

“Scrap the Cap-n-Tax Scheme.”

A Submission from:

The Carbon Sense Coalition
www.carbon-sense.com

to the

Australian Senate Standing Committee on Economics

in response to the Exposure Draft of the:

“Carbon Pollution Reduction Scheme Bill 2009

25 March 2009

ECONOMICS IN ONE LESSON.

“The whole of economics can be reduced to a single lesson, and that lesson can be reduced to a single sentence:

“The art of economics consists in looking not merely at the immediate but at the long term effects of any act or policy: it consists in tracing the consequences of that policy not merely for one group, but for all groups.”

Henry Hazlitt “Economics in one Lesson”

Submissions due by Wednesday 25th March 2009 to: economics.sen@aph.gov.au

1. *The Important Matters*

This Senate Economics Committee is charged with the responsibility of assessing the economics effects of bills put before it.

This enquiry is focussed on *The Carbon Pollution Reduction Scheme Bill 2009*. The name itself is a deliberate deception – the only truthful word is “Scheme” which the Oxford Pocket Dictionary defines as “artful or underhand design”. It is not about carbon or about pollution - it is “The Carbon Dioxide Cap, Trade and Tax Scheme Bill” (referred to hereafter as “The Cap-n-Tax Scheme” or “The Scheme” for short).

There is substantial doubt on the science on which this Scheme is justified. The chief justification is scare forecasts based on complex computerised climate models that few people believe and even fewer people understand. However, on the understanding that the science will be the basis of a separate full enquiry by the Senate Climate Change Committee, the scientific aspects of these matters will not be pursued in detail here.

The Economics Committee, however, has a responsibility to look into all of the economic aspects, which include:

- The economic assumptions and justification
- What is a good tax?
- The track record of computer models for climate forecasting
- The full assessment of costs and benefits
- The risks to costs and benefits
- Appropriate discounting of future costs and benefits
- The basis of the targets
- Independent opinions
- Reporting, transaction and compliance costs
- The economic feasibility of reducing carbon dioxide emissions
- The likely effect on our major Industries
- The effect on jobs
- The risks to asset value and solvency of existing electricity suppliers
- The effect on investment in new electricity generation capacity
- The risks to existing capital assets
- The overseas experience
- The risks for Australia in “going it alone”
- The risk of overseas leakage of Australian emissions, industry, jobs and cash.
- Exemptions, exceptions, subsidies and market mandates
- Emissions trading vs carbon taxes
- Is there a sunset clause?

2. *Is there a Sound Economic Justification?*

If implemented fully, the Cap-n-Tax Scheme will result in a massive dislocation of the Australian economy. Huge funds will be transferred from viable carbon-based economic activities to favoured community groups; to subsidised speculative alternate energy investments of dubious investment merit; to a biased selection of research activities; and in supporting a large expansion in government regulatory activities.

Any Scheme that proposes to forcibly transfer such massive amounts of money from one group of people to another needs a very detailed and competent cost benefit analysis. The Senate committee needs to commission an independent enquiry into whether this has been done.

There are grave concerns within the community that neither the British Stern Report nor the Australian look-alike produced by Professor Garnaut would stand critical independent scrutiny because:

- There is no convincing evidence that carbon dioxide is a major factor in controlling the climate. Thus, there is no basis whatsoever for the whole expensive and disruptive new tax. Common sense suggests that the highest priority for senate review should be to insist on an independent enquiry into the role of carbon dioxide in the atmosphere and whether its variations are a cause or an effect global temperature changes.
- These reports make unrealistic assumptions on world economic growth and the growth of carbon dioxide emissions. Already these projections have been rendered meaningless by the world recession.
- The post ice-age global warming trend has already paused and there is no urgency whatsoever to embark recklessly and prematurely on risky fiscal adventures.
- Both Stern and Garnaut exaggerate the potential costs of global warming by assuming that all effects of global warming are negative. This totally contradicts the clear lessons of history and pre-history which show that food production and all life on earth flourish during the warm "Golden Ages". There are many places on earth, and in Australia, which would benefit from a warmer climate with higher overall evaporation from oceans, increased overall precipitation on land, and more plant-supporting carbon dioxide in the atmosphere. It is the cold dry eras we all need to fear.
- Both Stern and Garnaut ignore the fact that should CO₂ levels keep increasing back towards the atmospheric content that prevailed when life evolved on earth (3-4 times higher than current levels), all plant life and the animal world that depends on plants would flourish and produce more. This clear and proven benefit of more carbon dioxide in the atmosphere is not given any credit in the Stern-Garnaut polemic.
- On the other hand, both Stern and Garnaut have seriously underestimated the severe costs that would accrue very soon after a full ETS was instituted. They blithely assume that the technology, the skills and the capital will miraculously appear to allow us to abandon much of the capital which underpins our current prosperity and switch to uncertain technology which is known to be far less reliable and far more costly than the existing carbon based technology.
- Both Stern and Garnaut assume that the whole world will support a war on carbon dioxide. This is clearly untrue, so that those foolish countries that do enforce severe carbon rationing and burden their economies with costly alternatives will suffer additional costs as their industries shift to less costly countries.

