

The Grill – December 2009 – Climate change special

Yes, *The Grill* is back. This week's events in Canberra have prompted overdue action. The GFC understandably sidelined public interest and debate on climate change policy, allowing clouds of doubt to creep over issues previously decided.

Now that the Minchin deniers have pushed back Australian action another year, we need to get back to basics, confirm what the rest of the world has long accepted, and shine as bright a light as we can on some very confusing affairs.

On this *Grill* are science, policy, politics and Copenhagen. The *Grill* is always brief, so please don't hesitate to enquire on details.

Science and risk

- **This is about risk management.** With every passing month, new science shows that the consequences of further emissions will be *more damaging*, and the probability of their happening is getting *more likely*. If there is any chance that the science is right, the responsible thing is do something. We insure everything else we have, of far less value and at far less risk. Why not our earth, on which everything else depends?
- **There is no longer scientific debate on this issue.** Scientific debate works through peer-reviewed journals and discourse. Responsible scepticism is good. But there has been *no* new peer-reviewed science over the last decade to do anything but harden the evidence for human-induced climate change. Other claims, no matter how well publicised, are just that, claims. To the extent they have any scientific foundation, and often they do, they ignore inconvenient research and so have been easily discredited in scientific circles, if not on talkback radio.
- **This is not a conspiracy against deniers.** The same research channels are open to them, and inconsistencies in climate research are rightfully identified. I am incredulous that deniers have been compared to Galileo. The climate orthodoxy was itself radical decades ago – against the interests and beliefs of government and industry. Through patient scientific proof they have established the current scientific position. Denial science is reactionary, not heroic.
- **Equal media coverage does not mean equal merit.** As Henry Pollack points out in his terrific book *Uncertain Science Uncertain World*, the media has a healthy tendency to give both sides of an argument the same airplay. But that doesn't reflect the merits of the arguments, or the weight of support on either side.
- **The IPCC is not a government conspiracy**, as has also been suggested. Their reports (1990, 1996, 2001 and 2007) have had to be approved by 130+ governments, so the science is only what can be agreed on – ie, *very* conservative. The last, the product of 3,750 scientists who have spent their lives working on their specialist subjects, was approved by the Bush and Howard governments. In each report, they set a range of best and worst predictions. *Each time, the subsequent science has shown climate change to be worse than their worst predictions.*

Economics and policy

- **A price on emissions is essential.** If you do want to mitigate the risks of climate change, in part by limiting emissions, you have three options: (i) asking people to voluntarily emit less, (ii) putting an additional cost on emissions and allow economics to act, or (iii) legislate to ban certain emissions. Voluntary action isn't working fast enough, and if the Libs won't allow economics to work, then they're certainly not going to swallow a ban. Most policy analysis favours option (ii), knowing how effective price signals are as a policy tool.
- **To put a price on emissions, you have two choices:** a price set by supply and demand through an emissions trading scheme (ETS), or a fixed tax. Most *theoretical* policy analysis favours the ETS, because the price signal better fluctuates to meet the challenge of emission reductions, and better stimulates innovation to do so. In 1997, the US got emissions trading into the Kyoto Protocol against the then wishes of the Europeans. Ironically, of course, it's been the Europeans who then put the theory into practice.
- **An ETS is only as good as its design.** You can design it badly, such as the first European ETS, which delivered massive windfall profits to industry, and had little environmental effect. Or you can design it to work well – such as the Hunter River Salinity scheme, the tremendously effective US 1990 Clean Air Act in response to acid rain, and the current European greenhouse gas ETS.
- **Our proposed scheme is seriously flawed, but has seeds to improve.** Due to the watering down of the Australian CPRS in an attempt to underwrite certain industries and meet Liberal Party demands, our current scheme is like the first European ETS – flawed. Like that scheme, it has the potential to be fixed over time (see [Ross Gittins](#) on this). But as we have the knowledge of the European experience, greater urgency, and willing parties to pass effective legislation, we could still introduce an effective scheme. If that is all too hard, then a simple tax on emissions might even be considered, but only with an electoral mandate that explicitly bars the concessions that have undermined the ETS.
- **Arguments on international competitiveness have two sides.** Can Australia stand as the only developed country *not* to have an effective policy on climate change, and *still* be granted free trade rights with those countries who are acting responsibly? Watch the tension build between the principles of the WTO and the UNFCCC, and watch how trade barriers on climate change will be erected.
- **While there may be local impacts on jobs, they are likely exaggerated.** The GFC has clouded data on the employment effects of the European ETS. Past Australian experience suggests that sector and economic reforms spur productivity and create shifts in employment rather than losses. Over the last 15 years, for example, BHP (however named) has reduced its steelworkers in Newcastle from 16,000 to 700. Barnaby Shrill would say that these people had no other hope in life. But far from being a disaster, Newcastle and its people have thrived over the same period, working in diverse and valuable industries. Cheap coal-fired power would be nice to keep, but unfortunately has to be restricted. Low-emission energy sources are spread everywhere and are labour-intensive. The counter-claim is that Australian investment in low-emission energy, currently way less than that of comparable countries, will kill off our economy, the world's most resilient...well, it's not really a claim that inspires.

