

## **Government's Greenhouse Advice Misguided**

The position the Australian Government is taking to the climate change negotiations in Kyoto next week is based on incorrect advice, according to a new report released today by the Australia Institute.

The report thoroughly reviews the MEGABARE economic model which provides the basis for the Government's claim that reducing emissions would impose heavy costs on Australia. It concludes that the model 'does not provide accurate or reliable estimates of the economic impacts of emission reduction policies and should be disregarded'.

Prepared by two leading economists, Dr Clive Hamilton and Professor John Quiggin, the main findings of the report include:

- The model fails to account for energy savings that may amount to as much as 30% of energy used in Australia.
- The model fails to allow for technological change in response to policies to cut emissions.
- The model's baseline for the crucial electricity sector is wholly inconsistent with expert opinion on likely changes in energy consumption patterns in Australia.
- The model explicitly excludes assessment of the *benefits* of reducing greenhouse emissions so that it can say nothing about the desirability of reducing emissions.
- By assuming that emission targets will be confined to developed countries, the model seriously overstates the likelihood of jobs going off-shore.
- The use of various presentational devices gives a grossly misleading picture of the economic costs of reducing emissions. The results of the MEGABARE model actually indicate that the costs of cutting emissions would be extremely low.

"The Government should ignore MEGABARE and draw on alternative sources of economic advice, ones that give more comprehensive, considered, transparent and dispassionate assessments", said Professor Quiggin.

Commenting on the fact that the MEGABARE model is largely funded by coal and oil-based corporations, Dr Hamilton said: "In order to avoid suspicion of client capture, the Government's economic analysis should be funded solely from the public purse."

The study was commissioned by the Sustainable Energy Development Authority of NSW. Welcoming its release, the chief executive of SEDA, Ms Cathy Zoi, said it makes an important contribution to ongoing debate about how best to assess the impact of Greenhouse. "No doubt this will not be the last word in the debate, but it's critical that a full range of views is expressed."

The study reflects the views of the authors and not necessarily those of the NSW Government.

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