

To Senators on the Senate Select Committee on Climate Policy,

In principle, I generally support the campaign to strengthen Climate policy and cost-effective emission reduction, and the need for an Inquiry. Generally I support the template submission presented by Green Senators. The comments below, however, indicates some problematic aspects of that template submission, which presumably can be taken as some indication of the thinking of the Parliamentary Greens themselves and as guidance to its supporters. The first and most serious problem with the submission is that it does not sufficiently highlight the importance of the Copenhagen Conference of the Parties under the UNFCCC in December this year. It seems that the Greens may be 'acting locally' but they are not sufficiently 'thinking globally' in this instance. I explain what I mean below. It should be made clear that what comes out of Copenhagen is the crucial issue.

Second, and directly following logically, the 'conditional' target adopted by the Australian Government is central to the diplomatic stand that is taken at Copenhagen.

Yet the template submission makes no clear and explanatory reference to the conditional target for 2020, that is, 'conditional' on other comparable countries making a comparable commitment at Copenhagen. The Government cannot be allowed to 'run dead' at Copenhagen. It should propose a sufficiently tough target in view of the fears about the consequences of not meeting targets for atmospheric levels consistent with a realistic path towards 450 ppm CO₂ equivalent atmospheric level by 2050. Ideally, that conditional target should be at least at the level recommended by Garnaut, that is, 25 per cent reduction relative to 2000 by 2020—and no excuses about Australia's 'population growth' such as Mr Rudd tried to argue. Garnaut took population growth (which he happens to support) into consideration in his calculations underlying his 25 percent figure. The template submission refers to 'Scientists agree that developed countries like Australia need to reduce their emissions by between 25 and 40 per cent by 2020 if we are to avoid runaway climate change', but this is not put into the policy-relevant context of Copenhagen. It is not sufficient for the Greens' template submission to refer vaguely to a 'range of 5-15%' in characterising Government policy. Not everyone can be assumed to know what this 'range' refers to. The importance and meaning of the conditional target must be properly spelt out even in a short submission, just as it is for example in the Garnaut Report.

The second problem concerns the tone of the template submission. Unless submissions contribute sensibly, the inquiry could easily become hysterical, disorderly and counterproductive. In that case, the only winners will be the Federal Opposition and the vested interests standing to gain from weak targets and undue/ unwarranted compensation from the Government as laid out in the White Paper.

What is the tone of the Greens' template submission?

Generally it is acceptable but the template submission refers to Government policy as laid out in the White Paper as 'worse than useless'. True, it is indeed most disappointing that the White Paper did not at least comply with Garnaut's sound recommendations, especially with respect to the 25 per cent cut.

Yet the phrase 'worse than useless' comes across not as an ambit claim but as hyperbole. Rudd does have a point when he refers to population growth having an impact on the conditional target, and such a cut compared business-as-usual would be very far from 'worse than useless' where 'useless' means business-as-usual. Again, the implications of the worst scenario of 5 % and the 'conditional' target (whether it be 15% cut, 25% cut or 'at least 40%') need to be spelt out fully, and in this template submission, they are not. If all OECD states were to come out of Copenhagen with an interim per capita commitment equivalent to at least Rudd's 15 per cent cut relative to 2000 I would be amazed and fairly gratified, as long as the political struggle continued strongly to get this down further, and as long as OECD states actually complied seriously by setting caps and putting ETS and complementary policies in place to that end.

Such a realised commitment would be some basis for an appropriate level of compliance by China and other BRIC states, an absolutely vital issue. Third, I know the Greens have in their constituency many worthy commercial interests that can be described as 'green'. However, presenting all these commercial interests with all they would like to have by way of detailed emissions abatement ('CO₂ reduction') policy does not lead to good policy-making in this area.

The cap and trade mechanism and other mechanisms pricing emissions, plus the 'complementary policies' as laid out in Garnaut (and the White Paper for that matter) must be the main means to an end.

