

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the 2025-26 Budget Estimates

Melbourne – Friday 6 June 2025

MEMBERS

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Jade Benham

Michael Galea

Mathew Hilakari

Lauren Kathage

Aiv Puglielli

Meng Heang Tak

Richard Welch

WITNESSES**WITNESSES**

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

John Bradley, Secretary,

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

Mark Rodrigues, Executive Director, Climate Action and Circular Economy,

Sally Fensling, Deputy Secretary, Corporate Services, and

Etienne Gouws, Chief Financial Officer, 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 2025–26 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 is protected by parliamentary privilege. However, comments repeated outside this hearing may not be protected by this privilege.

All evidence given today is being recorded by Hansard and is broadcast live on the Parliament's website. The broadcast includes automated captioning. Members and witnesses should be aware that all microphones are live during hearings and anything said may be picked up and captioned, even if said quietly.

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

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

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

Visual presentation.

Lily D'AMBROSIO: Thank you so much. I will just quickly go through my presentation. If I can go to slide 3, in terms of the broader picture of the actions that we have taken and the progress in terms of climate action across the country, we have got some really good outcomes, good results. We beat our first emissions reduction target. These are interim targets that we set. We beat that in 2020. We aimed for a reduction of 15 to 20 per cent. We actually achieved a reduction of more than 30 per cent, and we are on track to meet our 2025 interim target of a reduction between 28 and 33 per cent. We cannot rule a line under that just yet of course; we are going through 2025. We did bring forward our net zero target from 2050 to 2045 because we understood that, with the way that emissions are projected to increase globally, it was important that our state also understood the extra urgency, if you like, or the need for us to aim higher. We will achieve that target sooner, so it is 2045. We are aiming of course to achieve a 45 to 50 per cent reduction by 2030 and 75 to 80 per cent by 2035. Then, as a complement to that or as a way through to that, we have also lifted our renewable energy targets, so 65 per cent by 2030 and then 95 per cent by 2035.

There are a number of new initiatives in the budget, if we go to the next slide, that go to tackling climate change. Some of these are mitigation, and some of these are adaptation. We know that increasingly communities across the state are looking for greater action on adaptation, because people are seeing the real impacts of climate change more frequently in their communities. We have got to do both of course. We can see

across all of the budget there are investments of more than \$1.8 billion across a number of portfolios to support climate action. There are significant funds that will go towards reducing transport emissions – the Victorian energy transition of course and emergency management services facilities and capabilities. You can read the rest of that, but it is a very, very long list. There are strong increases in funds to all of these activities and actions because they are needed and they also of course are an element of climate adaptation. Now, that builds on the \$2 billion committed alongside the climate change strategy and over \$1.8 billion invested in last year's budget.

If we go to the next slide – and I had better rush along here, I am sorry; I will not go through some of these because they are already evident – there are the Solar Homes program, the updated *Gas Substitution Roadmap*, the SEC, the climate science report that was released, the *Victorian Greenhouse Gas Emissions Report* and the emergency services and disaster relief and recovery effort.

The next slide goes to what the future focus is, building on these. Later this year Victoria's second climate change strategy for the period 2026 to 2030 will be released, and that will set the direction for continuing and adding to our emissions reduction work and strengthening climate resilience over the next five years. There was public engagement on the strategy that was held between March and April this year, and we got more than 500 responses. A second round of emissions reduction pledges spanning 2026 to 2030, as required by our legislation, is also being developed up to align with the interim strategy. And of course we very much are working with the Commonwealth and looking forward to the announcement of what its 2035 emissions reduction target will be. We need collective efforts to get the job done, and I am really very excited by the Commonwealth and the efforts that they have implemented thus far and I am looking forward to continuing to work with them. The seven adaptation action plans covering 2027 to 2031 are progressing also ahead of finalisation in October 2026.

The CHAIR: Thank you very much, Minister. We are going to go to Ms Benham.