- Both Stern and Garnaut use unrealistically low discount rates to compare current costs to future benefits. Considering the high risk that benefits will not occur, and the likelihood that costs will be higher than anticipated, this is clearly a very high risk community investment. In any competitive financial market this investment would need to promise returns of the order of 10%. Garnaut and Stern however, with no convincing justification, use discount rates closer to zero. This has the (planned?) effect of exaggerating the (dubious) long term future benefits and discounting the more immediate (and more certain) costs.

3. *Can the cuts be achieved, or will this be just another tax?*

The Cap-n-Tax Scheme aims to cut carbon emissions by 5-15% on 2000 levels by 2020. The Greens and other mathematically challenged commentators are baying for higher cuts. Let's look at what these targets must mean.

The government target is 5-15% cuts. Let's take 10% as the target cuts.

Let's assume the population in 2000 was 20 million people and for simplicity, let's assume that their carbon emissions in that reference year were 20 million tonnes - one tonne per head of population per year.

The Cap-n-Tax Scheme aims to cut emissions in the year 2020 to 10% below emissions in 2000 ie to take them from 20 million tonnes in year 2000 to 18 Mt in year 2020.

The Australian population is growing at about 1.5 % per year so that the 20 million people of 2000 may have grown to very close to 27 million by 2020. Therefore to achieve the Cap-n-Tax Scheme target our population of 27 million people will need to have cut their carbon dioxide emissions to just 18 Mt or 0.66 tonnes per head of population, a 34% cut on per capita levels that existed in the year 2000.

Carbon dioxide emissions are directly proportional to standard of living. Is the Senate prepared to support a Scheme that assumes technology and capital will magically appear to allow our people to eliminate one third of their demand for all of the products and services currently supplied by coal, oil, coal gas, natural gas and limestone – these include electricity, tourism, transport, farming, earth moving, iron and steel, copper and aluminium, cement products and manufactured goods?

To provide employment for our kids, and to maintain our own standard of living, we need growth, not reduction, of all these key industries.

There is no chance this will be achieved unless we embark immediately on construction of large new nuclear or hydro power stations. This looks highly unlikely by 2020, just 11 years away. Even if it were politically and physically possible, the level of emission cuts is still unlikely to be achieved as there are no nuclear powered aeroplanes or electric semi-trailers (both major CO₂ emitters).

There is even a problem with producing and acceptable hybrid car:

Hybrid car sales go from 60 to 0 at breakneck speed

In December, Toyota terminated plans to build the Prius in a \$1.3-billion plant it had built in Mississippi, and Chrysler closed its only hybrid-producing factory.

Los Angeles Times , 17 March 2009

<http://www.latimes.com/business/la-fi-hybrid17-2009mar17.0.6682265.story>

The only chance of achieving even the “moderate” cuts proposed is if the war on carbon and other factors causes a long and deep economic depression (which will undoubtedly cut carbon emissions per head of population).

Therefore, a realistic assumption is that cuts of the levels presented as “modest” will not occur. Therefore the Cap-n-Tax Scheme will not provide a cap, but will definitely impose a tax. It will also create an artificial industry trading in Emissions Permits and Carbon Credits, and a new class of supplicants seeking subsidies, exemptions and free permits. It will be mainly a colossal revenue raising exercise whose main achievement will be the creation of a costly and unproductive industry trading in artificial permits to emit hot air. (this new speculative trading opportunity is awaited eagerly by under-employed stock brokers, profit impaired banks and unemployed sub-prime traders).