Such mechanisms further the overall objective of abatement policy which is, or should be, to achieve the greatest (politically) possible emissions cuts as early as possible and at the least possible cost. If this process is adopted as it should be then, (of course) the most cost-effective 'green' industries will benefit and are entitled to benefit accordingly. 'Least possible cost' refers both to aggregate cost to the economy (achieved by pricing emissions and the well-defined and theoretically/empirically secure complementary policies) and also to 'fairness' aspects.

The 'fairness aspects' question is the rub. First and foremost, there has to be protection to lower income groups as a result of the inevitable and highly desirable increases in energy prices and especially electricity prices. In effect, it is also to buy their political support. As Garnaut points out, this is where the bulk of compensatory payments should be made, funded by ETS revenues.

But to provide such revenues as production or consumption subsidies benefitting 'green' industries that are very far from cost-effective would simply be to undermine the above objective of aggregate cost-effectiveness with respect to the greatest possible overall emissions cuts, and 'fairness'. The same applies to implicit subsidies such as enforced feed-in tariffs valuing the 'fed in' electricity at far greater than its (corrected) market value. The effort would be better expended elsewhere. Fourth and related issue concerns the matter of support for 'voluntary' reductions.

This is a difficult term to define and comes in various forms from individual to corporate to government decisions (for example, about transport infrastructure). All reductions that respond to emission price-corrected market forces qualify as 'voluntary' but the reference here seems to be to cases where people embark on emission-reducing options that are over and above those that are cost-effective to those consumers personally, given the pricing of emissions and complementary policies such as regulated energy efficiency standards and insulation standards. Perhaps consumers should not be discouraged from taking such actions -- although they should ideally learn some sense of proportion e.g., on the relative cost-effectiveness of proper house insulation vs roof-top PVs. To the extent that the aggregate emission reductions that are 'over and above' in this sense can be measured, then the national targets should be continuously tightened so that such agents can be assured that they are not effectively 'subsidising the heavy polluters'. However, this is not a case for Government subsidising such 'over and above' activities, however altruistic (for example, subsidies to roof-top PV arrays). There are simply better uses for such funds, not least in CO2 emission reduction. As to the issue of the continuous tightening of national targets more generally, there should be well-defined procedures that allow this to happen as a consequence of any unforeseen favourable developments that reduce the cost of abatement or which offer unforeseen opportunities for abatement. These opportunities could include the Government infrastructure decisions noted above, or unexpected R&D effects, or lower rates of underlying economic activity that lower emission paths, for example, lower population growth rates than had been anticipated, or lower rates of GDP growth (though the economy's capacity to pay the costs of abatement would be reduced in this latter case).

The Minister (Penny Wong) made a commitment to such automatic tightening of the caps on an annual basis during an interview for the 7:30 Report on 23 February. This new commitment appeared to go significantly beyond the 5 year revisions envisaged in the White Paper. Such an evolution in official thinking should be welcomed and the Government should of course be held to account on this and similar undertakings.

Let me conclude by once again emphasising the main point: the all-important context of the Copenhagen Conference. IN this context at least, it is the 'conditional' target that matters, not the 5 per cent one.

Garnaut's 25 per cent conditional target should be restored and made the Australian reference point in the negotiations.

As Garnaut suggests, if this target or something sufficiently like it can be achieved internationally, the cost to the Australian Government could be reduced compared with the 'go it alone' case of 5 per cent, due for example, to resolution of 'carbon leakage' problems. Barry Naughten CAIS ANU
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My recent contributions the debate on the CRS White Paper are on:

<http://www.onlineopinion.com.au/view.asp?article=8421>

A shorter version is on the New Matilda website: <http://newmatilda.com/2009/01/14/elephant-greenhouse>

My more comprehensive position is set out in my submission to the Garnaut Inquiry:

<http://www.garnautreview.org.au/CA25734E0016A131/pages/submissions-general-submissions>

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