



Sky won't fall from a carbon price

Fearmongers were active before Labor's reforms of the 1980s

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JULY 11 next year will mark the 25th anniversary of the re-election of the Hawke Labor government for an unprecedented third term for the party. Big deal. So what?

Agreed, it is likely to be an unremarkable day. On that Wednesday the sun will rise, the chooks will lay eggs, the cows will moo and parents will go to work.

Yet if you believe Coalition fearmongers, civilisation as we know it will have ended 10 days earlier with the introduction of a price on carbon.

Bob Hawke's re-election for a third term is pertinent because the government at that time was well advanced with a program of transformational economic reform.

By floating the currency and opening up financial and product markets to global competition, prime minister Hawke and treasurer Paul Keating were engaged in the monumental task of reorienting the entire Australian economy away from one serving a small domestic market behind protective trade barriers to an open, competitive economy serving global markets.

These Hawke-Keating reforms, continued by the Howard government, laid the foundations for 20 years of sustained economic growth and job creation.

Yet at the time the predecessor to the Australian Chamber of Commerce and Industry, representing tens of thousands of businesses, shrieked that Australian industry would be destroyed, unable to cope with unfair competition from low-wage countries.

Now, a quarter-century later, the Gillard government is engaged in another big economic reform, initiating Australia's transition to a lower carbon economy.

Again, true to form, the Australian Chamber of Commerce and Industry is warning of economic armageddon. Australian industry, we are told, will be unable to sur-

vive a carbon price. And some coalmining companies, having experienced a fivefold increase in the prices of their production in the past eight years, assert that a carbon price on fugitive emissions from coalmining — not on coal itself — would destroy their viability.

Opposition to a carbon price by some business organisations and big companies is based on the assertion that Australia is going it alone, that our competitors, through their carbon tolerance, are refusing to act. They claim our competitors are inviting industries to relocate away from a carbon-constrained Australia.

In truth, 30 countries have a carbon price under the European Union emissions trading scheme. Closer to home, New Zealand does too. But, the argument goes, China and India are refusing to price carbon. Wrong.

India has a carbon tax on coal and a mandatory energy efficiency certificate trading scheme starting this year. As well as applying policies to reduce the emissions intensity of its energy sector, China will launch pilot emissions trading schemes in six provinces, including Beijing and Shanghai, before 2013.

The US has committed to a 17 per cent reduction in 2005 emissions levels by 2020, a considerable task for the world's largest economy and second largest emitter of carbon.

The Obama administration would prefer to achieve the target through an emissions trading scheme but can't get the support of a Republican-dominated House

of Representatives.

Obama is being obliged, therefore, to adopt far more expensive measures to achieve his government's emissions reductions target.

Why should Australia go down this expensive pathway just because the US has left itself no other option in meeting its target?

There was a time in the not-too-distant past when Australia would have been among the first countries in the region to put a price on carbon. Back in 2007, a strong advocate of carbon pricing argued in these terms: "We can be an energy superpower in a carbon constrained future, but only with the right policy settings . . . being one of the first movers on carbon trading in this region will bring new opportunities and we intend to grasp them."

So said John Howard, explaining his decision to proceed with an emissions trading scheme.

Opponents of the Gillard government's efforts to put a price on carbon would leave Australia isolated as a high-carbon economy, vulnerable to retaliation through trade barriers by carbon-pricing nations and a non-starter in the race for renewable energy technologies of the future.

These business representatives say they yearn for certainty yet prefer oceans of uncertainty. They are as myopic as their predecessors 25 years ago, advocates of an unsustainable status quo, opponents of reform.

The government is talking with business to shield emissions-intensive, trade-exposed indus-



tries from a loss of competitiveness from carbon pricing.

Constructive engagement will produce the right reforms for business and the nation.

But there is a key difference between the present reform debate and that of a quarter-century ago. As opposition leader, Howard mostly gave bipartisan support to the market-opening reforms of the Hawke-Keating era.

The respect Howard gained from putting the national interest ahead of his political interest gave him a credibility that helped him win the 1996 election and govern for 11 years. But now Opposition Leader Tony Abbott, once an advocate of carbon pricing, including a carbon tax, is not only opposing this reform, he has pledged to dismantle it.

When the sun still rises and the cows still moo after July 1, 2012, Abbott's chooks will come home to roost.

Much like the experience with the GST, price rises after then will be well below those feared by the community. Discernible price increases will be limited to a much narrower range of consumer items than covered by the GST.

Yet Abbott's message to voters is that he will yank out the carbon price and, depending on final household assistance, will cut the age pension and increase taxes because the compensation will no longer be needed when electricity prices fall. Say that again, slowly:

"Abbott as prime minister will bring electricity prices down."

Having had no experience of falling electricity prices in their living memories, consumers will be expected to accept Abbott's assurance that power companies will pass on any reductions in their costs in the form of lower prices.

Astonishingly, Liberal moderates such as Joe Hockey, Julie Bishop, Christopher Pyne, Greg Hunt and George Brandis agree that promising lower electricity bills is a viable political strategy. Long may they indulge such folly.

Rational business executives will not want a new era of uncertainty over carbon pricing as the issue of climate change will not go away. But Abbott would defy and disappoint them, leaving them to ponder what carbon price assumption to put in their cashflow analyses of prospective projects.

Only a company executive totally dismissive of shareholder interests would insert a row of zeros for a carbon price in the coming 20 years. Even then, the company's bankers would not replicate such a foolish error in deciding whether to lend for carbon-emitting projects.

Not only would a prime minister Abbott raise personal taxes, cut pensions and leave the Australian business community in an economic no man's land, in fulfilling his separate promise to rescind the mineral resources rent tax he would increase the company tax

rate and withdraw small business tax concessions funded by the mining tax. And he would halt superannuation increases for working Australians, whose concessionary tax treatment is also funded out of the mining tax.

And since his \$10.5 billion plan to meet the Coalition's promise to reduce carbon emissions to 5 per cent below 2000 levels by 2020 will get only one-quarter of the job done, he will be obliged to purchase from abroad about \$20bn worth of carbon permits.

That's a cost to taxpayers of \$30bn, or \$720 a household, with no compensation.

Oh, and there's the further 1.5 percentage point increase in the tax rate for larger companies to fund Abbott's paid parental leave scheme.

Since Howard has featured so prominently in public policy debate for 25 years, perhaps the last word should go to him: "Australia has the physical resources, the human capital and the technological strengths to be a global leader in key low-emissions technologies."

Howard has supported economic reform in opposition and in government.

That his views are so marginalised by Abbott's trenchant opposition to any carbon price shows just how far to the right Abbott has taken the Liberal Party in his short time as leader.

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BRETT THOMSON

Bob Hawke, centre, with his foreign minister Bill Hayden and Hayden's wife, Dallas, in 1987