

To Senators on the Senate Select Committee on Climate Policy,

I am writing to express my dissatisfaction with the CPRS as it has been proposed. There are too many problems with this scheme for me to go through them all but the principle problems lie with giving away free permits to the biggest polluters. This amounts to a "pay the polluters" scheme instead of a "polluters pay" scheme and is completely contrary to the aims of reducing our impact on the world's climate.

Another major problem is the complexity of the scheme. It would be far simpler to implement and to monitor a simple well head, farm gate, mine gate carbon tax. This avoids all of the many many problems with carbon trading that we have seen in Europe and other places where windfall gains from permit handouts actually increased the profits of polluting industries and destroyed the carbon price. The CPRS requires collecting information on emissions for individual companies and monitoring these emissions. This is a task of staggering complexity, a task we still don't really know how to do. By contrast, a carbon tax simply requires measuring how much of each commodity enters the market which is something we already do and we know how to do it well. No messy calculations, no loopholes, no accidentally handing millions of dollars of permits to people who don't need them.

A carbon tax sends a straightforward price signal through the economy and motivates everybody downstream of the tax to improve efficiency and to move to low carbon or carbon neutral activities and these measures provide immediate reductions in Australia's greenhouse gas emissions. Under the CPRS, on the other hand, individual and group efforts to reduce emissions simply result in the pollution permits being traded to somebody else and result in no immediate reduction in pollution. This leaves price signal as the only motivating force for reducing individual or community emissions.

In summary, a carbon tax is much simpler to implement and administer, much more difficult to avoid, easier to monitor and does not commodify pollution. There are only two reasons for choosing a carbon trading scheme over a carbon tax. The first is that it fits within the current economic market ideology. This is no reason at all, but it is an explanation for why it would be chosen over the greatly preferable option of a carbon tax. The second reason is that others are doing it. Again, this is a terrible reason especially when we observe how ineffective other trading schemes have been.

Regards,  
Warwick Smith