

MEDIA RELEASE
24th September 1998

GST Package is the real environmental issue

A report released today by the Australia Institute, *The GST Package and Air Pollution*, concludes that the proposed tax changes will cause a deterioration in urban air quality and compromise Australia's greenhouse gas reduction efforts. The impacts of the GST on air quality and greenhouse gas emissions negate the efforts of other government programs to reduce the health and economic effects of air pollution.

"Environmental policies released in the past week have not acknowledged that one of the most critical environmental issues in this election is the impact of the GST on air pollution," said Dr Clive Hamilton, Executive Director of the Australia Institute.

The Living Cities program announced as part of the Coalition Government's environment policy has allocated \$16 million dollars to reduce air pollution in major cities, particularly the so called 'air-toxics'. At the same time the impact of the 25c per litre cut to diesel prices proposed as part of the GST Package is predicted to increase concentrations of some of the most damaging air borne pollutants in Australian cities.

"While some contributors to urban air pollution are expected to fall slightly as a result of the tax changes, the most damaging ones will increase," said Dr Hamilton. "Notably, carcinogenic particulates are estimated to increase by 2.2 thousand tonnes annually from transport alone and oxides of sulfur are predicted to rise by 5.1 thousand tonnes."

"Urban air pollution is costing Australia an estimated \$7 billion every year in health costs alone, not to mention the discomfort and suffering," Dr Hamilton said. "Any fiscal measures that are going to cause a deterioration in urban air quality have to be regarded as a potentially serious impost on the well being and life expectancy of our urban populations."

The report predicts a number of other undesirable outcomes in the transport sector.

"The Coalition's GST Package in its present form presents serious barriers to further investment in gas powered bus systems and gas powered vehicles," Dr Hamilton said. "Why would anyone continue with plans to spend the money converting to gas vehicles when the price difference between gas and diesel is going to disappear after the election? At the same time the GST will increase the cost of converting a vehicle to gas."

"The Coalition Government pledged \$3.8 million to help develop a gas filling station network last November and have now promised to double that figure. They might as well save the money because no one will be using gas if they proceed with the cuts to diesel

excise. The experience from New Zealand suggests that these cuts to diesel prices could kill the growth of gas powered vehicles entirely in Australia.” (See attached charts.)

The report also notes that cheaper diesel will push road freight volumes up at the expense of rail – a long term trend that State and Federal Governments have been attempting to reverse for some years.

The Institute predicts that the greenhouse gas impact of the GST Package will almost completely negate the efforts of another major Government program aimed at reducing greenhouse gases from the electricity industry.

“Last year, in an attempt to win credibility for his greenhouse policy, the Prime Minister announced that an additional 2% of electricity in Australia was to be supplied from new renewable energy sources by 2010. This measure is expected to save up to 5.5 million tonnes of greenhouse gas emissions per annum,” Dr Hamilton said. “Our analysis shows that the GST Package is likely to add about 5 million tonnes of greenhouse gases to Australia’s emissions. This raises a real question mark over this Government’s commitment to the international climate change protocol it has so recently signed.”

The Institute predicts other negative price signals created by the GST in relation to energy choices including:

- a 6-8% rise in the cost of renewable energy as compared with only a 4.6% rise for coal fired electricity;
- a 4% rise in the cost of solar hot water heaters relative to prices of similar gas or electricity hot water systems; and
- falls in prices of electricity and gas to business of 3.1% and 5.6% respectively reducing incentives for energy efficiency.

All of these outcomes work against the spirit and intent of the November 1997 Kyoto Protocol on greenhouse gas emissions. Article 2 of the Protocol, while not legally binding, carries considerable moral force and there is an expectation in the international community that Parties to the agreement will adopt policies to cut rather than increase emissions. (See attached excerpts from Protocol.)

The Australia Institute has been the foremost critic of the Howard Government’s stance on greenhouse gas emissions over the past two years. Recently the Australian Government claimed – after a visit to Australia by Mr Tim Currie from the European Union – that the EU now understands the Australian position on climate change. The Australia Institute wrote to the Environment Commissioner of the EU, Ms Ritt Bjerregard, seeking clarification of the EU position.

In a recent reply to the Institute Ms Bjerregard wrote:

“I would like to emphasize that, while they may wish to portray it in that way, Mr Currie did not endorse or support the Australian Government’s position.” The EU, she said, continues to be concerned about the level of the Australian target.

