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TITLE: Direct Action: Good politics, bad policy

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Last week Tony Abbott branded the Government's target to reduce emissions by five per cent by 2020 as 'crazy', but the crazy thing is that the Coalition has the same target. Was this just Mr Abbott getting over excited in his attacks on the Government? A slip of the tongue similar to when he told us climate change was 'crap'? Surely the Opposition Leader is being sincere in wanting to cut emissions? He even has a way of achieving it; the Coalition's grandly named Direct Action Plan. But what is the Direct Action Plan?

The Direct Action Plan is a competitive grant program where businesses and farmers would submit proposals to the government on how they would reduce their greenhouse gas emissions and how much it would cost. Those proposals that cost the least would then be chosen by bureaucrats and taxpayers' money would be used to fund them. They would keep funding projects until they reached the emissions reduction target.

The Coalition has set aside \$10.5 billion out to 2020 to fund the projects. The two big questions are will this be enough money and will it reduce emissions by enough? The good news is we have a large source of information on competitive grant programs that have tried to reduce greenhouse gas emissions in the same way as the Coalition is proposing. In fact over the past 10 years or so, governments in Australia have allocated over \$7 billion to such programs. The bad news is that analysis of these competitive grant programs by the Australian National Audit Office (ANAO) and the Grattan Institute has found that they have performed very poorly. They found that they take far longer to achieve much less emission reductions than is planned at a much bigger cost than has been budgeted for.

How much longer? The ANAO found that delays of two years were not uncommon. How much less emissions? The Grattan Institute found that even after 10 years, on average they had only found projects for 18 per cent of their funds. How much more expensive? The Grattan Institute estimates that to achieve the five per cent target would require allocating not \$10.5 billion, as the Coalition has predicted, but rather \$100 billion. That's an average of \$11.1 billion per year over the next nine years or around \$1300 per household per year.

So the Coalition's Direct Action Plan will be unable to reduce emissions by enough and the emissions they will reduce will cost around \$140 per tonne of CO₂e compared with a carbon tax starting at \$23 per tonne with the revenue being paid back in compensation and other climate change policies.

If the Coalition were to introduce their Direct Action Plan it is unlikely that there would be enough funds available to meet the emissions reduction target. When this happens the Coalition would have two choices. They could increase the money allocated to the plan and potentially blow its budget out to more than \$11 billion a year. The second option is they could continue allocating \$1.2 billion per year and not meet their emissions reduction target. If they choose this option then, rather than emissions falling by five per cent, emissions would instead rise by 22 per cent.

Which of the two options would the Coalition chose? We don't know for sure but perhaps Malcolm Turnbull gave us some insight when he appeared on the ABC's Lateline on the 18th May. In reference to the Coalition's policy he said:

"it can be easily terminated. If in fact climate change is proved to be not real, which some people obviously believe - I don't. If you believe climate change is going to be proved to be unreal, then a scheme like that can be brought to an end."

So why does the party that's supposed to love free markets reject a market based solution in favour of a program of big government spending administered by an army of bureaucrats that has a track record of failing? Malcolm Turnbull gave us the best answer we have heard so far. The Coalition's Direct Action Plan is actually a policy that is designed to waste a lot of money, fail and then to be terminated. A policy from a party whose leader is on the record as saying climate change is 'crap'. Rather than being honest with the Australian people and telling them that the Coalition does not believe in climate change they put up a fig leaf policy that has no chance of success. It might be good politics to keep sniffing the wind, reading the audience and changing your opinion, but it is bad policy. If the Coalition wants to give Australian business certainty then they need their current leader to stake out some principles and stand by them.

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