

**TITLE: Rebooted Coalition should heed climate**

**AUTHOR: Richard Denniss**

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Whether Tony Abbott limps on as PM or Malcolm Turnbull swoops in to lead the coalition, it is clear that big changes in policy are on the cards, and the area that is ripe for the biggest change is climate policy.

There's no easier way for the coalition to both signal that they have learned from their more ideologically-motivated policy blunders, and win some public support than to restate their commitment to reducing greenhouse gas emissions in general and to investment in renewable energy in particular.

Although economists around the world are all but unanimous in believing an economy-wide price on carbon is an efficient way to combat carbon emissions, Tony Abbott can hardly backflip on his anti-carbon tax. And while Malcolm Turnbull has long supported carbon pricing, an instantaneous U-turn might be too much for his party or the electorate to take.

But something needs to be change, and it needs to be big-ticket. Australia's 5 per cent target is a great place to start and the upcoming meeting at Paris provides great timing to change it. Clive Palmer insisted that Bernie Fraser conduct a review of our targets and, as luck would have it, it is due out in June.

As for how our targets are met, there is good news for whoever leads the Coalition on that front as well. Put simply, while a carbon price makes economic sense, there are many ways other ways the government can drive emissions down. If Australian voters are lucky, our political leaders will spend the next few years pursuing them.

Take the renewable energy target (RET) for example. The RET was developed by the Howard Government in 2001, and significantly extended in 2009 by the Rudd Government. Both parties supported its 2020 target of 41,000 GWH target at the 2013 election and, despite plenty of threats, the Coalition has never introduced any legislation to reduce it.

One of the easiest ways for a the new 'listening Liberals' to ditch the perception it is run by climate sceptics is to announce that they have no intention of cutting the RET and, indeed, want to start a conversation about the need for an ever bigger target for 2030. Every per cent of our

electricity supply that comes from renewables is a percent that doesn't come from fossil fuels. The RET drives down emissions with or without a carbon price.

The Coalition already took the brave step of reintroducing petrol excise indexation. Almost no one argues that it is a good idea to allow inflation to lower the rate of petrol excise each year. While such a move is obviously good policy, the ALP probably benefits politically from opposing it. The same can't be said for the Greens. If the government wants to fix its budget bottom line and drive transport emissions down it could take a leaf out of the Indonesian Governments book and pocket some of the lower world oil prices in the form of higher excise. Again, no carbon tax required.

While the Coalition usually prefers markets to regulation this view does not apply to climate policy where they prefer 'direct action' over emissions trading and carbon taxes. This ideological anomaly, however, creates another opportunity for the Coalition as there is growing support among the world's economists for the role of old fashioned direct regulation in reducing emissions. The US, for example, is relying on regulation to reduce emissions from power stations and the environment movement's pin up economist, Nicholas Stern, has supported such an approach. A recent analysis by the OECD found that environmental regulations to reduce pollution had positive spillovers for the economy as a result of increased investment, increased productivity and lower energy bills.

And then there is the Coalition's direct action policy. Writing in the Guardian last week Lenore Taylor, a long term advocate of carbon pricing, observed that the amended version of direct action, if combined with some political will from the government, "would give Australia a good chance of deeper, cost-effective emission reductions within the existing Direct Action legislation."

The amended version of direct action shaped by the PUP and Nick Xenophon has the potential to have some sharp teeth inserted into its once flabby gums.

While the Australian economy and environment would benefit from collecting more tax from pollution and less tax from personal income the fact that our political class isn't ready to lead such a debate.

No doubt the climate sceptics in the Coalition will be hoping that Turnbull stays away from carbon pricing. Significantly, there are many in the environment movement who hope he does so too. Not because they don't want a carbon price, but because they don't want another 3 years of inaction.

**Economist Richard Denniss is executive director of The Australia Institute.**