

Carbon plan more smoke than action

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TWO factors were central to Kevin Rudd's success in wresting government from John Howard.

The most important was a feeling that Mr Howard had gone too far with the Work Choices industrial relations laws. Labor offered a return to the middle ground. The second factor was Mr Rudd, a younger version of Mr Howard who promised to be an economic conservative. Labor embellished its more modern image by promising to make the symbolic gestures that Mr Howard could not. These included saying sorry to the Stolen Generations and ratifying the Kyoto Protocol. Although much was said about climate change during the election campaign, the truth is it never rated very highly as an issue for voters. As Christine Jackman outlines in her new book on the Kevin07 campaign, excerpts of which appear in *The Weekend Australian Magazine* today, it was not the left-wingers or even progressive liberals (the so-called 'doctors' wives') who determined the outcome of the election, it was a tectonic shift by the Howard "battlers" who make up middle Australia. According to Jackman's research, by polling day four times as many voters nominated Work Choices as the main reason they were changing their vote to Labor as did those nominating the war in Iraq or climate change. Three times as many voters nominated a "mood for change" as the main reason they were considering a shift.

It is also true the good feelings generated by Labor's promise to ratify the Kyoto Protocol masked the reality, highlighted by *The Weekend Australian* at the time and belatedly acknowledged by Labor, that there was much more in common between the Rudd and Howard positions on Australia's climate change response than there were differences.

Fast-forward seven months and the trajectory that was set on climate change by the Howard Government with the Shergold report remains largely intact in Labor's green paper. Certainly, there is a great deal of domestic politics bound up in the issue. By taking the soft approach, Labor has intentionally cut itself free from the Greens and environment groups, which have dealt themselves out of the debate by demanding much tougher measures, particularly against the coal industry. This is the right approach for Labor to take. It is much better to be cautious than to risk Australia's prosperity for an uncertain result. This point is not properly understood by some senior commentators at other newspapers who, rather than being good political editors, are indulging in a frolic out on the extreme fringe with the likes of Clive Hamilton and Greens leader Bob Brown.

Rather than seek the support of the Greens or independents in the Senate, Labor will take the challenge to the Coalition to offer bipartisan support for the more modest proposals. It will campaign against the Coalition as anti-future if it fails to give its support.

It is too early to assess the likely impact of Labor's green paper because the most important details are missing. We don't know how many permits will be issued and therefore what the carbon price will be. This has been left intentionally vague. Nonetheless, the plan has sparked frenzied lobbying from business, notably the LNG industry, which claims \$60 billion worth of projects may be at risk. It is ironic that complaints by Woodside Petroleum chief executive Don Voelte coincided with his company reporting a 52 per cent surge in second-quarter earnings because of booming prices. But Woodside is a good example of the dangers of imposing new taxes on trade-exposed industries run by multinational companies that can easily choose to put their investment dollars somewhere else. This prospect was real enough for former treasurer Peter Costello to stop Shell making a full takeover bid of Woodside in April 2001. The Woodside example also highlights how any action can have perverse results. In this case, it is that Woodside will get a greater financial reward from government if it uses less environmentally sound techniques.

Stifling production and export of Australia's relatively clean energy assets, such as LNG and low-sulphur black coal, will only encourage exploitation of lower-grade resources in places such as China and Indonesia, leaving the environment worse off. To really punch above its weight, Australia should focus on developing clean coal technology and boosting uranium exports, which have the potential to save billions of tonnes of carbon emissions. By electing the carbon cap-and-trade route instead, the Government faces a big job attempting to address legitimate concerns of trade-exposed industries. But as Lenore Taylor reports today, Climate Change Minister Penny Wong has some very potent political reasons not to give in. This is because giving away too many free permits will undermine the carbon-abatement effort and shrink the pile of money the Government has to compensate households. There is always a danger that as the election cycle moves on, Labor will become more obsessed with recycling carbon revenue for social policy and electoral purposes. If it does, it will be a repeat of the classic left-wing mistake of being too eager to cut up the economic pie and distribute it rather than grow the size of the pie.

The green paper gives some cause for optimism that the Rudd Government remembers it was the claim of economic conservatism that won it office. Importantly, it reflects the warning of Labor's own climate change adviser, Ross Garnaut, that Australia must not get too far ahead of the rest of the world.

It is well understood that without the inclusion of China and India in a global scheme it is impossible to achieve the atmospheric carbon reduction that scientists say is necessary to slow global warming. Mr Rudd told The Weekend Australian's Greg Sheridan yesterday that reaching an international agreement would be very, very difficult. Mr Rudd said he was struck at the G8 meeting by how far apart the developed and developing nations were on the substantial issues.

Without a global agreement, Australia's best course of action is to implement a domestic scheme that does not restrict the economy and can be quickly toughened when and if a deal is reached. The real politik of the green paper is the message it sends to the world that Australia is ready to act if others play their part. The key to understanding the document is the statement that the first targets for Australia's carbon emission cuts will be set in 2010 when Australia can take account of developments in international negotiations, as well as any commitments major developed and developing countries have made. Thankfully, the Rudd Government appears unwilling to risk jobs to satisfy those people calling for a neo-Arcadian future. Mr Rudd will stick with the middle to keep the support of those who gave Labor government.