHUR: It is about emissions, Minister.

Lily D'AMBROSIO: Emissions are where the source is of the emissions. We are talking about reducing our emissions in Victoria that we can control, and they are the emissions that we produce in Victoria. That is the answer to that question.

Danny O'BRIEN: Why, then, Minister, when you have got an industry that actually sequesters carbon long term, both in replanting trees but also in this stuff, the timber that is there – the carbon stays in it. Why shut that down? And back to the original question, what is the impact on Victoria's emissions from that decision?

Lily D'AMBROSIO: Certainly in terms of – and I reject the notion of us shutting anything down –

Danny O'BRIEN: You announced it. The Premier announced it.

Lily D'AMBROSIO: What we are investing in –

Bev McARTHUR: It was your decision to close down the timber industry, not the courts'.

The CHAIR: Mr O'Brien, Mrs McArthur, the minister is trying to provide evidence here to this inquiry. Could she please be heard in silence.

Lily D'AMBROSIO: Our government continues to invest in plantations. The Gippsland plantations investment program, \$120 million, will see Hancock Victorian Plantations planting an additional 60 million trees in a new estate.

Danny O'BRIEN: Point of order, Chair –

Lily D'AMBROSIO: Those trees will sequester carbon –

The CHAIR: Apologies, Minister, if you could just pause your response. On a point of order, Mr O'Brien.

Danny O'BRIEN: On a point of order, this is about relevance. The question was about the native hardwood sector, not about plantations, and I ask what level of emissions change is by the decision to shut down the native timber industry.

The CHAIR: Mr O'Brien, the minister is trying to be relevant to your question in response. Allow the minister to respond.

Lily D'AMBROSIO: The figures on what the value of the emissions is as a result of that action will be reported in the LULUCF figures. The national inventory –

Danny O'BRIEN: In the what figures, sorry, Minister?

Lily D'AMBROSIO: The land use and forestry sector, which is the sector where you count some of the emissions. There are different sectors.

Danny O'BRIEN: But where?

Bev McARTHUR: Where do we find that?

The CHAIR: Thank you, Minister. I am going to stop you there, because we are coming back.

Lily D'AMBROSIO: I was about to give the answer.

The CHAIR: Apologies, we are not coming back, but I am going to stop you there.

Danny O'BRIEN: No, I think we should come back. Chair, you said we are coming back.

The CHAIR: There is one timekeeper here, Mr O'Brien. We are going straight to Ms Kathage.

Bev McARTHUR: On a point of order, Chair, the minister was just trying to tell us exactly what the document was that we would be able to reference.

Lily D'AMBROSIO: Thank you. The national inventory is what the Commonwealth keeps, and they track emissions reductions and increases across sectors across the whole of the nation. We have just recently had the inventory for last year's figures come out, and next year will be the next reporting of the emissions profile of land use.

Danny O'BRIEN: By state?

Lily D'AMBROSIO: Yes, by state, that is right.

Danny O'BRIEN: Thank you.

Bev McARTHUR: Thank you, Chair.

The CHAIR: Thank you, Mrs McArthur. Ms Kathage.

Lauren KATHAGE: Thank you, Chair and Minister. In your presentation, Minister, you spoke about legislative achievements. I was really proud earlier this year to speak in support of our Bill setting renewable energy and storage targets, and I was really pleased to see it pass. Can you explain how that legislation will impact our transition to net zero by 2045?

Lily D'AMBROSIO: Yes. Thank you. One thing that we know, and that industry tells us, is that the value of targets is to actually help to give certainty to industry to invest. Achieving our emission reduction targets is not just about what government does, it is about what each and every one of us does in our homes and in our workplaces and what industry does and what the sectors do. When you set interim emissions targets, you are effectively saying to the economy, 'For every role that we play in it, this is our goal. Come forward and take actions and steps to help us achieve those targets.' So this is really important. There is no point having a net zero target by 2045 if you are not setting interim targets that actually help make investment decisions in a timely fashion. No-one can wait until 2044 to wake up and realise we are nowhere near meeting the target. So targets are really critical, and we have heard that from industry.

