



HD Live from Perth, Clive Palmer and Ross Garnaut

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Mining magnate turned politician, Clive Palmer, debates economist turned climate campaigner, Ross Garnaut on global warming and climate change policy.

TONY JONES, PRESENTER: Just this week, economist Ross Garnaut warned at a business lunch that the Abbott Government could blow a \$7 **billion** hole in its budget if it succeeds in getting rid of the carbon tax.

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Meanwhile, MP and miner Clive Palmer was reluctantly handing over some of the **millions** of dollars he owes to the Federal Government in carbon tax, a tax he wants declared unconstitutional by the High Court.

Well in the run-up to this weekend's Senate election in Western Australia, which could decide the fate of the carbon tax, Ross Garnaut and Clive Palmer have agreed to debate the carbon pricing and climate change systems. They join us now from our Perth studio.

Welcome to both of you.

ROSS GARNAUT, ECONOMIST, UNI. OF MELBOURNE: Hello, Tony.

CLIVE PALMER, LEADER, PALMER UNITED PARTY: How are you?

TONY JONES: I'm very well, thank you. Ross Garnaut, first to you. You say the world is watching this Senate election in WA, so what's at **stake** from your point of view?

ROSS GARNAUT: Yes, the world's been taking substantial action - the United States, **China**, the countries of Europe, Japan, the other major developing countries - ever since a new approach was adopted in Cancun. There's a big effort on, led by the United States, **China**, France, who'll be the hosts - Britain, Germany - to get a strong result out of a new UN meeting in Paris in 2015. Australia, and to a lesser extent, Canada, are now seen as drags on that process, and it's very much in Australia's interests that we get a good outcome in 2015. Whether we get a good outcome depends on the survival of the current laws and the Senate election in WA will have an influence on the chances of survival.

TONY JONES: Yeah, just very briefly, you say there's widespread international concern at Australia's changing climate policy. What's the evidence of that?

ROSS GARNAUT: Well first, in consultations I had in London and in Germany in January, strong expressions of concern were made by people who were close to the governments, and John Kerry, Secretary for State for the United States, has recently given instruction to the Department of State and to all of the US ambassadors abroad that climate change and a good result in Paris in 2015 is the number one foreign policy priority of the United States. Crimea's important, Syria's important, but the number one priority, says the US Secretary for State, is climate change policy, and Australia is seen as lagging behind.

TONY JONES: OK, Clive Palmer, do you care if the world is watching and do you care what these countries think about what you ultimately do?

CLIVE PALMER: Well of course we care, but I think you've got to really understand the truth about all this. The Australian carbon tax is totally different to other carbon regimes throughout the world. We've got the ETS trading system in Europe and the price of carbon there's about \$5 a tonne and here it's going to go to about \$40 a tonne. So they're totally - you're not comparing like with like. Secondly, the air moves round the

world. We need a global solution to this problem. We as Australians can't solve that problem, but we don't want to send our industries overseas, we don't want to have Australians losing their jobs and seeing they're going to Indonesia, with no effect on the carbon sequestration at all, and worse still, we pretend like Mr Garnaut does, that we're doing actually something about it by having a carbon tax, when in reality we're doing nothing about changing how much carbon there is in the world. We need a global solution, we don't need a piecemeal effort that destroys jobs, ruins our investment and puts up the price of electricity so much for every Australian family.

TONY JONES: Let's go to Ross Garnaut for a response to that and the debate will begin.

ROSS GARNAUT: Yes, Tony, Mr Palmer's dead right that there has to be a global solution and the global community's doing something. The United States reducing emissions by 17 per cent by 2020 from 2005 levels, China reducing intensity - carbon intensity of production by 40 to 45 per cent over the same time period, Europe doing a great deal, Japan, Korea, Brazil, South Africa. So the rest of the world's doing things and we've got to do our fair share and the current policies will allow us to do our fair share. If we pull back, we won't be able to do that. It's true that at the moment our carbon price is above Europe, but with the existing law, our prices will go a bit below Europe, about seven per cent below Europe from the middle of 2015 when we link to Europe and also allow some purchases of developing country carbon credits. Well we could - if Mr Palmer is concerned about the disparity between Australia and Europe, which will disappear in a year's time, he could advocate bringing forward the linkage to Europe to July 1st this year and there'd be a Senate majority for doing that if the Government supported it right now. So, if that's the worry we can cure that problem very quickly.

