

ADDITIONAL COMMENTS AND QUALIFICATIONS

SENATOR MICHAELIA CASH

Introduction

The evidence presented to the Committee during this Inquiry, both in written and oral form, confirms that there is significant conflicting scientific evidence about the cause and extent of climate change. Despite this conflict, I subscribe to the position articulated by Rupert Murdoch that when it comes to carbon dioxide emissions "the planet deserves the benefit of the doubt".

However, the only action that should be taken by a Government to reduce carbon emissions is responsible action. Action taken at the expense or detriment of the Australian people should not be supported.

The Government's current Carbon Pollution Reduction Scheme (CPRS) if agreed to in its present form, will result in action being taken at the expense of the Australian people. But worse than that, its implementation in its present form is likely to achieve the perverse outcome of Australia contributing to an increase in global emissions.

The CPRS manifestly fails to achieve the Government's stated objectives of reducing emissions while protecting jobs.

As the Government's central policy to reduce Australia's carbon pollution, the CPRS patently fails to:

1. reduce carbon pollution at the lowest economic cost;
2. put in place long-term incentives for investment in clean energy and low emission technology, and
3. contribute to a global solution to climate change.

With the recent unemployment statistics confirming an increase in unemployment in Australia, the fact that there has been an increase of nearly 200,000 Australians out of work since August 2008 and the Government's continued predictions that unemployment will continue to rise, it is imperative that every element of Government policy should be focussed on effective measures which will ensure that employment in Australia remains consistently high – not measures that will result in job losses.

The evidence given to this Inquiry confirms that the CPRS is both a badly designed scheme and seriously flawed. It should not be supported.

I support Committee Recommendation 2 which states:

The Committee recommends that the CPRS legislation not be passed in its current form.

1. Qualification—Chapter 2—Analysis of scientific views

I reject the analysis of, and the conclusions drawn in relation to, the climate science as set out in Chapter 2 of the Majority Report paragraphs 2.1 to 2.32 and paragraph 2.36.

There was a considerably wide diversity of views on the subject of climate science - in particular the cause and extent of climate change and the extent, if any, to which climate change is a consequence of anthropogenic behaviour.

This diversity of views was reflected in the evidence given by witnesses both in submissions to the inquiry and in evidence at the hearings.

In the analysis of evidence in Chapter 2 of the Majority Report, significant analysis is given to scientists who provided evidence endorsing the findings of the IPCC 2007 Report, that warming of the climate system is unequivocal and that the increase in global average temperature since the mid 20th century is due to anthropogenic greenhouse gas concentrations.

I do not believe that the same depth of analysis was given to those scientists and other experts who do not agree with this view and gave evidence that climate change was due to natural causes and was not the result of anthropogenic behaviour.

In terms of the comment expressed at Chapter 2, paragraph 2.20 of the Report that:

The bulk of the thousands of submissions which the committee received from the public accept that climate change is happening and urge action.

What the report fails to mention is that the majority of these submissions were in the nature of a 'pro forma' submission generated from the websites of environmental groups and should be considered in that context.

I disagree with the conclusion expressed on behalf of the Committee at paragraph 2.37 that:

The balance of the evidence discussed above suggests that climate change is occurring, is driven by anthropogenic factors and is a grave threat to accustomed ways of life and natural systems. If this view is right, the calculations above make a virtually unarguable case for taking global action.

I do not believe that this properly reflects the balance of evidence in terms of the science of climate change.

I affirm my view that whilst the planet should be given the benefit of the doubt, the only action that should be taken by a Government to reduce carbon emissions is responsible action. Action taken at the expense or detriment of the Australian people should not be supported.

2. Treasury Modelling

2.1 Failure to model effect of current CPRS on jobs and the environment

Climate change is best tackled from a position of economic strength. To effectively meet the huge cost of tackling greenhouse gas abatement requires:

- Australians in jobs;
- business performing strongly; and
- a robust economy.

The Committee received extensive evidence raising serious concerns about the modelling undertaken by the Treasury. This evidence also identified significant flaws in Treasury's modelling as set out in Chapter 2 of the Majority Report.

Despite the significant concerns expressed by witnesses, Treasury failed to produce any economic modelling justifying its claims on the likely effect of the CPRS upon jobs and the environment.

I have formed the view, based on evidence provided to the Committee that the modelling undertaken by the Treasury is both deficient and inadequate and Treasury must undertake further modelling as articulated in the Majority Report.

2.2 Lack of peer review and transparency

Accountability and openness in government require that those who exercise power while performing the functions of government, demonstrate in an open and practical sense that they are doing so with honesty, integrity, appropriate skill and judgment, and have discharged their duty in a proper manner for the common good and in the public interest.

Those who are entrusted with public power are required, when called upon, to justify the use of that power.

The use of commercial-in-confidence claims as a shield to avoid proper scrutiny of Government actions has the potential to seriously threaten accountability and openness in government.

I refer to Recommendation 7 of the Senate Select Committee on Fuel and Energy's Interim Report tabled in the Senate in May 2009 which notes the failure of the Government to provide this information and its failure to comply with the Order of the Senate of 11 March 2009 to release all of the information currently being kept secret.

I am concerned at the Government's continued refusal to provide access to all of the model codes and databases used in the Treasury modelling.

3. Impact on Western Australia

3.1 Loss of jobs

Western Australia is a major contributor to the Australian economy and in 2007–08 contributed approximately \$8.2 billion to the Commonwealth in net terms.