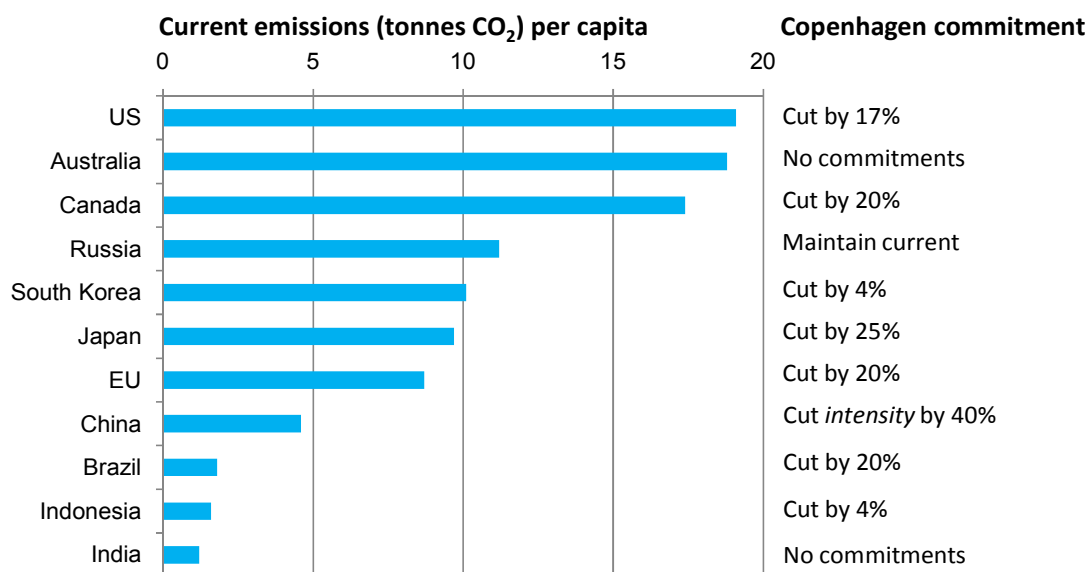
Politics

All three major parties went to the last election promising action on climate change. They have failed to deliver. The government may or may not call a double dissolution. Either way, (allowing for the economy faltering again but not a full-blown depression), the timing of global climate negotiations through to late 2010 will keep climate change as the issue of the next campaign.

- **The ALP has dropped the ball.** Since the election, it has buried itself in the detail of the ETS and the parallel universe of lobbying and politics that is Canberra. It has not engaged people to protect their mandate for action in the face of the GFC. More seriously, it has not maintained a serious Plan B with the Greens, kept handing more and more concessions to those who need it least, and ended with nothing. Now it's giving the Liberals a third crack on February 2. That's odd because...
- **The Liberals have reneged on their own policies and offers.** Apparently moved by distant echoes and beehives, they have used flawed science and economics to lurch to an ideological position that the country has long since left. Tony Abbott has already started carrying on about another tax from, would you believe it, a "Stalinist" government. Note to Tony:– Stalin believed in his own brand of destructive Stalinist totalitarianism and killed or gulaged anyone who disagreed. Our government believes in the same mild democratic capitalism we all do, which does seem to work, yet bends over backwards to accommodate disbelievers. Surely you can't offer this outrageously dishonest rhetoric and still claim an Oxford, Rhodes and seminary heritage?
 - In his first press conference, Mr Abbott also declared the CPRS "a \$120billion tax on the Australian people". A quick calculation – Australia emits 544 million tonnes (Mt) of CO_{2e}. The CPRS covers 75% of that, so 408Mt. Priced at \$26/tonne (it's actually capped at \$10 for the first year) would lead to transfers of \$10.6 billion, as the Treasury states. That's less than 1% of our GDP – not a bad insurance rate for climate risk. Then, almost all of it is going back to companies and to consumers as compensation, lest anyone actually want to reduce their energy use or emissions, with a small remnant to invest in new technologies. So it's about a 200th of what Abbott claims, reducible, and an investment rather than a tax. But let's not get facts in the way of a good scare campaign.
- **The Greens have failed to keep up awareness and provide the ALP with an option.** Which is a tough call on them, given how hard they've tried and how clear they can sometimes be on the issues, but that's what they're there for. Perhaps there is too easy dismissal of hard-grained cultural barriers, and too many independent green campaigns. The NGOs have to put aside their differences and work together consistently and effectively, together with GetUp, the Greens, the Climate Institute and anyone else who has something to offer.

Copenhagen

- **Listen to Nicholas Stern on [Lateline](#).** Bring the man back. Ignore what's happening in Australia. Positive steps are being made elsewhere, particularly on the China-US discussions. [China, as readers of the Grill well know, is doing far more than you would think from reading *The Australian*.] There will be a lot of hot air, and a lot of delay to 2050 targets, but also strong steps towards action, building to firm global commitments in mid-2010. Let's see how that fits into our election cycle.
- **Australia is not 'trying to lead the world'.** In case anyone thinks Australia is really going out on a limb with the CPRS's promised 5% reduction – now only policy rather than committed – here are the pre-Copenhagen policies of Australia's OECD peers for cuts by 2020:



- **Though not fatal, it *was* important where we finished before Copenhagen.** China watches and wonders – if it's not important to Australia, with all their wealth, technology, education, political stability and emissions history, why should we risk the economic growth on which our political stability and global economic growth depends? And as Barnaby Shriell keeps telling us, it does matter what China does.

This is a special edition of the Grill in response to the defeat of the CPRS. It is necessarily brief, so please don't hesitate to enquire on details. We will also review any proposed scheme in the lead up to the second Senate vote in February 2. Our regular *Grill*, featuring policy and business solutions that deliver triple bottom line benefits, will return asap.