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TITLE: Good green ideas gone bad

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PUBLICATION: The Canberra Times

PUBLICATION DATE: 09/12/11

LINK: <http://www.canberratimes.com.au/news/opinion/editorial/general/good-green-ideas-gone-wrong/2387525.aspx>

The road to fiscal recklessness is paved with green intentions as poorly designed climate policy could cost ACT taxpayers millions.

It is rare in public debate that you can enter a fight knowing that you can't possibly lose. Sadly, the same cannot be said for the taxpayers of the ACT, who will likely waste hundreds of millions of dollars on well meaning, but poorly designed, climate policy.

But before I explain why the ACT's road to fiscal recklessness is paved with green intentions it is useful to first consider a more obvious case of good ideas gone wrong: the mining tax Mark II.

The first version of the mining tax, the one that took months to design by the folk at Treasury, was designed to collect a lot of revenue from the most profitable miners and use some of that money to abolish the hotch potch of state government mining taxes and royalties. But even Kevin Rudd taking personal responsibility for selling it couldn't persuade the biggest, richest companies in the land to go along with it.

The second version of the mining tax, the one that took a few days to design by the folk in the newly minted Prime Minister Julia Gillard's office, was designed to collect a lot less tax, particularly from the most profitable miners. Not surprisingly, the three big miners let into the negotiations thought the new tax was a much better deal.

But whereas the original tax was designed to replace all the state taxes the new one was designed to be bolted on the top, and that decision has resulted in some problems, the biggest of which arises when a state government wants to increase its own state mining taxes. The state governments think that greater tax ambition on their part should deliver them greater revenue.

But the miners argue that if the state governments increase the state taxes then the Commonwealth will have to lower the Commonwealth tax take.

That is, there is now a "cap" on the amount of tax the miners can pay and the states are arguing over who is entitled to collect it. Of course it is brilliant politics from the miners. Rather than state and Commonwealth governments siding with each other to collect the most revenue for taxpayers they are fighting against each other while trying to curry favour with the miners.

And, sadly, so it is with climate policy.

This week we saw the ACT Government begin its consultations about how it intends to meet its ambitious 40 per cent greenhouse-gas emission reduction target and how much it will cost to do so.

The problem is, however, that the design of the national emissions trading scheme is such that because the amount of greenhouse pollution will be "capped" at a national level if the ACT reduces its emissions by one million tonnes then polluters in NSW or any other state will be able to increase their pollution by one million tonnes.

Put simply, the federal scheme is designed in such a way that the more we do to reduce emissions here in the ACT, the more pollution that polluters in other jurisdictions will be able to emit. Of course it is a real pity that this is the case, and I personally tried my best to make it not the case, but things are as they are, and Canberra's politicians should make decisions based on the way the world is, rather than the way they wish it to be.

Which brings me back to why I can't lose this particular fight.

Unfortunately, the legal advice I have seen makes it clear that there is no mechanism in the federal scheme to reduce the Australian emission target directly as a result of Canberra achieving a 40 per cent emission reduction target. Unfortunately, neither Simon Corbell nor Shane Rattenbury took up the challenge I laid down in The Canberra Times previously to publicly demand amendments to Commonwealth carbon price legislation to make sure that the efforts of Canberrans would be taken into account.

But despite their refusal to ensure the problem was fixed before the legislation was passed I am now told that they are both hopeful that it can be fixed up after the legislation has been passed. Which is nice.

The problem is, however, if it was so hard to get the Government to accommodate the wishes of Canberrans before the legislation was finalised it is hard to see why they would be willing to revisit the issue now that it has passed. But the good news, for me at least, is that if I am underestimating the retrospective persuasive power of Corbell and Rattenbury then the policy outcome I have long been advocating will have been achieved.

Presumably, our local representatives have great reasons for saving their best lobbying until after the carbon price Bill has passed, and I really do hope they succeed, but the problem is

that, as with the mining tax, it is usually much harder to unscramble an omelette than to include the right ingredients at the beginning.

But what if they fail? What if the Commonwealth remains as resolute in its determination to ignore the wishes of ACT residents to show leadership on climate change now as our representatives tell us they were before the Bill was passed?

It gives me no pleasure to conclude that if the Federal Government won't commit to reducing Australia's targets tonne for tonne with the ACT's achievement of its own targets then we should abandon the 40 per cent goal. The former Victorian Labor government chose to do exactly that when the grim reality of the Commonwealth legislation dawned on them.

Of course there are some in the environment movement who would prefer to pursue some policies even after they have been shown to be ineffective. Such an approach is hardly unique in Australian politics with many people supporting mandatory detention and offshore processing because it "feels right".

But while such an approach might not be unique, it doesn't make it desirable or effective.

It will cost hundreds of millions of dollars to achieve the 40 per cent target. And while some of the necessary measures may be good ideas, that doesn't justify sticking with them if they won't achieve their intended goal.

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