Jade BENHAM: Thank you, Chair. Minister, referring to 'Department Performance Statement', page 22, when we are talking about the outcomes for 2024–25 and the targets for 2025–26, 'Annual energy saved by Victorian schools participating in the ResourceSmart Schools program', I am just wondering how that is measured and estimated. It says at the moment it is 1.58 million kilowatt hours. How is that measured?

Lily D'AMBROSIO: How are the kilowatt hours measured?

Jade BENHAM: Yes. How do you get that number?

Lily D'AMBROSIO: It is about what the consumption is. We will know through the contracts of electricity that are held through bulk purchasing what the actual consumption is of each of these schools. That is how that figure would be arrived at. I am not sure if that was the question.

Jade BENHAM: I just want to know: is it just literally comparative year to year?

Lily D'AMBROSIO: Whether it is comparative to year-to-year or whether it is –

Jade BENHAM: Sorry. The outcomes for 2024–25 are the same as the 2025–26, so –

Lily D'AMBROSIO: In terms of the outcome?

Jade BENHAM: Yes.

Lily D'AMBROSIO: Whether it is actually –

Jade BENHAM: The same.

Lily D'AMBROSIO: specifically measured as such or is it sort of a deemed figure?

Jade BENHAM: Yes. Can we be confident that they are accurate?

Lily D'AMBROSIO: If I may, it seems as though the Secretary might be able to answer that directly. Thank you.

John BRADLEY: I can just confirm that where we are talking about the savings in a particular year we are referring to the calendar year, so schools participating in the program have saved more than 8.2 million kilowatt hours – or 6326 tonnes of CO₂ equivalent – and more than \$2.72 million in electricity costs during that 2024 calendar year. So that is the impact of the program, but it is measured over that calendar year.

Jade BENHAM: Over the calendar year; okay. So those measurements and those figures, will they stand up to scientific scrutiny or are there onerous reporting obligations imposed on schools?

John BRADLEY: It has been actually a really well received program from the schools that participate. There are 509 ResourceSmart Schools, and they have got a very enthusiastic cohort of students and the school community behind them. It was developed as a program to actually increase literacy around resources sustainability in schools, so therefore the program methodology is itself quite rigorous and we are confident in the implementation of the program standing up to scrutiny.

Richard WELCH: Secretary, is there modelling on that? Did you do modelling?

John BRADLEY: I might test with my colleagues, Minister, if you are comfortable –

Lily D'AMBROSIO: Yes.

John BRADLEY: as to whether or not they have more detailed information about the methodology and the modelling behind it.

Carolyn JACKSON: No modelling that I am aware of. The savings are provided by schools. They input the savings into a system, so we do have that information; it is accessible. It is on a voluntary basis, so there is no requirement for schools that participate in ResourceSmart Schools to –

Richard WELCH: It does not sound like there is a lot of rigour around that statement.

John BRADLEY: But to that end it is quite empirical information that is going into the calculation of it, so the savings associated –

Richard WELCH: From the schools who are voluntarily entering it?

John BRADLEY: But they are entering billing data, which is available to schools. They are drawing on their billing data to record their performance against the program. And the savings continue to accumulate over time, so we are producing a point-in-time value for the 2024 calendar year.

Richard WELCH: Could we get a copy of that modelling for that data?

Carolyn JACKSON: It is from their power bills.

Richard WELCH: Yes, and you are aggregating it, so could we get the aggregation?

John BRADLEY: If you are comfortable, Minister, we can take that on notice and provide the aggregated billing.

Lily D'AMBROSIO: Yes, if it is available in that form.

Jade BENHAM: Thank you. I just want to go to the agriculture emissions reductions. The source for this is budget paper 3, page 29, on funding devoted to research into mechanisms to reduce environmental damage caused by dairy cows and their emissions – at both ends, apparently. The government is working towards the first carbon-neutral farm. Is that the farm in Gippsland?

Lily D'AMBROSIO: It is the Ellinbank.

John BRADLEY: The Ellinbank SmartFarm.

