

The Australia Institute

Research that matters.

TITLE: Abbott reads from Mao's little green book of nonsense

AUTHOR: Dr Richard Denniss

PUBLICATION: The Punch

PUBLICATION DATE: 07/08/11

LINK: <http://www.thepunch.com.au/articles/Abbott-reads-from-Maos-little-green-book-of-nonsense/>

Australian politicians have spent more than 20 years thinking up reasons not to tackle climate change, but the latest from Tony Abbott really must take the cake.

According to the Opposition Leader, it now seems that until Communist China introduces a market-based mechanism to reduce their emissions, Australia shouldn't either.

That should buy us some time then.

China is a one party state. It still hasn't floated its exchange rate. Its economy is managed by five year plans. The idea that Australia shouldn't embrace a market-based response to a problem until China does makes about as much sense as saying that Australia shouldn't have a free press until China does.

That said, the irony of Tony Abbott relying on Chinese economic policy to justify his own approach runs deeper than the mutual reluctance of the Liberals and the Communists to introduce a carbon price.

For example, Tony Abbott's determination to choose policy positions based solely on the degree to which they differ from those proposed by Julia Gillard has resulted in him proposing to employ an army of bureaucrats to oversee a centrally planned approach to reducing Australia's greenhouse gas emissions.

Under the Coalition's 'Direct Action Plan' Australia will reduce its greenhouse gas emissions by 713 million tonnes by asking companies to identify opportunities to reduce their own emissions and then applying for a government grant to encourage them to do so.

Having sent in their forms, the public servants will read them, compare the claimed emission reductions and the amount of money requested, and rank them all according to value for money.

The best ones will then be sent their cheques and, all going well, all of the selected companies will deliver the emission reductions on time and on budget. Just like with China's five year plans.

This plan raises a few questions, to say the least, but Tony Abbott has moved his press conferences from factory to factory fast enough to avoid answering any of them.

The first question is 'how many public servants will Tony Abbott need to administer his grants- for-polluters scheme?'

[The Australia Institute has estimated](#) that to reduce emissions by 713 million tonnes by 2020 there would need to be around 150,000 detailed grant applications setting out how companies propose to reduce emissions and itemising how much public money they would require to do so.

The National Audit Office was scathing of the cost of running such programs in the Howard years but Tony Abbott has avoided even being asked to explain the administrative cost.

The Coalition has now floated the idea of scrapping the Department of Climate Change but they are yet to detail how much it will cost to administer the Department of Subsidising Polluters.

The second question is 'how long will it take to stop talking about direct action and start doing some?'

While the Opposition Leader's written policy pretends it kicks in in 2011 this document was constructed on the optimistic (from the Opposition's point of view) assumption that there would be an early election, that the Coalition wins that election, and that they can immediately pass legislation to rescind the carbon price and introduce the Direct Action Plan through the Senate.

Back here on planet earth, however, things are likely to move a little slower. Even if we assume that Tony Abbott wins an election in 2013, there is virtually no chance of him securing a Senate majority at a half Senate election.

That means that he would need to introduce his roll back legislation into the Lower House and have it voted down twice in the Senate before he could call a double dissolution election.

Assuming that a carbon price rollback is passed at a joint sitting of both houses of parliament that will make it around 2015 before Tony Abbott can deliver on his pledge. By then the carbon price will have been in for nearly three years.

This leads to the third, and most important question, namely 'how does Tony Abbott think the Australian economy will cope with five more years of carbon price uncertainty?'

If the Opposition Leader gets his way we will introduce a carbon price in 2012, remove it around 2015, introduce his direct action scheme around 2016 and then, according to the Shadow Climate Change spokesperson, move back towards a carbon price around 2020. That is, the Coalition is only committed to direct action until 2020 and has described it as an interim step.

According to Treasury, the electricity generators, the big energy users and, once upon a time the Coalition, one of the biggest costs associated with emission reduction policy is the way that uncertainty leads firms to postpone necessary investments.

Indeed, delays in investment are one of the major causes of the recent rises in electricity prices. The Coalition's current position of roll back has clearly delivered a boost in the polls but there is no chance that it will deliver a boost to the economy. Another decade of uncertainty would be costly for business and consumers, not to mention the atmosphere.

Just as the Tea Party willingness to jeopardise the credit rating of the United States was a case of putting short term politics ahead of long run national interest so too is Tony Abbott's willingness to pursue a bureaucratic rather than market-based approach to reducing greenhouse gas emissions.

Introducing a price on carbon is not a silver bullet but the Opposition cannot find a single economist to endorse their pay the polluter approach.

The sooner we introduce a price on carbon the cheaper our response to climate change will be. Of course we can always look around the world to find excuses not to do so, but when the Liberal Party of Australia needs to rely on the Communist Party of China for policy justification you know things are getting interesting.

Ironically, if the Coalition looked a little further north they would see that the Tories in the United Kingdom have recently committed to a 50 per cent emission reduction target by 2027. But it seems that when it comes to the Old Country the Liberals would prefer to listen to what Lord Monckton rather than what Prime Minister Cameron is telling them.

Dr Richard Denniss is Executive Director of The Australia Institute, a Canberra-based think tank, www.tai.org.au