

Four years after it was launched, the federal government's A\$2.55 billion Emissions Reduction Fund (ERF) has still not attracted the participation of many of Australia's highest-emitting companies.

Our research on corporate managers' attitudes suggests that the scheme, which remains the Coalition government's flagship policy to curb Australia's rising greenhouse emissions, is plagued by significant policy uncertainty, lack of visible commercial imperatives, lack of clear policy guidance, and strict and unrealistic qualifying conditions.

The new federal environment minister Melissa Price last month [signalled her desire](#) to continue relying on the ERF – which uses a series of “reverse auctions” to allocate funding to emissions-reduction projects – as the main policy to reach Australia's 2030 climate targets.

Read more: [***Australia's Emissions Reduction Fund is almost empty. It shouldn't be refilled***](#)

The government claims a main objective of the ERF is to create an incentive for Australian businesses to adopt smarter practices to reduce their greenhouse emissions. But our surveys of the business community suggest the policy has not achieved this objective.

Our research conducted in 2015 found that big businesses were taking a [wait-and-see approach](#) on whether to opt into the scheme. Our latest results suggest this cynicism has become even more entrenched.

During 2018 we interviewed 14 senior executives involved in managing the emissions of large corporations in the materials, industrial, utility and consumer staples industries. Their responses, some of which are quoted anonymously below, reveal the ERF has not been

effective in attracting the trust and participation of high-emitting companies:

The ERF process is long-winded, cumbersome [...] and it's just impractical.

The functions of auctions and the secondary market are unclear; industrial methods are difficult to use, which hinders participation.

Many interviewees believe the ERF process is costly, and the scheme does not offer visible commercial incentives for companies to participate:

for the amount of work and the number of audits that are required it's very expensive and time-consuming to apply.

Some participants also claimed the conditions to qualify for funding are overly strict, unrealistic and complicated:

One of the projects didn't qualify because we had ordered a part for [that] project at a date prior to registering the project [...] This was a project that would have had considerable reductions associated with it.

Some interviewees also suggested the ERF does not focus enough on high-emitting sectors such as electricity generation:

the sector that produces the most emissions and where the technology exists now to get the best reductions is the electricity generation sector. It's completely exempted from this policy.

Minimal participation

Only four of the nine companies represented in the interviews participated in the ERF, and three of these submitted only one project each. Some companies preferred state-run schemes over the national ERF:

We have purposely avoided the ERF and gone with the New South Wales ESF scheme [...] because the ESF scheme has much better rules, it's much easier to work with.

A minority of our interviewees described the plan to extend the ERF scheme as a waste of taxpayers' money. But while most remained in favour of the policy, they stressed it needs to be improved – particularly with regard to its “safeguard mechanism” which aims to stop big emitters cancelling out the progress made elsewhere.

[T]he ERF should be funded along with implementing changes to the safeguard mechanism and other policies to make sure it's more effective in its outcomes.

Almost all the managers highlighted the need for a stable, long-term policy to motivate significant emissions reductions in the corporate sector.

We want some level of policy certainty over a long period of time, so we can make informed and considered investment decisions. It's the same thing we've been asking for for a while.

Read more: [Australia's biggest emitters opt to 'wait and see' over Emissions Reduction Fund](#)

Big firms voice lack of faith in 'cumbersome' and 'impractical' Emissions Reduction Fund

Written by Jayanthi Kumarasiri, Lecturer in Accounting, RMIT University

Overall, the study suggests carbon emissions regulation in Australia has been politicised and bureaucratised to such an extent there is now a disconnect between regulators and corporations. As a result, ERF funding has been skewed towards the land and agriculture sectors, and high-emitting industries have been [distanced from the fund](#). This is clearly detrimental to emissions reductions as a whole.

Australia's carbon emissions [continue to rise](#), adding further jeopardy to our [already threatened](#) efforts to meet our Paris targets.

Therefore, leaving high-emitting companies to regulate their own carbon emissions may not be a rational decision. Boosting ERF funding may be necessary, but not before a critical review of the policy so as to ensure the highest emitters actually sign up to the scheme.

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Read more <http://theconversation.com/big-firms-voice-lack-of-faith-in-cumbersome-and-impractical-emissions-reduction-fund-104136>