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TITLE: Left and right agree carbon tax is better

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Like Kevin before the last election, emissions trading used to hold much promise for those interested in tackling climate change. In proposing a five per cent emission reduction by 2020, however, both the Prime Minister and his Carbon Pollution Reduction Scheme (CPRS) have failed to deliver on that promise.

While the CPRS is widely discussed, it is not so widely understood. This lack of understanding has been an advantage for the Rudd Government since it was elected, but as the disappointment with the scheme begins to grow, so too does the awareness about how flawed the proposal really is.

Did you know, for example, that once the CPRS comes in that individual efforts to reduce energy use will have absolutely no impact on the level of Australia's emissions?

Let me restate that in its boldest terms. Under Kevin Rudd's CPRS if a household spent thousands of dollars putting solar panels on their roof, insulating their ceiling and rode their bikes everywhere it would not reduce Australia's emissions by a single kilogram. If that sounds absurd, it is, but it's why it is important to understand the CPRS. It works like this:

The first step is that each year the federal government will issue a fixed number of carbon pollution permits. Most will be given to the big polluters and some will be auctioned. It will be illegal for big polluters to generate more emissions than the number of tonnes allowed by the permits they hold.

The second step is where the "trading" comes in. If a big polluter wants to increase the amount of pollution it releases it can do so, but only if it can buy a permit from one of the other big polluters. While the total number of permits issued by the government will mandate a decline of five per cent in the *Australia-wide* level of pollution by 2020, there will be no need for any individual polluter to reduce emissions. In fact, a polluter can go on increasing its emissions as long as it can find another polluter willing to sell it permits.

This is where the problems begin. Under the proposed scheme, if individuals, communities or state governments try to do their bit for the environment, all they will achieve is the freeing up of permits for the big polluters to increase their emissions.

Fewer emissions from an individual mean more emissions from an aluminium smelter. Fewer emissions from one state simply mean more emissions from another state.

Consider this example. If a family installs a solar hot water system on their roof they will need to purchase less electricity. The coal-fired power stations that supply their power will burn a bit less coal and, as a result, will produce fewer emissions. Now that the power station has lowered its emissions, it will need fewer permits, freeing up "spare" permits that it can then sell to the aluminium industry or any other large polluter.

The carbon pollution reduction scheme can be more accurately described as the carbon pollution reallocation scheme.

Of course, in addition to the trivially small target and a scheme design that prevents individuals, communities, or even state governments from playing a role in reducing emissions below the target, there are a range of other problems.

The compensation to the polluters is not just an enormous transfer of taxpayers' money to the big emitters; it defeats the whole principle of 'polluter pays'.

While an emissions trading scheme is supposed to rely on the market to set the price, the Rudd Government has announced that the price will be capped at \$40 per tonne.

If the political will changes and a subsequent government wants to significantly reduce emissions it will have to spend billions more dollars buying back the permits it has given away to the big polluters.

Many Australians have waited a long time for a government to actually do something about climate change, and no doubt some of them would be reluctant to see the CPRS fail for that reason. However, most of those same people are unlikely to understand that the five per cent emission reduction target is not a 'step in the right direction' but a legislative barrier to reducing emissions any further. The CPRS actually locks us into failure in that it will prevent emissions falling below the timid targets proposed by the Rudd Government.

So, where to from here? A simple way to get the ball rolling without locking in the worst features of the CPRS is to introduce a carbon levy of \$25 per tonne. This is the same price the Rudd Government expects to flow from its CPRS, and it has already done the work figuring out how to provide compensation..

An important benefit of such an approach is that we don't need to start from scratch. The administrative capacity required to collect a carbon levy is consistent with that required to introduce the CPRS. That is, both systems require the monitoring of emission levels, the determination of liability and the reconciliation of who has paid their carbon bills.

The other benefits of a carbon levy are its simplicity, its compatibility with simple measures such as investment in household energy efficiency and the fact that we don't have to set our targets until international agreement is reached in Copenhagen. Unlike the CPRS, a carbon levy would not discourage individual action.

The CPRS is looking more and more like a hotted up second hand car. It sounded good in the advertisement, had all the fancy bits added on and looked really shiny

and ready to go. Unfortunately the closer you look at it, the less reliable it gets. It might not be as fancy, but an old fashioned carbon levy would be a much more reliable way of getting from A to B, especially in these troubled economic times.

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