What is important of course is that we can see the proof is there. We have set targets for 2020, and we have set targets for 2025 and 2030. We have met our 2020 targets, and we have more than exceeded those targets. We are absolutely on track to meet our 2025 targets, and of course we will work towards meeting our 2030 emission reduction targets. These are very ambitious, but they are doable, and they are achievable. Then it is about governments taking the steps once you have legislated these targets and being ambitious. You are also being ambitious and pushing the rest of the country too, sending signals to other jurisdictions and the Commonwealth government to form partnerships with the states and industries across the states and jurisdictions to actually help push to that end. That is why we are doing the work that we are doing in pushing our renewable energy targets. Sixty-five per cent by 2030 will be a major contributor to our emissions reduction target by 2030. I have already mentioned that we are already within the range of our 2025 targets because of the actions that we have already taken.

More needs to be done of course, and that is why we have also legislated to have sector pledges and plans so that each part of the economy can do what it can. Some areas of the economy will be better placed to provide bigger emission reductions than others. Others will take longer to evolve, but it is about how we do this across the way in giving industry certainty but also in taking advantage of the job opportunities that get created when you have a planned approach to this. When you have a planned approach backed up with legislation and programs and funding and partnerships with industry and the Commonwealth government, then you can actually have the smoothest transition – which we need, because we know that when we have a smooth transition we actually get great economic growth that happens out of that too.

Lauren KATHAGE: Thank you, Minister. Those targets that we have legislated have been referred to as world-leading. How do we compare to other state governments around the world?

Lily D'AMBROSIO: Certainly we in Victoria were the first jurisdiction to set a 2035 target with a 75 to 80 per cent reduction. We were at the time that we set them. We announced them as a policy and then legislated earlier this year. When we set them as a policy, we were one of, I think, only four or five jurisdictions globally, if you count Victoria as a subnational jurisdiction, to have actually had such a target. We were one of the few to set a 2045 target and certainly the first in the country here to set those. Other states have now followed. New

South Wales followed our lead on a 2035 target. Now, that is good for everybody, because if we all lift our ambition, we can all then work more closely together. We are back with a Commonwealth government that is actually interested in doing this work now, which is terrific. That will make this job easier, and we will be able to reap the benefits and the rewards for all of us collectively as a country.

Lauren KATHAGE: Thank you. I think you have mentioned we are in the range of one of the targets already, but can you expand on our progress against the targets?

Lily D'AMBROSIO: Yes. The 2020 target was not legislated; I think it was a policy one. The legislated ones start from 2025. With that 2025 target, we set a target of – let me just check on that one, excuse me – a 28 to 33 per cent reduction on 2005 levels, and what we have achieved right now ahead of schedule is a 31.3 per cent reduction. These things will go up and down a little bit because of the way that the national inventory counts emissions depending on seasonal factors, but the fact is the trajectory is seeing us being able to deliver on that 2025 target, and I am very confident that we will.

Lauren KATHAGE: Thank you. You spoke earlier about the need for different sectors all to play a part and for government action across different sectors of the economy. Can you explain what actions we are taking in different sectors?

Lily D'AMBROSIO: Yes, I can. In this year's budget there has been significant investment that other ministers have been able to achieve, which is really terrific. As I said, in Victoria we take a whole-of-government approach to this because the sectors are whole-of-government reduced emissions in transport. So this budget is providing \$1.119 billion towards emissions reduction initiatives: getting more people on public transport is really key to doing this, switching on the Big Build, delivering public transport services, providing more trains more often. It is about getting a modal shift happening.

Then of course there is \$115.7 million over four years for the Future Forests program. It includes funding for restoration of forests post timber harvesting. There is \$90.6 million for the energy and Solar Homes initiatives in the energy space, which is mine, and I have already indicated those initiatives there. Again, they will contribute to our emissions reduction targets. Then of course work is happening across the sectors. But these are just some examples of the work that is happening across the industry sectors that will all contribute to meeting our emissions reduction targets – and these are creating jobs, they are creating local economic prosperity. We want to make sure that every part of the state enjoys the benefits of that prosperity, because we can grow our economy and reduce our emissions at the same time. Victoria is proof that we can do that, and we are doing that.

Lauren KATHAGE: That sort of dual purpose, I guess we sort of think of that in terms of also cost-of-living pressures, which are a real concern for people at the moment and certainly front of mind for government, but we know if climate change gets away from us then cost-of-living costs will just go crazy. So how is the government working to allay cost-of-living pressures at the same time as reducing emissions?