Jade BENHAM: The Ellinbank – down in Gippsland, isn't it?

John BRADLEY: Yes.

Jade BENHAM: The mechanisms around conducting the research – I have read a little bit about this in terms of red seaweed, for example. When do we start seeing the outcomes of that research?

Lily D'AMBROSIO: Well, look, can I just say that the agriculture sector is really, really vital to our state and our economy, and it is really important that we continue to work with the sector to look for innovative ways that we can help reduce emissions. We know through many trials that have been conducted globally, including in Australia and in Victoria, that there is still a long way to go to prove up – or indeed commercialise some of those that have been proven up – these technologies. We know that it is a really difficult space, so there is a lot of work that has to be done. It needs to continue to be done for us to be able to get to that point where we can be able to meaningfully reduce emissions through what is a very important sector to our economy.

Jade BENHAM: The dairy sector – because we are talking about cows and their flatulence.

Lily D'AMBROSIO: Yes.

Jade BENHAM: Depending on who you ask, dairy farming can account for anywhere between 30 and 70 per cent of the whole agriculture sector's carbon emissions. What number does the department use?

Lily D'AMBROSIO: If I may just ask, I am not sure who would like to answer that.

John BRADLEY: It would be best for me, with ag.

Lily D'AMBROSIO: For ag? Yes of course, because it is agriculture that would have that. John then, the department secretary including ag, will be able to answer that.

Jade BENHAM: Okay. Thank you.

John BRADLEY: Thanks very much for the question. We would say that agriculture is probably about 18 per cent of the state's emissions at the moment, and within agriculture we would generally expect our livestock and dairy sector and their emissions that you are referring to, that enteric methane, to be representing around two-thirds, around 66 per cent or so in broad terms, of the emissions of the ag sector. That work that is going on at Ellinbank that the minister was referring to includes both research in relation to feed additives and really world-leading scientific measurement of the emissions from both ends of the livestock to measure the impact of those feed additives, but also methane breeding values, which is again world-leading research that has been not only trialled on a property but now is involving livestock managers in the private sector as well.

On your point about when the research results will be available, there is a significant amount of published research which is indicating the potential for there to be significant percentage reductions in methane emissions from dairy cattle through the adoption of this technology.

Jade BENHAM: Sorry, is that the biopolymer technology that you are talking about?

John BRADLEY: I am probably referring to both. I am referring to both the feed additive trials and then also the methane breeding values.

Jade BENHAM: Great. Thank you.

The CHAIR: Thank you. We are going to go to Mr Galea.

Michael GALEA: Thank you, Chair. Good morning again, Minister and officials. I would like to refer to your presentation where you talked about the state's net zero targets and climate targets. Could you talk to me a little bit about the projection for where these targets are going to see Victoria and why they are world-leading targets?

Lily D'AMBROSIO: My apologies. I did not quite hear that, sorry.

Michael GALEA: Apologies. I will move the microphone a bit closer. Just from your presentation, you discussed Victoria's climate targets. I am just wondering if you could please explain in a little bit more detail what these climate targets are and why they have been described as world leading.

Lily D'AMBROSIO: Okay. Thank you. Well, firstly, we are one of the few jurisdictions globally that have a 2045 net zero emissions target. And certainly our interim targets are very world leading in terms of what we are setting to achieve. They are ambitious but they are doable, and that is the balance that we have got to strike, because we want to make sure that we can deliver these reductions but also ensure that our economy continues to grow and prosper. The evidence is there that that is what we are achieving.

Importantly, why we have set the targets as we have is that we understand that there is a strong relationship between demonstrating you have got targets that are ambitious but are doable and investor confidence and investment coming through. And that is what we have been able to achieve. For us to have already effectively met our 2025 emissions reduction target – providing we hold that at least between 28 and 33 per cent, and we have got 31.4 at the moment – is very important, but we need to continue to build on that.

