

**TITLE: No champion solution for carbon**

**AUTHOR: Richard Denniss**

**PUBLICATION: The Australian Financial Review**

**PUBLICATION DATE: 04/11/14**

**LINK: <http://www.tai.org.au/content/no-champion-solution-carbon>**

Public debate about the details of climate policy can be like seven-year-olds arguing over who would win a battle between Spiderman and The Incredible Hulk.

Would Carbon Tax Man defeat Emissions Trading Man to deliver least cost abatement? When Direct Action Man isn't fighting carbon crime, is he mild-mannered Complementary Measures Man in disguise?

The debate is messy because of the combination of old economic concepts, new political slogans, and a complicated Senate. The outcome is a partisan sparring match so confused and conflicted that, dare I say it, Twitter and news headlines simply can't capture the complexity of what is going on!

There are many ways to change consumer and industry behaviour, including taxes, subsidies, prohibition, campaigns and regulation. All political parties support these tools but disagree on which tool should be used for which problem. The question usually revolves around politics rather than philosophy.

The climate debate reveals how confused the philosophical underpinnings of political parties have become. Welcome to climate change policy in 2014, where the Liberals want to use subsidies to encourage emissions abatement and Labor and the Greens are determined to use "market-based mechanisms".

As health minister in the Howard government, Tony Abbott favoured taxes to stop poor people smoking. As PM, he opposes taxes to discourage the use of fossil fuels. When Labor was in power, the Greens wanted a carbon price on electricity and petrol. Now Abbott's at the wheel, the Greens oppose a fuel tax increase. Are you with me so far?

The Twitter battle would have us believe that voters should choose between a carbon price (polluter pays) or direct action (pay the polluter). If that's the choice, sign me up for polluter pays. But a combination of the two, as was the position of the ALP and the Greens before the last election, makes a lot more sense.

The Gillard government, with the support of the Greens, invented the “contracts for closure” scheme. It was designed to pay billions of dollars to coal-fired power stations to shut down. If you’re thinking that sounds like direct action, you’ve been paying attention.

The ALP and Greens also set up the Clean Energy Finance Corporation and ARENA to buy abatement with taxpayers’ money. And then there is the 20 per cent Renewable Energy Target, which is all about driving down emissions in the electricity sector. Does that make it direct action, or a carbon price?

### **Debate obscures differences**

The Coalition, ALP, Greens and Palmer United Party all want to pay polluters. The differences of opinion relate to which polluters and how much. Last week’s debate concealed rather than revealed these differences. Just as our efforts to tackle smoking incorporate taxes, regulation, sale prohibition, and extensive advertising campaigns, an effective climate policy must also use a wide range of policy instruments. But rather than asking how we achieve the ambitious emission reduction the UN’s Ban Ki-moon says we need, our parliamentarians are engaged in a ferocious, simplistic debate about which specific policy measure is best.

Of course a carbon price is important to tackling climate change. Of course taxing polluters is the most efficient and equitable way to fund spending on “direct action” or “complementary measures”. The issue isn’t the effectiveness of instruments but the ambitions of our domestic abatement targets and political support to double our coal exports.

If Bernie Fraser and the Climate Change Authority recommend an increase to Australia’s 5 per cent emissions reduction target, will the ALP take a pledge for more ambitious objectives to the next election?

If the government’s meagre \$2.5 billion Direct Action policy isn’t enough to meet our emissions reduction target, will it spend more money or just lower the target?

If the Greens retain some, but not all their seats in the next Parliament, will they vote for some action or continue to oppose any action they deem inadequate?

These are just a few of the questions voters need to consider in the lead-up to the next election. There are many more. But the answers can’t be considered if the questions are never asked, and that’s what will happen if the next two years are the policy equivalent of a fight about whether a shark could beat up a crocodile.

*Dr Richard Denniss is Executive Director of The Australia Institute.*