Third point, effects on competitiveness of Australian industries. The existing package, the carbon pricing arrangement, goes to great care to make sure that Australian emissions intensive industries aren't disadvantaged. For example, take the nickel industry. It is very carbon intensive. High emissions. Well the way the compensation is worked out, the nickel industry, firms in it get 94.5 per cent for the first year of the scheme of permits free, ...

CLIVE PALMER: (Laughs)

ROSS GARNAUT: ... but that 94.5 per cent is based on average emissions before the carbon price came into existence. And if you reduce your emissions, or if at the beginning you are below average, you can actually make a profit, you get more free permits than you actually require.

TONY JONES: OK, alright.

ROSS GARNAUT: And I'll just continue for a moment, Tony. The average in nickel is the average ...

TONY JONES: Yeah, just a moment, though. We've got to get a response on that.

CLIVE PALMER: OK.

TONY JONES: Yeah, Clive Palmer, I think what's being said there by Professor Garnaut is that if you'd actually had a more emissions-friendly - or if you'd actually managed to reduce your emissions at your refinery in Townsville, you could have actually made a profit rather than end up paying out this large sum in the carbon tax that you've just written a cheque for, evidently.

CLIVE PALMER: Well isn't it ludicrous to have a carbon tax that makes you think you're doing something, when in reality you give all the industries a free permit so they have to pay less and they can make a profit? That's just a ludicrous policy. And what I'm concerned about is the loss of jobs.

TONY JONES: But can I just interrupt you there? Doesn't that ...

CLIVE PALMER: Well, no, you can't. I listened to what you were saying ...

TONY JONES: Isn't that only the case - isn't that only the case if you don't reduce your emissions?

CLIVE PALMER: No, I'm sorry. Can I answer what you've said and then you can have a chat? It's my turn now. And I'm concerned about the people and families that are getting unemployed, both at my refinery and all round Australia. It mightn't matter to Mr Garnaut that it happens in 2015, but I'm concerned about 2014, the mums and dads that have got kids to look after themselves. That's what I'm concerned about. And it's just ludicrous to say that we haven't got a global solution with this false carbon tax that's imposed. It's just another method for raising money by the Government. Now we know that 97 per cent of the world's carbon comes from natural sources. Why don't we have money to look at how we can reduce the overall carbon signature by reducing it from nature, not just from industry. It's entirely wrong-focused.

TONY JONES: Let's go back to Ross Garnaut on that. Now, Clive Palmer's repeated this claim many times over a number of years that 97 per cent of CO2 actually comes from natural sources, only three per cent from human-created CO2. What's your answer to that?

ROSS GARNAUT: Oh, staying with nickel just for a second, Tony, ...

CLIVE PALMER: (Laughs) Well answer that one.

ROSS GARNAUT: ... the average for Australia is the average of very high emissions from a Townsville refinery and very low emissions from West Australian refineries. WA cleaner nickel refining can actually make a profit from the free permits. If you got rid of the carbon price, you take money from West Australian refineries and give it to a dirty refinery up in Townsville. But on the question of natural ...

CLIVE PALMER: That's subjective. That's just not true.

ROSS GARNAUT: Ah, Mr Palmer, it is true.

CLIVE PALMER: Well it's just not true.

ROSS GARNAUT: Mr Palmer, it is true that ...

CLIVE PALMER: No, the refineries in WA work on a different type of **ore** than we do. We work on laterite **ore**, they work on sulfide **ore**. Totally different processes, totally different operation and that's the reality of it.

