



Submission to the Select Committee on New Taxes 'Inquiry into Carbon Tax Pricing Mechanisms'

Submission of: Oxfam Australia

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To:

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1. Introduction

- 1.1 The world's climate is changing as a consequence of human activity. The global impacts of, and responsibilities for, climate change are unequally shared. Those with the least responsibility for climate change stand to suffer most from current and future consequences. It is within this context that Oxfam Australia strongly supports pricing greenhouse gas pollution, most particularly carbon dioxide, which is the most significant pollutant, in order to significantly reduce Australia's emissions. The following submission is structured to address the specific matters raised by the inquiry.
- 1.2 Oxfam Australia is an independent development agency that has worked with local communities around the world to combat poverty and injustice for more than 50 years. We support long-term development projects in 30 countries across the Pacific, Asia, Africa and also work in Indigenous Australia. Oxfam Australia undertakes long-term development projects, provides emergency response during disasters and conflict, and undertakes research, advocacy and campaigning for policy and practice changes that promote human rights and justice.
- 1.3 Oxfam Australia is a member of Oxfam International, a global confederation of 15 organisations that work with others to overcome poverty and injustice in 99 countries around the world. Oxfam Australia's vision is of a fair world in which people control their own lives, their basic rights are achieved, and the environment is sustained.
- 1.4 Oxfam Australia holds full accreditation status with AusAID, the Australian Government's Agency for International Development, and is a signatory to numerous industry codes of practice including the Australian Council for International Development (ACFID) Code.

2. **New taxes proposed for Australia, including: a carbon tax, or any other mechanism to put a price on carbon**

- 2.1 Oxfam Australia believes that market price signals are essential drivers of change in energy investment decisions and accordingly supports a price on carbon, either through a carbon tax or an emissions trading scheme, in addition to other complementary measures. To drive large-scale emissions reductions, governments must employ a range of policy instruments, such as taxes, subsidies and regulatory standards and carbon markets.

3. **The short and long term impact of those new taxes on the economy, industry, trade, jobs, investment, the cost of living, electricity prices and the Federation;**

- 3.1 Acting on climate change will grow jobs. The race for low-carbon investment and a clean energy economy is on. For example, more than one million people are already employed in China's renewable energy sector – and this sector is growing at a rate of 100,000 additional jobs each year. Furthermore, China has pledged to reduce the carbon intensity of its economy by between 40-45 per cent by 2020.ⁱ
- 3.2 Wanting to keep up in the race for green jobs, some European countries are pushing to raise the EU's carbon pollution reduction target from 20 per cent to 30 per cent by 2020. Writing in the Financial Times, ministers from France, Germany and the UK, state that, "If we stick to a 20 per cent cut, Europe is likely to lose the race to compete in the low-carbon world to countries such as China, Japan or the US."ⁱⁱ
- 3.3 Even some of the world's poorest countries, including Costa Rica, Ethiopia, the Maldives and Samoa, have set strong targets for clean energy development. For instance, the Maldives is aiming to be carbon-neutral by 2020.
- 3.4 Germany currently employs 1.6 million people in green industries. The European Commission President has called for Europe to double the amount of people employed in green industries in the next 10 years. President Obama has also set a target of an additional five million green jobs in the next 10 years.
- 3.5 Australia could be a major player in this transition to a global clean energy economy, but vested interests and fears of job losses are preventing it. The Construction, Forestry, Mining and Energy Union, which represents miners, is aware that the industry needs to be part of the transition to the low-carbon economy:

"Australia's energy industry will need to evolve...whether [we] like it or not...Miners...want to avoid catastrophic climate change too. They want their kids to inherit a healthy planet, just like anyone else in the community."ⁱⁱⁱ (Tony Maher, National President -Construction, Forestry, Mining and Energy Union)
- 3.6 Zero Carbon Australia has shown we could have 100 per cent renewable energy within a decade, and this with a net *increase* in jobs. While costing \$37 billion per year over 10 years, we would save \$1600 billion in fossil fuel costs by 2040.^{iv}
- 3.7 Research undertaken by the Australian Council of Trade Unions and the Australian Conservation Foundation backs this up. They found cutting greenhouse pollution by 25 per cent would create 3.7 million new jobs by 2030 and leave households 10 per cent better off overall.^v

