

HD Carbon tax repealed: experts respond

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The government has succeeded in getting legislation passed to repeal the carbon tax, despite some last-minute doubts cast by the Palmer United Party's [temporary withdrawal of support last week](#). Today, however, Clive Palmer's three senators voted in favour of axing the tax, allowing Prime Minister Tony Abbott finally to deliver on his election pledge.

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An email from the Liberal Party, soon after the carbon tax repeal.

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What does it mean for electricity bills, household and federal budgets, and Australia's role in the global climate effort? As our [FAQ article](#) shows, some of those answers are far from straightforward.

Meanwhile, the carbon tax's designer, Ross Garnaut, has bemoaned the fact that Australia is now [out of step with much of the rest of the world](#), while a [new analysis of electricity data](#) shows that carbon pricing was doing an effective job of cutting emissions.

Here, experts react to the news.

Michael Raupach, Director, Climate Change Institute, Australian National University

The repeal of Australia's carbon price is a tragedy, not a triumph. It flies in the face of three giant realities: human-induced climate change, the proper role of government as a defender of the common good, and the emerging quiet **energy**-carbon revolution.

There is overwhelming evidence that human-induced climate change is already real and will increase. Climate science shows what is needed to limit warming to about 2C, and restrict impacts on rainfall, extreme events, ecosystems and more: [global greenhouse gas emissions](#) have to be cut by around 60% by 2050 (80% for Australia) with continued decreases after that.

This is a challenge in protecting the global atmospheric commons, an endowment shared by everybody and owned by nobody. A central purpose of government is to safeguard the common good. The fact that our government is stepping backward rather than forward in this challenge will stand as a long-lasting indictment.

Yet all is not lost: there are signs of a quiet revolution, despite our national leadership. Rooftop **solar** power in Australia can already send the [spot price of electricity negative](#). Much, much more is possible with good design and the right policies – including a price on carbon, incentives, and regulations. This transformation is underway already in both developed and developing countries. Our present steps backward are temporary, but they will have the consequence of making the future harder, not easier.

Brian Andrew, Professor, Accounting, Economics & Finance, University of Wollongong

Australian backsliding on global warming is contrary to the current moves across the world. **China** has commenced [seven regional carbon markets](#) and is taking the threat of global warming seriously because of its current level of air pollution. It is expected to have a national emissions trading scheme within the next two years. Barack Obama has stepped up to the plate and is using the Environmental Protection Agency to impose a [limit on pollution from all **energy** companies](#), which will greatly reduce the level of greenhouse gas emissions from the United States.

The European Union has an [Emissions Trading Scheme](#) which has been in existence since 2005 and is criticised extensively for its failures. In the first phase overallocation of permits saw the permit price

fluctuate wildly from above 30 euros (A\$43) to zero by 2007. The emissions price has remained low since the global financial crisis, and is not at a level which will greatly influence behaviour.

This was a result of the poor management of the system and the lack of control over more than 30 sovereign countries. The third phase which began in 2013 has an improved structure and wider coverage over greenhouse gases but it will not be a success without action to remove the excess permits in the market.

The [National Greenhouse and Energy Reporting](#) system in Australia provides us with the capacity to avoid the European problems, as we will start our system with a lot of information on **company** emissions, which the Europeans did not have. This is an important database to preserve. If we keep it, along with the [Renewable Energy Target](#), the [Australian Renewable Energy Agency](#), and the [Clean Energy Finance Corporation](#) (which actually makes a profit), then we will not have lost everything. But our flagship policy which prices emissions will have been lost.

It is probably better to preserve the infrastructure of an emissions trading system at a low or trivial price (even of 40 cents) as an indicator of potential than to lose everything because we all face a global emergency and we are all in it together, which our current group of politicians can ignore only at the expense of future generations.

Hugh Saddler, Research Associate, Centre for Climate Economics & Policy, Australian National University

Not everyone will be better off with the repeal of the carbon price. Among the biggest losers will be the people of Tasmania. For the past two years, Hydro Tasmania has been exporting large quantities of its near-zero-emission electricity to Victoria, where the wholesale price includes a substantial carbon cost component.

I have estimated that the additional revenue earned from these exports, because of the carbon price, may have been as much as A\$80 **million** in 2013-14. Much of this would have flowed straight through to the Hydro's bottom line, to the benefit of its owner, the government of Tasmania. This is revenue which the government will have to make up from other taxation sources, or else cut expenditures.

Loss of the income from selling electricity into mainland markets was cited by Hydro Tasmania as one of the major reasons that, in the words of a statement it released on 27 June, "In the 2014-15 financial year, it's expected that profits will fall below A\$20 **million**, less than one-tenth of current levels." The statement went on to foreshadow staff reductions of 9%, including possible forced redundancies. In a post-carbon price economy, the people of Tasmania will not be rewarded for being clean and green.

