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TITLE: Time for a breath of fresh air

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Penny Wong's political strategy for climate change is finally becoming clear. Having designed a scheme that was too complex for anyone to understand, too timid to do anything to actually reduce Australia's emissions, and too expensive for a government worried about their deficit that in finally scrapping it she hopes that no one will actually mourn its loss.

Spin doctors have a range of techniques for changing people's views about policy issues, but never before has so much money been spent, so many inquiries held and so much newsprint generated with the simple goal of trying to make an issue go away. Kevin Rudd once famously described climate change as a great moral challenge but Penny Wong has turned climate change into a great test of endurance. The voters, worn down by 'programmatic specificity', are now turning their attention elsewhere.

The problem is, of course, that the atmosphere is no less concerned with our level of emissions today than when Kevin Rudd was elected in 2007. And since that time, emissions have risen, not fallen. While the government may hope to 'neutralise' the issue by the time of the next election, it is now clear that the government has no actual plan to 'neutralise' the emissions themselves. So where to from here?

The good news is that if - and that's a big if - we could find ourselves a government that was serious about reducing greenhouse gas emissions there are plenty of viable places to start. Indeed, one of the easiest places to start would be the compromise scheme put to the government by the Greens.

Penny Wong has spent the past two years trying to sell people on the idea that while her scheme might not be perfect, something is better than nothing. It seems she never really believed it herself. That is, while the Greens are offering to support some of what the government has proposed, the government's response has been to reject it on the basis that they can't get everything they want.

Assuming the government remains as stubborn as it has accused others of being it looks like we will need to go back to the drawing board, but if the next scheme is to garner any more support than the CPRS the minister who puts it forward is going to have to stick to their guns on a few key principles.

First, the scheme should aim to solve the scientific problem of climate change not the political problem of appeasing polluters. It should actually result in a reduction in the level of Australia's greenhouse gas emissions. That might seem obvious, but few people realise that the CPRS was not actually designed to lower Australia's emissions, rather, the plan was to rely almost exclusively on imported 'offset credits' from other countries.

Second, the scheme should be based on the polluter pays principle. While we don't compensate cigarette companies for increases in cigarette taxes this government was determined to compensate polluters for introducing a polluter price. So determined in fact, that the announcement to scrap the CPRS is reported to save the government \$2.5 billion over the next four years. Think about that, how can scrapping a new source of revenue save you money? It takes a special knack for negotiation to give away far more in compensation than you expected to raise in revenue.

Third, in designing the next round of compensation, apart from being far less generous the architect needs to be far more astute in deciding who needs to be bribed to hop aboard the reform journey. What was the political strategy behind giving tens of billions of dollars to groups who were always going to remain implacably opposed to the scheme?

Wouldn't it make more sense to offer billions of dollars worth of tax concessions to the vast majority of big employers who don't mind either way whether we have a carbon price? The boards of the big service sector companies who actually employ the vast majority of Australians should be encouraged to actually cheer for the introduction of a carbon price rather than simply leaving them to sit on the sidelines while the government and the mining industry slug it out.

Fourth, we need to give up on silver bullets like the CPRS and instead adopt a pragmatic and coordinated suite of policies that work well together. Outside of the Department of Climate Change it's hard to find many economists who believe that once you set the market price the rest will take care of itself. In the real world it is clear that the incentives that motivate change in households are different to those that work in agriculture, commercial property and heavy industry. A carbon price has a role to play, but it will only ever be part of a workable solution.

So if we have to go back to the drawing board, where should we start?

The first thing we need to do is so simple that it has been completely ignored: we need to ban the construction of new coal-fired power stations until the 'clean coal' optimists can actually show us that they can deliver. Coal-fired power stations last for fifty years and it is inconceivable that any meaningful vision of a 'low carbon economy' includes more of them. Delta Electricity is currently considering a big coal-fired station in NSW.

Then comes a carbon price. While it's clear that we need one as soon as possible, it's not clear what that price should be. But the beauty of a carbon tax compared to an emissions trading scheme is that it is easy to design complementary policies, such as investments in energy efficiency, public transport and renewable energy, to augment the impact of a carbon tax. Perversely, under the CPRS the more that state and federal governments invested in such 'complementary measures' the more spare permits became available for expanding the output of the big polluters.

Finally, the next scheme should show some real leadership on the international stage by putting serious money on the table to help encourage the developing countries to act.

Back before the CPRS took the wind out of the community it was common sense to believe that early action was cheaper than delayed action. And back before anyone had heard of 'emission intensive trade exposed industries' it was patriotic to believe that Australia should lead the world, not lag it. If we are to tackle climate change, we need to get back to where we were before the CPRS knocked our enthusiasm. We need to remind ourselves what we need to achieve, and assure ourselves that we can achieve it.

The question for the Rudd Government now is, is it willing to fight for good climate change policy, or was it simply using climate change policy to cause a good fight?

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