“We will continue to need the support of the Institute in assessing the realism of Australia’s target, which will be important as we move towards reviewing current levels,” Ms Bjerregard wrote.

“The Australian Government needs to be aware that the sleight of hand they used at Kyoto will rebound when the world meets in November to review progress towards greenhouse gas emissions targets,” Dr Hamilton said.

“The obvious negative impacts on our energy and greenhouse performance from the measures proposed in the Coalition’s GST Package send a clear signal that we are not as a nation truly committed to meeting even the very lenient target we were set at Kyoto.”

“Australia has been unwilling to take firm action on greenhouse gas emissions and as a result we have probably already exceeded our target for 2012. We need to be actively cutting emissions, not actively promoting them as the GST Package does.”

For further information and copies of the report, *The GST Package and Air Pollution*, please contact Dr Clive Hamilton on 02 6249 6221 or 0411 878 489 (mob) or go to the Australia Institute’s web site at <http://www.tai.org.au>

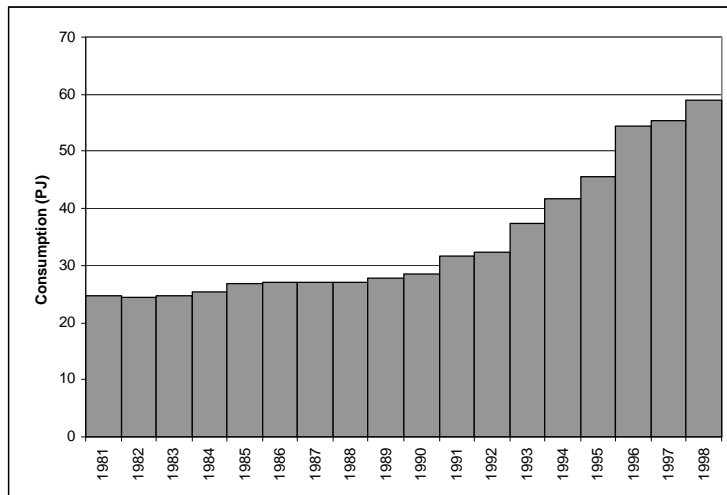
Article 2 of the Kyoto Protocol reads as follows:

Each Party included in Annex 1, ... in order to promote sustainable development, shall:

- (a) implement and/or further elaborate policies and measures in accordance with its national circumstances, such as:
 - (v) Progressive reduction or phasing out of market imperfections, fiscal incentives, tax and duty exemptions and subsidies in all greenhouse gas emitting sectors that run counter to the objectives of the Convention and the application of market instruments.
-

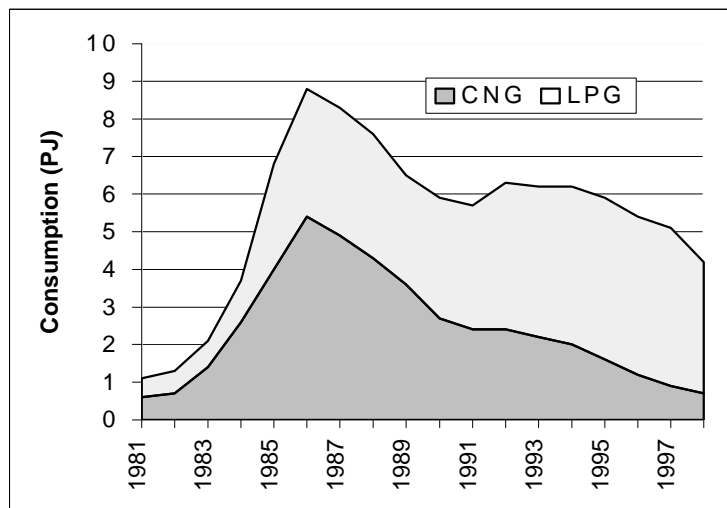
Diesel consumption in NZ, 1981-98

Note: Diesel fuel excise was reduced 26 c/l (NZ\$) between 1989 and 1991.



CNG and LPG consumption in New Zealand, 1981-1998

Note: Subsidies for gas were removed in 1986



Source: Australia Institute 1998 (based on NZ Department of Energy data)