As a Senator for Western Australia I am concerned about the potential disastrous impact of the CPRS on the Western Australian economy.

An Access Economics Report commissioned by the State Premiers and published in June 2009, confirms that the Government's Emissions Trading Scheme would cost 13,000 jobs in WA alone.

These 13,000 jobs will in the main come from the following industries, black coal, oil and gas, petroleum and coal products, chemical rubber and plastics, iron steel and metals, electricity and the gas distribution sector.

3.2 Flaws in Treasury Modelling

I am concerned at claims that the Treasury modelling in respect of the assessment of the need for Electricity Sector Adjustment Scheme (ESAS) assistance uses the same competitive spot market assumptions made for the Eastern States Electricity Market in its assessment of this need in Western Australia.

In other words Treasury failed to recognise the differences in the Western Australian electricity market. This failure to distinguish between the respective models results in a detrimental impact on Western Australia.

As noted in the Coalition Senators Dissenting Report of the Senate Economic Committee Inquiry into the Exposure Drafts of the Legislation to Implement the Carbon Pollution Reduction Scheme tabled in the Senate in April 2009:

Griffin Energy, in their submission to the inquiry into the exposure draft of the CPRS, made the point that the Western Australian Electricity Market, in which gas power generation is dominant, suffers discrimination because the Treasury modelling uses the same competitive spot market assumptions made for the Eastern States Electricity Market in its assessment of the need for ESAS assistance.

In fact however the WA Electricity Market is very different to that of the Eastern States Electricity Market in that WA has a high dependency for electricity generation on gas from the North West Shelf being carried to the South West in the Dampier to Bunbury pipeline, and this will continue to be the case even if renewable replace coal.

Griffin Energy point out that there is a historic price competition between gas and black coal in the Western Electricity Market and state that WA's long term security of supply will likely be compromised by the current CPRS settings.

Griffin points out that the so call National (i.e. Eastern States) Electricity Market is based on a competitive spot market into which all generators supply electricity whereas the Western Electricity Market is based on bilateral contracts.

In the selling model the price of electricity is locked in for the length of contracts and there is no capacity in the Western Electricity Market to pass through to consumers the increasing price of carbon which the generators will bear over 15 years. By contrast in the National Electricity Market Model, based on competitive spot prices, the additional cost of carbon over 15 years will be passed through via the market clearing price.

Griffin states that the Western Australian Electricity Market requires a separate ESAS formula with an emissions intensity cut off limit of 0.75tCO₂e.

The flaws in the Treasury assessment of ESAS assistance was further confirmed in evidence to this Inquiry as noted at paragraphs 4.157 of the Majority Report as follows:

The CPRS is also fundamentally flawed in that it fails to take into account the special circumstances of Western Australia. The rest of the country is part of an integrated national electricity market (NEM) whereas Western Australia is isolated and reliant on a small number of gas suppliers. This means much of the Treasury analysis assuming pass-through of higher costs is inapplicable to the WA market.

This failure of Treasury to distinguish between the respective models needs to be rectified in any future modelling.

4. Renewable Energy Target

I note the announcement of the Government on Tuesday 9 June 2009, coupling the renewable energy target with the emissions trading scheme.

The vision of solar, geothermal, tidal, wind and wave power is an exciting prospect for Australia and should be encouraged by government. It is disappointing that the Government appears to be deliberately sabotaging its own legislation at the expense of these emerging Australian industries and the jobs that would go with them.

This is yet another example of how the Rudd Government is intent on 'going it alone' on climate policy in this country, despite the impact it will have on Australian jobs and the real economy.

5. Agriculture and Land use

I note paragraphs 6.9 to 6.11 of the Majority Report.

A common theme from all submitters and witnesses who discussed agriculture and land use issues was the historical adaptability of Australian farmers, and many called for policies that will harness and foster the independence and ingenuity of the agricultural sector. This confidence in

the capacity of the agricultural sector to embrace and drive change is shared by all members of the committee.

A consistent view from agriculture-related organisations, as well as environmental and other stakeholders, was that under the current and proposed policy settings in Australia the agricultural sector could not access the opportunities offered by climate change abatement and mitigation activities, such as the new income streams that could be opened up by renewable energy, soil carbon and avoiding deforestation.

The potentially negative impact of climate change policies on agricultural sector production and incomes was also explored in some detail throughout the hearings.

The Government should provide adequate incentives for the adaptation and innovation needed for farmers to actively undertake and promote changes to farming practices that encourage emission reduction. The failure of the Government to provide such incentive may put unacceptable pressure on costs of food production and jeopardise Australia's global competitiveness.

6. Conclusion

The evidence indicates that it is apparent to all serious policy makers that there is no unilateral Australian solution to climate change, only a global solution.

The Institute of Public Affairs gave the following evidence to the Senate Standing Committee on Economics during its Inquiry into the Exposure Draft of the Legislation to implement the Carbon Pollution Reduction Scheme:

...With only 1% of world GDP, we are neither prominent among world nations nor particularly influential within world councils. And while Australia has many well qualified scientists, few of these are considered to be world authorities on climate change. Accordingly, it is pure hubris for Australia to attempt to take the lead in abatement activity.

In light of the fact that the Copenhagen conference is only six months away, and the Obama Administration and the US Congress are well advanced in finalising US legislation for an emissions trading scheme, it would be premature to lock Australia into an ETS that is out of step with the rest of the world.

The CPRS is a flawed scheme. The scheme puts Australian industries and the jobs that go with them, at great risk for little or no environmental gain.

**Senator Michaelia Cash
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