

Opinion and Analysis

Opinions, essays, letters and comment on issues of national interest.

No climate for change

Posted Fri May 8, 2009 6:29am AEST

The key mechanism the Government has selected to drive Australia's transition to a low carbon economy doesn't actually seem intended to drive a transition, write the University of New South Wales' Dr Regina Betz and Dr Iain MacGill.

Even the most cursory glance at history tells us that overwhelming challenges can spark extraordinary innovation and societal transformation. Or merely greater denial.

Which is why the Rudd Government's latest tinkering with its climate change strategy is so disappointing. Delving through the myriad details of the draft Carbon Pollution Reduction Scheme legislation, and now explicit in the proposed changes that have been announced, the underlying principle of the scheme seems clear - more investor certainty for mostly Business-As-Usual.

Which means the key mechanism the Government has selected to drive Australia's transition to a low carbon economy doesn't actually seem intended to drive a transition.

Yet one key lesson on the industrial revolution, arguably one of the most profound transformations in the history of human development is this: from adversity comes opportunity. For example, England had destroyed much of its forests by the end of the 17th Century and hence faced increasing wood scarcity and prices. It had begun importing wood from places as far away as Sweden and Russia. The search for local alternatives drove technical development to expand local coal production with profound implications for the industrial revolution.

Australia is now the world's large coal exporter and its electricity industry has amongst the world's highest reliance on coal generation. The world isn't running out of coal. However, it is running out of atmosphere in which to dump coal's associated emissions. Who will seize the opportunity offered by our next energy transition? Not Australia by the look of it.

The Rudd Government has now at least put a 25 per cent emission reduction target on the table for 2020, although subject to extraordinary conditions on the rest of the world. However, it seems to have decided that most emission reductions should be imported from the developing world, rather than achieved here by transitioning the Australian economy. The CPRS will be delayed, have a low fixed price for the first year, a low price cap for five years and the potential for unlimited use of international emission reduction credits.

This is hardly a conducive environment for driving major investment in a low-carbon future. However, it gets worse. While a significant assured carbon price is important, the key challenge for investment is finding space to invest into. A key role of the CPRS should therefore be to drive exit of high emission industrial plants and activities so that they can



Australia's electricity industry has amongst the world's highest reliance on coal generation. (ABC TV: file photo)

be replaced by lower-emission alternatives. And it can only do this by removing the profitability and hence viability of the high emitting incumbents.

Instead, the proposed changes to the CPRS now include even greater subsidies to large emitters through the provision of free permits awarded on the basis of output. Rather than driving exit, these arrangements subsidise them to stay. Similarly, some favoured coal generators will also receive permits on the basis that they remain in the market.

Transition from existing high emitting industries and associated jobs to the lower emission industries of the future invariably involves current pain for future gain. One might argue that the Global Financial Crisis has provided more than enough pain for now. There is no doubt that real leadership will be required to seize the opportunities - disingenuous delay is far easier.

The price for such an approach, however, is high and will continue to grow. And goes well beyond government itself. The impact of the Government's CPRS design process on the business community has been truly disheartening. The focus of some key industry players is clearly to maximise their compensation, rather than finding new and cheaper ways to reduce their emissions. And if good corporate citizens see others being rewarded for claiming victim status, they are near obliged to attempt the same thing. After all, when governance is weak you'd better be at the table in Canberra or you'll probably end up on the menu.

It's a pity so many trees have been invested in the Government's climate change publications. On every single page they confidently announce: Think Climate, Think Change. Alas, it appears there is no real climate for change in Canberra at present.

Dr Regina Betz and Dr Iain MacGill, joint directors of the Centre for Energy and Environmental Markets at University of New South Wales.

Tags: [environment](#), [climate-change](#), [federal-government](#), [australia](#), [nsw](#), [sydney-2000](#)

Comments (80)

Comments for this story are closed. No new comments can be added. If you would like to have your say on this issue, you can do so via the [Emails section of our Opinion pages](#).

- **madbat:**

08 May 2009 7:07:01am

That brings me memories of the US and their 50 page report entitled "Paper reduction act"

[Agree](#) (0) [Alert moderator](#)

- **Juliet:**

08 May 2009 11:18:16am

yes exactly, a climate change policy that contributes nothing but more (unproductive) hot air.

the opportunities being squandered in this space are so so heartbreaking. we could be doing so much to curb our pollution, and help the economy & communities at the same time, if done properly, with foresight. such a huge wasted opportunity.

[Agree](#) (0) [Alert moderator](#)

- **Tax Me:**

08 May 2009 7:12:27am