William Blackburn

Dear Honourable Senators

Inquiry into Policies Relating to Climate Change

Thank you for the opportunity to make a submission to this Inquiry.

I wish to make a few brief points in relation to your terms of reference, particularly relating to the need for strong action by Australia to address climate change, and how to effectively restructure our economy to ensure future prosperity.

Targets

The scientific consensus is increasing clear that a target CO_2 equivalent concentration of no more than 350 parts per million is needed in order to avoid potentially catastrophic climate change.

Australia, as a signatory to the United Nations Framework Convention on Climate Change, is committed to stabilise greenhouse gas emissions "at a level that would prevent dangerous anthropogenic interference with the climate system" (UNFCCC Article 2). According to the IPCC Fourth Assessment Report, a level of 450 ppm ensures significant loss of biodiversity, severe water stress, the loss of Kakadu and the Great Barrier Reef and extreme risk of coastal erosion and flooding.

Hansen *et al.* (2008) have noted major risks with even this target stabilisation level, stating that irreversible catastrophic effects may eventuate without immediate strong action towards a target of 350 ppm CO_2. Other submissions will provide observations regarding predicted, evidence-based, impacts of a rapidly warming world. It is clear that the risk of runaway climate change is very real, and under the type of world this Government's CPRS is aiming for, we may discover 'tipping points', such as the loss of Arctic ice cover, that effectively destroy our comfortable way of life.

I urge the Senators to keep abreast of the scientific consensus in this area, and to press this Government to enact substantially stronger targets in concert with international partners, as advocated by the entire scientific community, and economists such as Professor Garnaut (2008b p.291). Many economics have observed that the greater the delay, the more severe and costly the adjustment costs, and excessively conservative approaches now will preclude market based mechanisms in the future (Garnaut 2008b, Quiggin 2008).

Australian like to think of themselves as morally good people, and world leaders in recognising fair play and acting decently. If we are to do justice to our self-image, we must acknowledge our responsibility for the existing atmospheric carbon and must lead in adjusting to a carbon constrained future. I do not hear of debates in other advanced countries where they complain that their emissions are too few to worry about. Other countries seem to accept that we all have a responsibility for tackling this problem, and exceptionalism is not a lasting game plan. One way or another, Australia will be made to play ball.

When we do accept our responsibility, and do accept the scientific evidence regarding targets, then a far stronger target than 60 percent by 2050 will be required. Professor Garnaut’s Interim Report noted that emissions reductions of approximately 90 per cent are likely to be required for Australia as part of an international convergence target towards 450 ppm CO_2 (Garnaut 2008a pg 39), while

the responsible choice appears to be making Australia a net carbon absorber. You should read *Climate Code Red: the case for emergency action* by David Spratt & Philip Sutton to understand just how grave the situation is.

The CPRS

While an emissions trading scheme provides some theoretical economic advantages over alternative proposals such as a carbon tax, this government's Carbon Pollution Reduction Scheme is a woeful effort that would cause more damage than good. The free permits to all and sundry reflect nothing more than the effectiveness of lobbying groups in the halls of power. They run counter to all economic orthodoxy and will represent an extremely inefficient burden on all Australians and all ineligible businesses. Any trading system that has an excess of free permits is broken right from the start

I strongly disagree with any special assistance to ‘strongly affected industries’, and believe that this runs precisely counter to the intent of carbon trading, and runs the risk of collapsing the integrity of the scheme. Prices for highly emission intensive goods and services must rise in order to encourage different consumer behaviour. Isn’t that the point? All firms will have an opportunity to pass on costs, or to reduce emissions.

Professor Garnaut's Interim Report devoted an entire appendix to countering the weak arguments in favour of this form of assistance (Garnaut 2008a p.511-514). It is a pity the Government chose to ignore their own specialist advice.

I remain sceptical of the notional economic efficiency claims made regarding any emissions trading scheme this government could devise. These claims are supported by the sorts of rent-seekers, 'sophisticated financial operators' and other hucksters that have led us into the mess that is the global financial crisis.

The transactional costs of such a deliberately complex and opaque system will no doubt do wonders for the under-employed commercial lawyers and merchant bankers who thrive on such a system, however will do little for real emissions reductions.

A carbon tax

I believe that a simple, broad carbon tax, with a legislatively fixed, rising cost of emissions would be a relatively simple mechanism to implement. If it covered stationary energy and transport fuels in the first instance this would provide a simple base to expand into agricultural and land use emissions as our understanding developed.

James Hansen of NASA is not an economist, however is a climate change expert, and has discussed issues of carbon taxes versus emissions trading (or cap and trade) systems with esteemed economists. I have attached his recent testimony the the United States House of Representatives, entitled *Carbon Tax & 100% Dividend vs. Tax & Trade.* While some of his arguments are specific to the United States, more generally he raises many valid points that should be considered in the Australian context.

A personal note

Thank you for considering my submission. Unfortunately I am very gloomy about the capacity of our political classes to effectively meet this challenge. You are (nearly) all pandering to existing

dinosaur industries that appear to have you firmly in your pockets. You do not appear to care for the future of Australians or our long-term prosperity. I would like to be surprised by a major party genuinely acknowledging what the science is clearly telling us and what the clear implications of this for our society and our economy are. We have only limited time left on this planet to avoid what is clearly likely to be a catastrophe, and you are still pretending that this is something that can be played for politics, for advantage in marginal seats and donations. My two small boys are going to ask me what I did to try and stop the stuffing up of the planet, and I wont have an adequate answer. You, our elected representatives, will have to answer those sorts of questions for a long time to come. Are you actually in politics to help this country and this planet, or are you really just there for the perks?

- Hansen J (2008) *Carbon Tax & 100% Dividend vs. Tax & Trade*, available from http://www.columbia.edu/~jeh1/mailings/2009/20090226_WaysAndMeans.pdf
- Garnaut R (2008a) *Garnaut Climate Change Review: Interim Report to the Commonwealth, State and Territory Governments of Australia*, available from http://www.garnautreview.org.au/ , accessed 2 Aug 2008.
- Garnaut R (2008b) *Garnaut Climate Change Review: Draft Report June 2008*, available from http://www.garnautreview.org.au/
- Quiggin J (2008) “Flow-on effects of neglect” *The Australian Financial Review* 14 August 2008 p. 69.