

## *Executive summary*

### **Strengthening climate policy and improving resource efficiency are key priorities**

Australia is among the top ten largest greenhouse gas emitters in the OECD. Over the past decade, it has managed to decouple GDP growth from the main environmental pressures. However, it has one of the most resource- and carbon-intensive OECD economies. Despite the increasing use of natural gas and renewable energy sources, the electricity mix remains heavily reliant on coal. Australia surpassed its Kyoto 2008-12 target and is on track to reach its 2020 climate target. Still, it needs to intensify efforts to reach its Paris Agreement goal. Adopting an integrated energy and climate policy framework for 2030 with an emission reduction goal for the power sector would avoid the projected rise in greenhouse gas emissions. Developing a long-term low-emission strategy, as Australia has committed to do, will help drive the transition.

Australia is the driest inhabited continent. Meeting water demand from rapidly increasing population in places where precipitation is projected to decline requires a renewed commitment to the 2004 National Water Initiative, which aims to increase efficiency and sustainability. Improving water quality is a priority in the Great Barrier Reef catchments, which suffer from high levels of run-off from sediments, nutrients and pesticides. Despite progress in waste recovery, half of municipal waste still ends up in landfills. The recent decision by China and other countries to restrict waste imports is an opportunity to shift towards a circular economy.

### **Good practices are emerging but co-ordination between levels of government remains a challenge**

Environmental responsibilities are shared between the Commonwealth (federal) government, six states and two territories, and over 560 local governments. To avoid duplication, the government has committed to a one-stop-shop policy for environmental approvals, whereby states/territories can enter bilateral agreements with the federal government in which the latter delegates assessment and/or approval of projects entirely to the state level. While progress has been made on co-ordination and guidance between levels of government, more efforts are needed to reduce overlap.

Good practice at the subnational level could be shared with other jurisdictions. For example, Australia lacks a fully integrated permitting regime but some states have introduced consolidated permits based on set conditions that cover multiple forms of environmental impact. In addition, some jurisdictions have developed a method for calculating and recovering economic benefits arising from the breach of an act. This tool is now available to other states and territories.

Progress has been made in strengthening integration of Indigenous communities in management of areas that are not under Indigenous ownership, such as national parks and marine parks. Still, Indigenous communities could be more systematically and effectively

engaged in strategic land and marine planning. For example, greater Indigenous input could be sought at early stages of planning.

### **Low-carbon development requires stronger price signals**

In the past decade, revenue from environmentally related taxes declined as a share of GDP, mostly due to the decreasing contribution of energy taxes to tax revenue – except when carbon pricing was in effect in 2012 and 2013. Energy taxes do not reflect climate costs: fuels are largely untaxed outside of transport, and coal is fully untaxed. Vehicle taxes have provided increasing revenue with growth of the fleet but they do not generally take account of CO<sub>2</sub> and other emissions. As congestion in capital cities will continue growing, extending road pricing would better address road transport externalities. In the water and waste sectors, there is scope to improve economic instruments to better incentivise efficient use of resources. The uneven application of state landfill levies has resulted in significant levels of interstate movement of waste.

Record investment in 2017 secured the 2020 target on renewables and put the country among global leaders in solar photovoltaics. Australia is one of the few OECD countries with a national green investment bank that scales up investment in clean energy and energy efficiency. It has a highly skilled workforce and strong science base to develop low-emission technology, but more support to research and development is needed. While public investment is increasing, improving cost-benefit analysis especially in the transport and water sectors will help in selecting the projects with the highest social return. Redirecting funding to public transport could make cities more sustainable.

### **Improving the status of threatened species calls for large-scale, co-ordinated efforts**

Australia is one of 17 megadiverse countries. Although gaps in knowledge hamper proper assessment, the overall status of biodiversity is poor and worsening. Pressures from agriculture, forestry, urban development, infrastructure, extractive industries, coastal activities, invasive species and climate change are increasingly interacting to exacerbate challenges for threatened species.

Australia has made impressive progress in expanding protected areas, surpassing the international 2020 Aichi targets. However, around one-third of terrestrial bioregions continue to have less than 10% protection, and marine protected areas in Commonwealth jurisdiction do not address pressures in state-controlled coastal areas. Less than 40% of nationally listed threatened species have recovery plans in place, and implementation of plans has been constrained by a lack of financing and weak co-ordination between Commonwealth, state/territory and local authorities. Various biodiversity conservation programmes have come and gone over the past decade, with mixed results. The more recent Reef 2050 Long-Term Sustainability Plan for the Great Barrier Reef could serve as a model for the scale and co-ordination needed in other areas.

### **Ongoing chemical management reforms can help protect human health and the environment**

Although chemicals represent a small market in Australia, they create pressures on health and the environment. The legislation on chemical management, which was put in place in the 1990s, improved the way chemicals were assessed, but the backlog of unassessed chemicals remains significant. Australia is revising its chemical legislative and policy

frameworks. In particular, the reform of the National Industrial Chemicals Notification and Assessment Scheme and the creation of a National Standard for Environmental Risk Management of Industrial Chemicals will set the direction for future management of chemicals.

A particular challenge Australia shares with other OECD countries is early identification of contaminants of emerging concern. Environmental monitoring and human bio-monitoring are important tools to aid in this identification and can thus inform risk assessment and risk management activities. More effort is needed to make better use of existing data and improve monitoring of diffuse sources of chemical emissions. Also, creating a baseline of health and environmental status in Australia would enable assessment of the reforms' impact on human health and the environment.



**From:**  
**OECD Environmental Performance Reviews:  
Australia 2019**

**Access the complete publication at:**  
<https://doi.org/10.1787/9789264310452-en>

**Please cite this chapter as:**

OECD (2019), "Executive summary", in *OECD Environmental Performance Reviews: Australia 2019*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264310452-5-en>

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