Jemma Green, Senior Research Fellow, Curtin University

With what we know so far about the [Direct Action plan](#), we can see there are [major loopholes](#) which could mean the policy costs more while doing less than Australia's current climate laws. I highlighted these issues back in April, when the government produced its [White Paper](#). The [Direct Action exposure draft](#) issued in May offers little additional information.

If the [Renewable Energy Target](#) is retained and the [Clean Energy Finance Corporation](#) can enter into long-term power **purchase** agreements, then the lack of an emissions trading scheme can be mostly compensated, to meet our 2020 commitments.

To address the longer term, Australia will need to arrive at a 2030 cap to go into the [United Nations Paris climate talks](#) in December 2015. As part of this analysis, Australia will need to determine how many international credits it will need to buy to offset fugitive emissions from things such as LNG (liquefied natural gas) growth, as well as making greater overall cuts, if it determines that the rest of the world is doing similar.

Without a domestic emissions trading scheme, Australia will probably use international offsetting to meet its commitments. The Renewable **Energy** Target and the Clean **Energy** Finance Corporation will play some role in retooling for the low-carbon economy, but other new policies may be required to fully address this need.

Roger Dargaville, Senior **Energy** Analyst, Melbourne **Energy** Institute and School of Earth Sciences, University of Melbourne

When the clean **energy** bill was introduced in 2012, there was a significant and immediate reduction in the emissions intensity of Australia's electricity production. The improvement was due to a shift away from brown **coal** and an increase in gas and hydro power. In 2012, emissions from the National Electricity Market were 95 megatonnes of carbon dioxide per year. Now they are 85 megatonnes per year, a reduction of 12%.

This change has been driven by the price on carbon, as well as declining demand (driven by the increasing retail price in electricity, the decline in the manufacturing sector and increasing uptake in rooftop solar panels) and increasing wind power (due to the Renewable Energy Target). The cost of this shift is carried primarily by the largest emitters who have seen their revenue slashed, which is exactly what the price on carbon was supposed to do.

The Government's replacement strategy, Direct Action, will fail to reduce emissions as it fails to penalise the largest emitters. Also, Direct Action risks not gaining approval in the Senate as it is unlikely to get the support of Palmer United Party senators. The repeal of the price on carbon is a backwards step and a sad day for the global climate.

Roger Jones, Professorial Research Fellow, Victoria Institute of Strategic Economic Studies, Victoria University

The perfect storm of stupidity. It's hard to imagine a more effective combination of poor reasoning and bad policy-making, a complete disregard of the science of climate change and its impacts, bad economics and mistrust of market forces.

It is poor risk management to take what is effective and working, what can be readily adapted to more stringent targets, and replace it with a more expensive and unwieldy scheme that lacks the resources to meet its totally inadequate target of 5% reductions by 2020. A total failure of governance by government.

Hugh Outhred, Senior Visiting Fellow, School of Electrical Engineering and Telecommunications, University of New South Wales

With climate change already under way, repeal of the carbon tax represents a dereliction of duty with respect to the rights of young people and future generations, noting that an arguable flaw in the repealed legislation was to set an initial carbon price that was too high.

The centrepiece of a coherent policy framework to mitigate dangerous climate change should be a steadily increasing carbon tax with reinvestment of the proceeds in assisting our society to become more sustainable.

The Coalition's plan to replace a "polluter pays" policy with a "pay the polluter" policy will exacerbate the budget imbalance while being simply inadequate for the task, while emissions trading schemes are too complex and too subject to gaming to earn public trust.

Peter Rayner, School of Earth Sciences, University of Melbourne

As a carbon cycle scientist my job is to monitor, understand and predict the levels of carbon dioxide in the atmosphere. As an Australian, I'm proud of how much we have contributed to that understanding, but today I'm embarrassed by how poor we are at putting that understanding into practice.

We know we have to put Australia on a long road to a low-carbon future. Today we stepped off the road for a nap but that won't make the road any shorter; we will just have to hurry more to catch up later. I'm also mystified that a government which has thought and acted seriously for the long-term health of the federal budget can't think beyond the previous election for the carbon budget.

Tony Wood, Program Director, Energy, the Grattan Institute

Imagine if my daughter was ill, and I took her to the doctor who diagnosed a disease that would be fatal without daily injections. Not surprisingly, I followed the doctor's advice. A few weeks later, my daughter was complaining bitterly that the injections were painful. After another week of complaints I gave in and stopped the injections. My daughter was very happy that the pain of the daily jab was taken away. There's just one small problem...

So once we have stopped dancing around the bonfire of the carbon tax, either in glee or misery, where do we look for the phoenix that might arise from the ashes?

Comments compiled with the help of the [Australian Science Media Centre](#).

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