TONY JONES: OK, let's draw a line under the comparison between the comparison between the different refineries for a minute, because we actually have bigger fish to fry. The claim from Clive Palmer was that only three per cent of CO2's actually coming from man-made sources, therefore it's not a problem.

CLIVE PALMER: No, I didn't say it wasn't a problem ...

ROSS GARNAUT: Well, for thousands of years, for thousands of years there was a balance between natural emissions and natural absorption of emissions. The big increase in human emissions from burning fossil fuel since the Industrial Revolution and chopping down trees has changed that balance. So it's the human-induced changes that create the climate change problem. It's why there's been nearly a degree of warming in the last half century. It's why WA in the south-west, the beautiful natural areas of south-west WA are being damaged by a combination of drying and warming. It's the human-induced component that makes the difference.

CLIVE PALMER: It's just not true.

ROSS GARNAUT: The natural components were in balance.

TONY JONES: Clive Palmer, I think you were suggesting there that I'd put words in your mouth. Are you saying that man-made CO2 is actually a problem?

CLIVE PALMER: No, what I'm trying to say is that CO2 is a problem generally. So if 97 per cent comes from nature and three per cent comes from man and we say we've got to reduce it by one per cent, we shouldn't just look at the three per cent, the minority section coming from human enterprise; we need to look at the whole concept. If one or two per cent comes down from nature, surely that's a good thing and that brings us back into a balance. It's the total carbon balance you have to look at. But we're just focusing on this three per cent.

TONY JONES: Clive Palmer, can I ask you a very basic question? Do you believe the consensus scientific view set out in the latest IPCC report that climate change impacts due to global warming will have especially serious impacts on Australia?

CLIVE PALMER: No, I don't believe that's so. There's been global warming for a long time. I mean, all of Ireland was covered by ice at one time. There were no human inhabitants in Ireland. That's how the world has been going over **millions** and **billions** of years and Ross Garnaut knows that's true, so I think that's part of the natural cycle.

TONY JONES: So, I'm just asking you this because this research that I'm talking about's based on - what? - 309 scientists concluded from 70 countries and the summary for the policymakers has to be agreed line-by-line by 115 countries. I mean, that's the sort of consensus that you're rejecting here.

CLIVE PALMER: Well I think it's a - camels were designed by a committee. With so many people, you're really not going to get anything worthwhile. You need to have a proper report with people that can do something. But, look, I'm just talking about ...

TONY JONES: Sorry, I've got to interrupt you there. A proper report by who exactly?

CLIVE PALMER: I don't want to be interrupted. Well, I haven't made my point.

TONY JONES: Well, I'm sorry, every now and then ...

CLIVE PALMER: "Well, I'm sorry." Why don't you shut up for a while and let me finish?

TONY JONES: Every now and then - every now and then ...

CLIVE PALMER: Why don't you just keep quiet while - why don't you just keep quiet and let me finish what I'm saying? "Every now and then," come on, we'll have a fight if you want to. But why don't you just shut up while I'll can say what I want to say? I'm saying that 100 per cent of carbon, we've got to reduce it. 97 per cent comes from nature. Let's reduce it, let's look at both areas, not just look at industry, not just take away our jobs, up our electricity prices. Let's care about the people that are living on the planet right now, the pensioners that have got to pay higher electricity. All those things are concern to me. And let's each of us respect each other so we can each talk fairly about this issue.

TONY JONES: Can I now ask the question I was going to ask? If you don't agree ...

CLIVE PALMER: Sure.

TONY JONES: ... with the consensus of scientists who are supposedly experts in this field, who would you take advice from on such a matter?

CLIVE PALMER: Well, I can get a group of scientists together, Tony, and pay them whatever I want to and come up with any solution. That's what's been happening all over the world on a whole range of things. There's a long history of that happening in the drug industry, in a whole range of industries in the United States. But I haven't looked at their research. I'm just saying: if the conclusion is that we have to reduce carbon, why does it all have to come from the three per cent that's contributed by man? Why can't some of it come from the 97 per cent that's contributed by nature? Why don't we look at that sort of research as well?

