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Media release

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Is that it? The tiny cost of tackling climate change

The Treasury modelling of the economic cost of tackling climate change released today shows that, despite all the scaremongering by some industries, the economic costs associated with reducing greenhouse gas emissions are trivially small.

The modelling shows that the impact on the rate of economic growth is tiny. The 5 per cent emission reduction scenario shows the growth rate slowing by 0.1 per cent and the 25 per cent reduction target shows the growth rate slowing by 0.2 per cent. While the costs of tackling climate change are small, incomes in Australia are forecast to grow strongly.

“According to the Treasury if we aim for a 5 per cent reduction in greenhouse gas emissions average personal incomes will rise by \$29,000 by 2050, but if we aim for a 25 per cent reduction in emissions, incomes will still rise by \$28,000. Given what the scientists are saying, the case for big emission reductions seems overwhelming”, said Dr Richard Denniss, Executive Director of the Australia Institute.

“Forecasting economic growth over the next few year is an imprecise art, but forecasting economic growth over the next 50 years is little more than guesswork. Over the past decade the budget papers have got the GDP growth forecast wrong by 0.7 per cent per year. Given that the treasury modelling suggests that the economic cost of tackling climate change is around 0.1 per cent per year it is unlikely that we will even notice the impact.”

“It is important to realise that the Treasury modelling acknowledges that it takes no account of the costs to the economy of climate change, such as the increased costs of drought, bushfires or even the destruction of the Great Barrier Reef. When you take those additional impacts into account the case for strong targets gets even stronger”, concluded Dr Denniss.