3.8 Further information on the economic benefits of addressing climate change can be found in Oxfam's 'Getting Smart on Climate Change' booklet, available at: <http://www.oxfam.org.au/explore/climate-change/getting-smart-on-climate-change>

4. Estimated revenue from those new taxes and any related spending commitments;

4.1 A necessary proportion of the revenue generated from a carbon tax (or ETS) should be allocated to international financing of adaptation and low-carbon development in developing countries. Australia has a responsibility to support developing countries, including our Pacific neighbours, in relation to climate change. In addition, Australia has made a commitment to support the global 'Green Climate Fund' of USD 100 billion per annum from 2020. Oxfam estimates that Australia's fair share of this fund will be around USD 2.29 billion^{vi} and it will need to find predictable long-term sources of finance to meet this commitment. A carbon tax (or ETS) presents a new and innovative potential source of financing that does not draw on general revenue. It is an opportunity that should not be missed.

5. The likely effectiveness of these taxes and related policies in achieving their stated policy objectives;

5.1 A carbon tax is an important policy instrument that could be utilised, with other complementary measures, to reduce Australia's greenhouse gas pollution.

6. An international comparison of relevant taxation arrangements;

6.1 Australia is falling behind international efforts, by both developed and developing countries, to put a price on pollution. For example research by The Climate Institute showed that Australia's pollution price tag in the electricity generation sector is 1/17th of the UK's and 1/5th of China's^{vii}.

7. Any other related matter.

7.1 There are a range of other measures that will need to be adopted if Australia is to meet its international responsibility to reduce greenhouse gas pollution and assist developing countries. For example the Australian Government should:

- Remove fossil fuel subsidies and provide greater support to renewable energy.
- Support an international levy on emissions from international shipping and aviation in order to reduce greenhouse gas pollution and provide

innovative financing for adaptation and low carbon development in the developing world.

- Support the establishment of the 'Financial Transactions Tax' (or Robin Hood Tax). This tiny 0.05 per cent tax on financial transactions has the potential to raise finances to provide innovative financing for adaptation and low carbon development in the developing world.

ⁱ Letter from the Department of Climate Change, National Development and Reform Commission of China to the UNFCCC, 28 January 2010,
http://unfccc.int/files/meetings/cop_15/copenhagen_accord/application/pdf/chinacphaccord_app2.pdf

ⁱⁱ *Europe needs to reduce emissions by 30%*, Financial Times, 14 July 2010,
www.ft.com/cms/s/0/08538a04-8f78-11df-8df0-00144feab49a.html

ⁱⁱⁱ *CFMEU welcomes Greg Combet as the best man for a vital job*, 13 September 2010
www.cfmeu.com.au/index.cfm?section=5&Category=42&viewmode=content&ContentID=573

^{iv} *Zero Carbon Australia: Stationary Energy Plan*, published by the Melbourne Energy Institute, University of Melbourne, July 2010
http://media.beyondzeroemissions.org/ZCA2020_Stationary_Energy_Report_v1.pdf

^v *Creating Jobs - Cutting Pollution: the roadmap for a cleaner, stronger economy*, Australian Council of Trade Unions and Australian Conservation Foundation, May 2010
http://www.actu.org.au/Images/Dynamic/attachments/6971/ACF_Jobs_report_190510.pdf or
www.acfonline.org.au/uploads/res/ACF_Jobs_report_190510.pdf

^{vi} This figure is based on a responsibility and capability index as outlined in *Hang Together or Separately? How global co-operation is key to a fair and adequate climate deal at Copenhagen* (Oxfam Briefing Paper 128), 2009
<http://www.oxfam.org.au/resources/pages/search.php?search=hang+together>

^{vii} Full report is available here: <http://www.climateinstitute.org.au/our-publications/reports/744-putting-a-price-tag-on-pollution>