TONY JONES: Ross Garnaut, would you like to respond to that?

ROSS GARNAUT: Oh, well, on the reducing the emissions from nature, there's a natural balance there and what we've got to focus on is the things ...

CLIVE PALMER: (Laughs)

ROSS GARNAUT: ... that humans can do something about and I've already been through that. But on Mr Palmer's assertion that the science is wrong, ...

CLIVE PALMER: Not consistent at all.

ROSS GARNAUT: ... it's not just the science ...

CLIVE PALMER: I didn't say that.

ROSS GARNAUT: ... in the IPCC reports. The overwhelming judgment of scientists who focus, who spend their lives on climate change ...

CLIVE PALMER: (Laughs) It's totally not answering the question.

ROSS GARNAUT: ... is that human-induced climate change is happening; if it's not mitigated it will have severely disruptive effects on humanity. The academies of science of all of the great countries of science, including Australia, Britain, the United States, China, India, Germany, the Netherlands, France - all are of this view, and so if you stand outside that, you're really taking a strange position in the world of knowledge.

CLIVE PALMER: Well it's just not knowledgeable, it's not logical. If we say it's - 97 per cent comes from nature and we don't even bother examining how we can reduce carbon in nature, just in industry, it's not a proper balance. I mean, if we say we want to reduce it by one per cent, which I think's the target globally, to do that, why can't we take some from nature, some from industry or maybe all from nature? Why do we look at how we can do these things? Why do we have a closed mind? An open mind in scientific research should be looking at all ways of reducing carbon, not just some.

TONY JONES: Alright.

CLIVE PALMER: We were talking about the carbon tax anyway, something totally different.

TONY JONES: We are and we'll move onto that now. Ross Garnaut, in a speech in Perth two days ago, you said, "True Australian conservatives would be barracking for votes against the repeal of the carbon tax in the WA Senate election." What's your logic there?

ROSS GARNAUT: Well, climate change will be deeply disruptive of society if we don't do something about it and deeply disruptive of economic activity. And if we don't put in place market-oriented ways of dealing with it, like the Emissions Trading Scheme, which will grow out of the fixed price for carbon in 2015 or 2014, depending on what the Government and the Senate choose to do about that - if we don't have a market-based scheme, we'll end up with trying to address this issue with multiple interventions which will make a mess of our market economy. True Australian conservatives want this problem to be dealt with. It will be disruptive of everything we value. It will be disruptive of established ways of life in Australia as a whole, but especially in the south-west of WA from Geraldton to Albany if we leave it unmitigated, and if we don't deal with it in a market-oriented way with an emissions trading scheme or some broad-based carbon pricing, the alternative is regulatory intervention, which will make a mess of the market economy. Conservatives should be - yeah.

TONY JONES: OK. Alright, so I'm just going to interrupt you there. Can you explain how repealing the carbon tax would leave a \$7 billion hole in the budget, which is the figure that you seem to have come up with?

ROSS GARNAUT: Well, I'm saying that for next year, the combination of the loss of carbon revenue plus the expenditure on Direct Action, the alternative, would leave a budget \$7 billion worse than the status quo in existing law. Elsewhere I've said that looking ahead, beyond the forward estimates, the very minimum loss of budget revenue is \$4 to \$5 billion a year, but it could be several times that, comparing Direct Action with the current policies. Now that's a lot of revenue.

Martin Parkinson, the Secretary for Treasury, last night talked about the need to - because we're getting rid of a lot of existing taxes or stop the indexation of some taxes and as a society we want to spend more money on some things, suggested that we might have to do things like put a GST on health. Well, you'll have to increase all of the GST on health and other things to make up for the hole in the budget from movement away from established policies before you start contributing to all the problems that need to be dealt with.

TONY JONES: OK. Alright. Let's hear from Clive Palmer on that. Are you worried about the budgetary implications of, number one, getting rid of the carbon tax, and number two, bringing in a Direct Action policy which is funded directly out of the budget?

