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PM's Fantasy Figures Betray Greenhouse Desperation

The Prime Minister's extraordinary claims about the economic impact of greenhouse gas reductions are flatly contradicted by the advice he has received from the Industry Commission and the Bureau of Transport and Communications Economics.

Mr Howard claimed yesterday in Parliament that meeting the European greenhouse gas reduction targets would result in 90,000 lost jobs and petrol price rises of 70 cents a litre. These figures are based on a carbon tax of \$900 per tonne of carbon.

But the Industry Commission in its report on greenhouse policies estimated that a carbon tax of around \$82 a tonne would be enough to reduce Australia's emissions by 44% by 2005, much lower than the European target. The IC estimated job losses of around 38,000. Other modelling results show much smaller losses. A carbon tax of this size would increase petrol prices by 7% or 5 cents a litre, not 70 cents as claimed by Mr Howard. Electricity prices would rise by 21%, not 100%. The petrol price estimates are confirmed by the Federal Bureau of Transport and Communication Economics in its 1996 report to the Government.

"Mr Howard's spin doctors have gone berserk", said Institute Executive Director, Dr Clive Hamilton. "The Government's scare mongering suggests a new phase of desperation in response to the severe diplomatic damage its greenhouse policy is causing."

Dr Hamilton said that carefully chosen policies could *increase* employment. Analysis using the ORANI model shows the effect of a carbon tax of around \$84 a tonne would be to *increase* total employment by around 50,000 jobs if the revenue were used to reduce payroll tax.

A statement signed by 131 professional economists – including 16 professors of economics – declared: 'Policy options are available that would slow climate change without harming employment or living standards in Australia, and these may in fact improve Australian productivity in the long term'.

Contrary to Mr Howard's claim that Australia would be especially hard hit by emissions reduction measures, a recent extensive modelling study by the US Government showed that Australia would find it cheaper than Europe and Japan to cut emissions, and that the economic losses would be "relatively small and transient".

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