I am really pleased to say that the work that has been done collectively, not just in the energy space but in other parts of our government – some of them have more immediate impacts, others will take longer to actually bear fruit because of the accumulation of reductions that you have in emissions. We know that Victorians have been very supportive of our government's ambition on this and being able to do that whilst we are also delivering real bill savings for Victorians. Energy is massive; it is still the largest emitter. But we know of course that taking big chunks out of other sectors will grow in importance. Having that collaboration and partnership with the Commonwealth government is going to be the key to ensuring that we can collectively get to where we need to with net zero.

Michael GALEA: Thank you, Minister, and I appreciate you outlining the progress that has already been made towards those targets there as well. Can you talk to me a bit about what is required next as part of the *Climate Change Act* in order to continue this work?

Lily D'AMBROSIO: Thank you. The *Climate Change Act* in 2017 was really one of the first climate change Acts in the world, and I think in the country too. It was not just a document of aspiration. It actually set requirements for minimum reporting, interim adaptation planning, interim emissions plans and sector pledges. Now, why is that important? Because discipline is really important on government and the economy. The last thing you want is to set a target for which you wait till the day before or you wake up and think, 'Oh, geez, we haven't done much to get there.' The internal discipline is really important in terms of government lifting its effort, but also right across government so that climate activities and actions are actually incorporated in, I suppose, a new business as usual, because that is what we need to actually be able to get to where we are. Therefore the *Climate Change Act* requires us every five years to develop interim climate change strategies for the next five years, and it requires us to do the adaptation plans periodically and of course the emissions reduction pledges. October this year will be the year where some of these will be required to be delivered by our government, and we will.

Michael GALEA: Thank you. Just on the economic modelling as well, in your presentation you also discussed and you referred to the legislated targets for emissions reduction for renewable energy, energy storage and offshore wind. Could you please outline the projected economic impacts of these policies for the state?

Lily D'AMBROSIO: Thank you. Because we use 2005 as our baseline, between 2005 and 2023 our emissions in Victoria fell by 31.4 per cent, whilst our economy grew by 57.5 per cent. That is an indicator of how you can do the two things, right? In terms of the actual direct value of taking action and holding temperatures well below 2 degrees Celsius – so this is when you think about all the actions that you are going to take to keep to that – and reaching net zero emissions by 2045, Victoria's gross state product is projected to be \$63 billion higher between these two points, 2022 and 2070. That is a significant benefit, if you like, from actual action on climate and achieving net zero by 2045.

Michael GALEA: Thank you. Indeed it is quite a remarkable juxtaposition there with the increase in the state's economy over that 20-year period now, with a 30 – what was it, sorry?

Lily D'AMBROSIO: \$63 billion higher – that is, gross state product is projected to be \$63 billion higher.

Michael GALEA: Despite that dramatic drop in emissions over that time as well.

Lily D'AMBROSIO: Yes, and because of it too, because you are actually improving your economic environment, hoping to curtail the worst impacts of the existing climate change and turning it around eventually, which is what we all need to do. It is not just about net zero, it is about how we then turn the worsening.

Michael GALEA: And investing in renewable energy industries, which also support the economy and jobs and everything else. What does the data show us – if you have any, Minister – about the cost of inaction on climate?

Lily D'AMBROSIO: The cost of inaction is very big. There was a report released by Infrastructure Victoria, and they have done some very good work in this area. In April last year Infrastructure Victoria released a report called *Weathering the Storm*. What they said was that without action, climate change damage in Victoria could cumulatively cost at least \$115 billion by 2030 and more than \$986 billion by 2100. Extreme weather events in Victoria between 2007 and 2016 averaged \$2.7 billion in damage per year, and so on. We know what it has cost us in terms of the Black Saturday bushfires in 2009 – that cost more than \$4 billion. Early investment in adaptation action can reduce the costs of future damage, so it is not just the mitigation side, it is adapting. One study found that the benefits of adaptation projects outweighed their costs by between 1.3 and 60 times, and the median project saved \$6 for every \$1 spent, so the facts are very clear. The benefits are very, very stark. They cannot be disputed, in my view.