CLIVE PALMER: Well, look, I think we've got to reinvigorate our economy and stimulate the economy, create more wealth and more jobs in Australia, get more export industries and that's what we have to do, 'cause that'll generate more income. We don't need to increase the rate of taxes. If we've got more economic activity, we're going to get a larger amount of revenue flowing through, which will keep us in good stead. Your trouble at the moment in Australia is that both the parties want to just tax us more. If politicians fail, you pay. That's what it boils down to: they just want an excuse to increase taxes.

TONY JONES: OK. I might - if I can - I'm sorry to interrupt you, but if I can just bring you to the very point of the carbon tax lost revenue and the extra revenue which is going to be put on the budget by the Direct Action policy - that's what Professor Garnaut was just talking about. Can you address that?

CLIVE PALMER: Yeah, well, we'll look at - well we can address it and the new Senate will address it, but we won't give up all of our positions on television tonight, Tony. That's not how you negotiate with the Government. But certainly we ...

TONY JONES: Sure, but you could actually talk about them as a matter of principle.

CLIVE PALMER: We favour - as a matter of principle, we favour the repeal of the carbon tax, as does the Government. So, I think Mr Garnaut's in Wishful Thinking Land if he thinks that's going to happen. And our party has the balance of power in the Senate right now, even if we're unsuccessful in the election in WA, which we won't be. So the carbon tax is definitely going. It's a fait accompli.

TONY JONES: And, the other side of the coin, the Direct Action policy, which the Government is going to fund directly out of the budget?

CLIVE PALMER: Well we haven't looked at that yet and we haven't - I can't speak for our senators and they're looking at that at the moment and they'll come to a conclusion we think in the next week or two about what they want to do in a new program. I have abstained from voting in the House of Representatives on this issue and I think that's the right way to go.

TONY JONES: Clive Palmer, still with you. You've sent out some mixed messages on the campaign trail on the Renewable **Energy** Target. Your candidate Dio Wang says, "The Government's review of the RET is a waste of money and the RET scheme should remain as it is."

CLIVE PALMER: No ...

TONY JONES: On the other hand, you've contradicted him. You've said it should be voluntary.

CLIVE PALMER: No, I think Dio means it should be voluntary too. We think it's a commendable target to have and we'd encourage people to do it, but we don't think you can make people do these things or mandate how they do these things. And we support it morally, but we don't intend to legislate to make people do something they may not want to do. It mightn't be economic for them and might put burdens on their families.

TONY JONES: Well, did Dio Wang, your candidate, not understand what he meant when he actually said it should remain as it is, that is, a mandatory system?

CLIVE PALMER: No, he wasn't asked that question. He was asked whether the target should remain, is that a good thing? And he said it was, and I think it's a good thing too. But we're not going to legislate to make people do that target. We can have a lot of targets that we aspire to and encourage people to do it, but we're not going to force people to do it by legislation.

TONY JONES: OK. Ross Garnaut, would a voluntary target work on the RET, the Renewable **Energy** Target?

ROSS GARNAUT: No, voluntary RET wouldn't work. Voluntary taxes don't work. Tony, that's why we need the law. I'd like to ask Mr Palmer why he can say that his senators have minds of their own and can make up their own mind on Direct Action when he told us that their mind - that he's made up their mind on carbon pricing?

CLIVE PALMER: Well I never told you that. I said ...

ROSS GARNAUT: And I'd like to ask Mr Palmer if his senators will be genuinely free to absorb expert scientific and economic advice and form their independent judgments in their Senate vote when he himself has acknowledged that he is conflicted on this issue?

TONY JONES: Clive Palmer.

