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**TITLE: How much cash will the states get under the CPRS? Zero.**

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Last week many people were questioning why the Victorian Premier was so keen to secure additional compensation for the impact of the Carbon Pollution Reduction Scheme (CPRS) on his state's biggest polluters. Luckily for him, however, he has not been forced to answer a more interesting question: Why isn't he demanding that the Commonwealth Government compensate Victoria's public hospitals, schools and transport system for the impact of its flawed emissions trading scheme?

Unfortunately for those of us who ever rely on the public health, education or transport systems the CPRS is estimated to cost state budgets more than \$2.1 billion in 2013, rising to more than \$5 billion per year in 2020. How do I know this? The same reason I know that every state premier knows this. It was the state premiers who commissioned Access Economics to do the modelling. Unless the state premiers successfully demand compensation from the Commonwealth to cover these costs the only options are to increase state taxes or sack teachers and nurses.

So how come the CPRS will cost state premiers so much? Simple really – hospitals, schools and public transport systems use a lot of energy. Given that the whole point of the CPRS is to drive up the price of electricity the impact on the cost of providing government services is unavoidable.

Hospitals use lots of energy. They like to keep patients cool in summer and warm in winter. They like to sterilize their instruments and are particular about using lots of hot water to do so. Equipment like X ray machines and MRIs use a lot of electricity. Faced with higher electricity prices, what does the Federal Government assume they should do?

Of course it is not just state governments that are affected. Local governments will see similar impacts on the cost of providing everything from street lights to community centres. The most unexpected impacts will, however, be on Commonwealth Government line departments. Centrelink and Medicare offices

use an enormous amount of energy, as do big departments like Health. Unless they receive direct budgetary compensation the CPRS will work like a new efficiency dividend, that is, if the budget stays the same and the electricity bill goes up, line departments will be forced to make cuts in other areas.

But as with most elements of the CPRS, the real problems are always worse than they first seem.

While the CPRS will cost the state governments billions of dollars each year, the actual problem of climate change will cost them billions more. Recent estimates are that sea level rise will cause billions of dollars worth of damage to housing and infrastructure. It is state and local governments that will pick up the tab.

Last summer's heat wave highlighted the need for state governments to invest in infrastructure upgrades to make sure things like train and tram lines don't buckle in the heat.

Similarly, there is little doubt that climate change will place increasing pressure on services as diverse as health and fire fighting. Again, it is the states that will foot the bill.

So, given the tens of billions of dollars per year the Commonwealth Government will make from selling (some of) its pollution permits, how much money will it be giving to the state's to help them prepare for, and adapt to, climate change?

Zero.

That's right. Despite the billions of dollars that the government is willing to throw at polluters they have not found a cent for the state and local governments, let alone the Commonwealth's own line departments. And to rub insult into injury, the more timid the Commonwealth's emission reduction target, the greater the adaptation costs of the states will be.

You would think that the state premiers would be concerned about this. At a minimum you would think that Colin Barnett, the only Liberal premier, or some of the state liberal oppositions would be asking some questions on behalf of their states.

Maybe they are. Maybe behind closed doors a secret deal is being done to protect public services, public sector workers, and to ensure that states will be provided with the billions they will need to prepare for and adapt to climate change.

Or maybe not. Maybe the premiers have decided that given the voters aren't really paying attention they might as well deliver for the polluters instead.

All will soon be revealed, but once those billions are given to the polluters it will be impossible to get them back for the rest of us.

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