

29th June 1999

Attn: Chiefs of Staff

Institute mauled by dead sheep

The Government's reworking of the Australia Institute's modelling of the environmental effects of the GST package relies on arbitrary selection of data (in some cases unpublished and unsourced) and estimates of greenhouse gas emission reductions from programs that have yet to be devised.

The reworking of the Institute's modelling reaches conclusions in stark contrast to the secret modelling carried out by the Bureau of Transport Economics which concludes that the fuel price cuts will result in large increases in pollution.

The Government's estimates of falling particle emissions are largely reproduced from the secret BTE report. While no-one disputes that the new standards will markedly reduce urban air pollution, the key question is "Below what?" This depends entirely on what one believes would happen in the absence of the GST package.

If, as seems highly likely, the Government would have adopted European standards (after all, Mr Howard announced in November 1997 that the Government would harmonise emission standards with Europe), then the 23 cent/litre cut in the price of diesel for most heavy vehicles will result in a sharp increase in particle pollution compared to the base case.

The Government appears to accept the Institute's methodology, but suggests that it has not included the transport initiatives of the revised package in its modelling. In fact, all of the transport initiatives in the revised GST Package have been modelled, and this was stated explicitly in our report on the revised package.

While the Government claims the Institute's estimates are exaggerated, the Democrats wrote in their Senate Committee report that the Institute's numbers were too conservative and that they expect a larger environmental impact in the transport sector.

In its report tabled in April, the Senate Environment Committee said that the evidence that fuel price cuts will increase urban air pollution is "compelling" and that the implications for health are "profoundly disturbing". The Committee referred to the Institute's estimate of 65 additional deaths per year due to increased air pollution and transport accidents as "conservative".

In its latest response, the Government misunderstands the distinction between stationary energy combustion and electricity generation. In addition, they contradict their earlier arguments that demand is not affected by price changes, by suggesting in one instance (electricity demand) that the Institute has been too conservative in its estimates of the

impact of the GST. Even using the assumptions that the Government has pulled from thin air, greenhouse gas emissions will increase in both the transport and stationary energy sectors (repeating the Institute's modelling with the Government's assumptions still leads to a large increase).

In contrast to all of his preceding statements and the latest reworking of the Institute's modelling, Senator Hill admitted on *Four Corners* last night that greenhouse gases will rise by over 2.2% as a result of the GST Package.

The most important change made by the Government in its reworking of the Institute's modelling is inclusion of the projected impact of \$400 million in new spending on a greenhouse gas abatement program. It is claimed that this will reduce annual emissions by 4.8 Mt per year. But the Government refuses to say what this money will be spent on. Will it be spent on new plantations, on ending land clearing, on subsidies to renewable energy? No-one knows. It could be wholly wasted on useless schemes. Because nothing is known about this program the Institute was not willing to comment on its impact.

Commenting on the dispute over modelling, Institute Executive Director Dr Clive Hamilton challenged the Government to establish a mutually agreed panel of independent experts to assess all of the evidence. "We are flattered that the Government should deploy so many resources in an attempt to refute our work. Let them now put it all in the hands of a neutral umpire. The importance of the issue demands it."

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