

MEDIA RELEASE
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New US Study Contradicts Australian Greenhouse Stand

A study just released by the US Government shows that the economic impact on Australia of measures to reduce greenhouse gas emissions are much lower than predicted by the Australian Government's own research.

The US study estimates that Australian GDP would fall by 0.5% at its peak in 2010 as a result of measures to stabilise greenhouse gas emissions at 1990 levels. This contrasts sharply with the estimate by ABARE using its MEGABARE model that GDP in Australia would fall by 1.5% in 2010, three times higher than the US estimate.

The US Government study also found that the impact on Australia would be less than the impact on Western Europe (GDP down by 0.7% in 2010), Japan (0.6%) and Canada (1.1%). Only the US has a lower economic impact (0.2%).

The Australian Government has used MEGABARE results to claim that the per capita economic costs for Australia would be *22 times higher* than those for Europe.

Commenting on the study, Australia Institute Executive Director Dr Clive Hamilton said: "This study helps to explain why Australia has wholly failed to persuade the rest of the world of the merits of its case. To the extent that modelling studies like these are influential, the US Government believes that Australia would find it relatively *easy* to meet mandatory reduction targets. This is consistent with most disinterested opinion in Australia and blows the Australian case for differentiated targets out of the water."

Entitled *Economic Effects of Global Climate Change Policies*, the study was conducted for the White House by the Interagency Analytical Team from the US Department of Energy and the Environmental Protection Agency. The study draws on results of modelling runs commissioned from three leading economic modelling teams in the USA. Unlike the MEGABARE study, the US study has been extensively refereed, and the reports of the referees have been made public. The MEGABARE model is overseen by a Steering Committee drawn mostly from the fossil fuel industries.

The US study also suggests that a system of emissions trading amongst Annex 1 (OECD) countries would dramatically reduce the costs of emissions reductions, to around one quarter of previous estimates, reducing the cost to Australia to 0.2% of GDP in 2015.

"If these estimates are even approximately true then they make a mockery of Australian Government claims that signing up at Kyoto would be ruinous for the Australian economy. Some of the more forward-looking Australian firms are now securing the commercial opportunities that Kyoto will open up", said Dr Hamilton who recently attended the climate change negotiations in Bonn.

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