Lily D'AMBROSIO: Look, this is at the forefront of people's minds, and we never lose sight of that as a government – we never lose sight of it. We want to make sure – and we do this – that as we transition our economy, globally the work is under way. In Australia we have got fantastic leadership, finally, at a national level. The states have been doing a lot of the heavy lifting for a number of years now, with Victoria being at the front of that. We need to make sure that we do not leave communities behind, and that is about making sure that the transition also provides benefits for everybody. It is not just an economy-wide set of statements here, this is about making sure that the jobs can be created in Victoria; that the power bills will go down or energy bills will go down; that we have people able to come along on the journey of getting solar panels on their roofs or energy-efficient appliances in their homes that will reduce their power bills, not in 2035 or 2045 – today. Coming along for that journey is really, really critical. That is why our government has had a complementary suite of initiatives that will continue in some form or another – but they will be there – that sit alongside legislated targets. You cannot just set targets and sit back and hope the economy will sort it out. When that happens, you have discrepancies and you have disadvantage that get baked in. That is not the Labor government's way. The Labor government's way is to make sure that no matter where people live, no matter what their circumstances are, they are able to get the benefits of the transition. It is about doing that, and doing that carefully, in consultation and of course ensuring that people's energy costs continue to go down and not up. That is what we need to continue to strive to achieve, and we can do that.

Lauren KATHAGE: Thank you, Minister. Like you said, we are not going to sit back. We cannot just –

The CHAIR: Apologies, Ms Kathage. We will go straight to Mr Puglielli.

Aiv PUGLIELLI: Thank you, Chair. Good morning. Lightning round. You just said that we are on track to meet our net zero by 2045 emissions target. Now that the federal Labor government has decided to expand gas mining out past 2050, including in waters off Victoria's coast, how is that going to impact Victoria's emissions targets and profile?

Lily D'AMBROSIO: You slipped in something there about offshore Victorian Commonwealth waters – I think I said earlier that the experts and the science tell us that our gas reserves are depleting. I think the Commonwealth government's program for gas is really about export markets, and I think that is really important. In Victoria we know that there is a lot more work that needs to be done to decarbonise our economy. We have set the targets that we will set. That means of course continuing the work to decarbonise our electricity system and continuing the work to decarbonise our gas system, and that will be about a combination of things over a longer period of time. As I said, you cannot turn off the tap overnight. The fact is, and the reality is, that we have got to do this carefully and in a way that produces benefits for all Victorians. What the Commonwealth's gas policy means for Victoria – I do not know that it means much, frankly, in terms of emissions. But certainly we are very clear about what we need to achieve in Victoria, and we will get on and get that done.

Aiv PUGLIELLI: Thank you, Minister. The government's expert panel on emissions recommended a ban on the sale of new petrol cars from 2035 to meet your climate targets. The state government currently has not accepted that recommendation. How are we going to meet the targets if we do not ban new petrol cars?

Lily D'AMBROSIO: There are a number of initiatives – when experts advise government on how to decarbonise the transport sector, for example, there are a lot of options that are available to us. Certainly emissions from passenger vehicles are a big source, and certainly our government has no plans along the recommendation that you have talked about. But the transport sector is not just about cars on roads. It is about public transport, it is about our trains, it is about our trams, it is about modal shift, it is about active transport, it is about government –

Aiv PUGLIELLI: For sure, but is there a reason – sorry to interrupt – though that you have not accepted that recommendation from your own panel?

Lily D'AMBROSIO: Governments make decisions based on the periods of time that they are in, and we make decisions based on what is needed to meet our interim targets. Our focus is on meeting our interim targets for 2025 and our 2030 targets. Of course building on those targets is what is needed ultimately to achieve net zero by 2045, and that is why we are continuing to invest money in the ways that we have thus far.

The CHAIR: Thank you very much, Minister and Mr Puglielli.

Minister and officials, thank you very much for appearing before the committee today. The committee will follow up on any questions taken on notice in writing and responses are required within five working days of the committee's request.

The committee will now take a break before beginning its consideration of the housing portfolio at 12:45 pm.

I declare this hearing adjourned.

Witnesses withdrew.