CLIVE PALMER: Well I've just reflected what all of my senators have told me is their independent conclusions, that unanimously they want to vote to get rid of the carbon tax. Unanimously. That's their view. And I'm just conveying that to you as their spokesman. But that's their decision and that's what they've decided as our party. And just as Tony Abbott says his party's position and Bill Shorten his, I have to say what ours is. And our issue is that we think the carbon tax should go because we think it's a false tax, it doesn't address what's a global problem. And Ross Garnaut talks about a piecemeal approach, how things will collapse and all that; why doesn't he concentrate on a global solution where we have a level playing field across the globe and work with co-operation and unity? That's what we have to aim for: a global solution to a global problem, not a piecemeal approach that puts us behind the eight ball.

TONY JONES: Alright. We're nearly out of time, Clive Palmer. I'll just go back to Ross Garnaut and just get an answer on the global solution.

CLIVE PALMER: Sure.

TONY JONES: The Australian Government's committed to a five per cent target. What happens at that 2015 convention in Paris next year if we get there and find that the other developed countries have decided on larger targets?

ROSS GARNAUT: Well we already know that other countries have more ambitious targets. The policy that Australia communicated to the United Nations was a commitment to reduce emissions by five per cent unconditionally, whatever the rest of the world is doing; by 15 per cent if other developed countries are doing comparable things; 25 per cent if the world is headed towards an agreement that will keep global warming to two degrees - a position communicated to the United Nations. The Australian Government official position is not minus five, it's the minus five, minus 15, minus 25. The Climate Change Authority was established by Australian law, a law of the Australian Parliament to provide independent advice on these things and it has formed the judgment, expressed in its most recent report that the appropriate emissions reduction target, given what other countries are doing - taking into account America's minus 17, Europe's minus 20 and so on - would be a target of minus 19 per cent. If we put that on the table now, that will help movement towards a strong agreement of the kind that Mr Palmer says he wants in Paris in 2015. If we

don't put something strong on the table now, then we hold up momentum towards a good agreement in Paris and that's what's concerning the governments of the United States, Germany, Britain, and it's very much in Australia's interests that we don't get in the way of the global agreement that Mr Palmer says he wants.

TONY JONES: Ross Garnaut, I want a final comment on - from Clive Palmer on that, but just before that, roughly, what would it cost to increase the target by, well, three or four times what it currently is if you did it with Direct Action?

ROSS GARNAUT: Well it's not three or four times because the business-as-usual emissions are strongly positive, so taking into account the Renewable **Energy** Target and a lot of policies that are already reducing emissions, we still have to reduce emissions from something like plus 20 to minus five, so it goes from plus 20 to minus 19. Now the Climate Change Authority in its advice suggested that one of the ways we could meet that international obligation at low cost would be to buy international permits. That's fully legitimate; that would allow us to do our full effort.

TONY JONES: OK. Have you calculated a cost for increasing from five per cent to 19 per cent?

ROSS GARNAUT: And the cost would be a couple of hundred **million**, a tiny fraction of the minimum \$4 to \$5 **billion** per annum budget loss.

TONY JONES: OK. Alright. Thank you. I'm sorry, we're nearly out of time. I have to get a final word from Clive Palmer. You've listened to that. I mean, you want a global solution. If the other countries in the world want to increase the target, should Australia do so as well?

CLIVE PALMER: Well we should show leadership. The fact of the matter is we want to reduce carbon. 100 per cent of the carbon, 97 per cent of its from nature. If we reduce it by 20 per cent from industry, that's about 0.6 per cent of the 100 per cent overall because industry's only three per cent, so why don't we try to get a 0.6 per cent reduction of carbon from all sources of carbon? In New Zealand, they've got a fart tax because sheep give out the most methane. They've introduced things like that ...

TONY JONES: Yeah, that's not - well that's not carbon, that's methane.

CLIVE PALMER: Well that's methane, but still, you know.

TONY JONES: Look, I'm going to have to leave you there.

CLIVE PALMER: OK.

TONY JONES: I think we've gone back to the original argument you were making in any event. So, thanks to both of you for joining us, Clive Palmer and Ross Garnaut.

CLIVE PALMER: Great to be here. Great,

ROSS GARNAUT: Yeah, thanks, Tony. Bye.

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