Michael GALEA: So \$6 per \$1 spent or, by contrast, a cost to the economy of \$115 billion, and that is just by 2030, let alone the longer term.

Lily D'AMBROSIO: That is exactly right.

Michael GALEA: Thank you, Minister. And in terms of the –

Lily D'AMBROSIO: Sorry, I do have a more immediate one, too. Economic analysis commissioned by our government supported the climate change strategy in 2021. It underpinned our strategy then. It showed that Victoria reducing emissions by 45 per cent by 2030 – that is within our target range – would cost the state economy between 15 per cent and 25 per cent less than reducing them by simply 28 per cent. So going harder on emissions reduction by 2030 will cost our economy less than going slower by 2030 – a lower target, that is.

Michael GALEA: Yes. Thank you. That is very, very interesting data indeed. In terms of – and we did touch upon this a little bit in the previous session as well – reducing emissions from the government's own operations, can you talk to me a little bit about what has been done in this field?

Lily D'AMBROSIO: Yes. Some of the things have featured in previous budgets, and they continue to be rolled out. With our sector pledges there is also a pledge for whole of Victorian government. That pledge that we released together with the other pledges in 2021 provided a road map for what we were going to do, and what we committed to then was that government operations would be 100 per cent renewables from 2025. We committed to transitioning public buses to zero emissions buses with a zero emissions bus trial and a plan to transition the fleet to zero emissions buses. We are committed to reducing emissions from the water corporations, including by greening the energy that they use to pump water. These are some of the elements that we have delivered in terms of our own action, so leading –

The CHAIR: Apologies, Minister and Mr Galea. We are going to go straight to Mr Puglielli.

Aiv PUGLIELLI: Thank you, Chair. Good morning. Minister, did our emissions go down last year?

Lily D'AMBROSIO: The emissions that were reported are part of an independent process that was reported to us. I think those emissions for last year or the year before that were reported. Is that correct? Yes. The report for that 2022–23 period shows that there had been a small increase in Victoria's emissions between 2022 and 2023. All of that, or most of that, was due to something that no-one can control, and that is the carbon emissions in soil, and that led to a short-term increase. That was caused by the wetter La Niña season, the conditions. There was a small amount also within transport emissions increasing as more people returned to prepandemic travel patterns, if you like. They were the explanation for that slight increase, and I think that happened in all of the states. But the fact is the trend is there, and looking at one year in isolation is not necessarily a good way to consider what the trend is.

Aiv PUGLIELLI: I appreciate that. That was 2022–23, is that right?

Lily D’AMBROSIO: Yes.

Aiv PUGLIELLI: How about 2024?

Lily D’AMBROSIO: I do not know. Do we have that figure? No, because we wait for the accounts, the carbon accounts. Those are managed nationally, and they are typically a year behind. However, there was the 2023 greenhouse gas report. Yes, that report for last year will be completed by the end of October this year.

Aiv PUGLIELLI: Okay.

Lily D’AMBROSIO: And that report will be tabled in Parliament. I will be tabling that report in Parliament within the normal period of report tabling.

Aiv PUGLIELLI: Okay. Thank you. Minister, in your assessment, does our state over-rely on land use as a carbon sink?

Lily D’AMBROSIO: I do not think we over-rely on it. I am not sure what you mean by over-reliance.

Aiv PUGLIELLI: As in, when we are measuring our emissions reduction, what proportion of that is coming from carbon sink?

Lily D’AMBROSIO: We measure it according to what the national standards are. They apply to every state. But there is no doubt that we have heavily reduced our emissions in the energy sector, and that is very important there. Emissions in soils are very important, absolutely, but we are making significant progress in the other areas. And of course we did end native timber harvesting, which augurs well for the future in terms of our emissions.

Aiv PUGLIELLI: Thank you.

The CHAIR: Thank you, Minister. Thank you, 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 take a break before beginning its consideration of the housing and building portfolio at 12:45 pm. I declare this hearing adjourned.

Witnesses withdrew.