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The list of friends for Tony Abbott's Direct Action Plan continues to shrink. The Australian Industry Greenhouse Network (AIGN) which co-ordinates, among others, the mining and manufacturing industry's response to climate change issues has rejected the Opposition's plan saying it would cost far more than the Coalition has claimed. Opposition Leader Tony Abbott responded by saying that the amount of money they would spend on direct action was capped.

If the Coalition has capped the scheme and will not increase the funding then it is unlikely there will be enough money to reach their five per cent emission reduction target. This leaves the possibility that emissions will actually rise under the Coalition's scheme, which puts him further at odds with climate scientists. With industry joining economists and Treasury in openly disputing the costs of the Direct Action Plan, domestically there are few left that support it. Internationally, Mr Abbott finds himself at odds with many of those who he might usually consider philosophical allies. His rejection of a market-based solution in favour of a big government spend-a-thon is at odds with centre-right philosophy.

Centre-right governments in a number of countries have not only embraced emission trading schemes but have championed them. In Germany the centre-right government of Angela Merkel has been one of the European Union's strongest advocates for the ETS. Indeed, Germany has pushed for stronger emission reduction targets. The EU has a target of a 20 per cent reduction on 1990 levels by 2020 while Germany has gone further and committed to a 40 per cent reduction.

The UK is also a strong advocate of the EU ETS with the centre-right Tories recently announcing a target of 50 per cent reduction by 2025. In New Zealand it was the Labour Party that passed legislation to set up an ETS yet the centre-right National Party committed to maintaining it when it formed government in November 2008. The centre-right governments of France, Italy, Sweden and South Korea also favour emission trading.

A notable exception is Canada. There, the centre-right Conservative Party is following a sector by sector approach which relies on government regulation and its emission reduction target matches that of the United States. It has indicated that it will introduce an ETS when the US commits to doing the same. Given how economically integrated the Canadian and US economies are this is not unexpected.

The fact that emission trading schemes are popular with centre-right governments is not surprising. An ETS is a market-based solution and appeals to those who believe in the power of markets to produce superior results to direct government intervention and regulation. When compared with alternative emission reduction policies such as government grant schemes and regulation they generally reduce emissions at a lower cost.

Tony Abbott's policy of direct action is surprising since it is the antithesis of what the Liberal Party has historically believed to be good economic policy. It involves Canberra public servants spending large sums of tax payers' money to pick emission reduction winners. It's a weird combination of a voluntary scheme that is centrally planned. It is made all the stranger because there is a simpler, cheaper more effective solution that harnesses the power of the market.

So why has Tony Abbott rejected an ETS? In May this year Tony Abbott signalled the Opposition would oppose an excise increase on alternative fuels despite the increase being Howard government policy. Former Senator Nick Minchin suggested the Coalition was guilty of not supporting good policy. Tony Abbott responded by saying that faced with a choice between "policy purity and pragmatic political pragmatism, I'll take pragmatism every time". He has done the same in the case of climate change. He has chosen the allure of quick votes over good policy. With so many different groups convinced that a carbon price is far superior to the Direct Action Plan it is unlikely that even the Opposition still believes that their plan can work.

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