4. Is the Cap-n-Tax Scheme based on good tax design?

Few tax payers welcome a new tax. However most will accept that some well designed taxes are necessary to fund the minimal essential functions of government.

A well designed tax is one that:

- Is non discriminatory.
- Is clear and predictable, with certainty as to its cost.
- Has minimal regulating, reporting, compliance and collection costs.
- Is widely supported as being fair and necessary.
- Is not designed mainly for social engineering.
- Is not retrospective in its application or effects.

The Cap-n-Tax Scheme fails dismally in all areas:

- ***It is discriminatory.***

The very basis of the Cap-n-Tax Scheme is discriminatory. It aims to punish, discourage and reduce all industries which generate carbon dioxide emissions or rely on such industries, leaving their competitors free to exploit the competitive advantage thus created. Even worse, some industries which should be subject to the tax are exempted or partially exempted for indeterminate periods of time. There is no certainty except the knowledge that the result will be determined by political expediency – this is not good tax policy.

- ***It is unclear with huge uncertainties.***

The very design of the auction and trading system proposed in the Cap-n-Tax Scheme will introduce uncertainty and risk into every investment decision. The prices of emission permits in the European system have fluctuated wildly since their introduction. As a result of uncertainty such as this, RWE (the German energy giant) has announced that no new power plants will be built in Western Europe.

Fear of Australia's Cap-n-Tax Scheme will have already frozen all plans to construct new power plants in Australia and the market value of existing plants will already have been severely harmed by this carbon tax hanging overhead. Some old marginal plants may have their bankers already comparing their reducing asset value with their steady debt levels.

Additional uncertainty is introduced by the promise of a review of the Cap-n-Tax Scheme in 2015. Reviews create uncertainties. Imagine trying to decide what carbon dioxide tax to assume in a feasibility study for a marginal new power generating station. Imagine bankers trying to decide whether to provide huge debt funds to a financially crippled power station owner. Maybe if there was a guarantee that the emissions cuts or taxes will NOT be increased in 2015, a review would be acceptable.

- ***The regulating, reporting and compliance cost will be huge.***

The compliance cost of a Scheme which is already 374 pages long before the amendments start will be horrendous. These costs include the direct costs of reporting and compliance, the cost of legal, accounting, audit and regulatory advice, the additional forecasting burden, and the cost of hedging operations against unfavourable changes in the volatile carbon permit price.

A whole new tax, accounting and reporting system will need to be set up, and a large regulatory bureaucracy supported either by consumers, shareholders or taxpayers. And this will grow as exemptions are repealed and the net tightens. The Senate committee must insist on being provided with detailed costings of all current climate change research, regulation, administration and reporting (state and federal), and realistic estimates of the future compliance cost of this to all industry.

- ***The Scheme lacks widespread political support.***
The Cap-n-Tax Scheme will introduce significant political risk because there is widespread scientific and industry opposition. A large and increasing group of well qualified scientists all over the world are going public with their opposition to the war on carbon. The public are also turning sceptical. Recent polls in USA show that 41% of voters think that global warming fears have been exaggerated, and the proportion is increasing. In the UK, 74% of Britons agreed that “politicians are not serious about the environment and are using the issue as an excuse to raise more revenue from green taxes”. And there is a growing rump of sceptical politicians in Australia.
- ***The main aim of The Scheme is to forcibly change habits and preferences.***
Many supporters of the Cap-n-Tax Scheme are opposed to mining, industry, forestry, farming, coal usage, cars, meat eating, and what they see as excessive consumption. Those people who do not share their phobias, or do not manage to get onto the green subsidies gravy train, will become increasingly alienated and angry that repugnant value judgements are being forced on them via the tax system.
- ***The Scheme has huge retrospective effects on asset valuations.***
Unless ALL current industries and facilities get grand-father clause exemptions from the requirements of the Cap-n-Tax Scheme, this Scheme will immediately slash the market capitalisation and the asset value of existing assets such as cement plants, metal refineries and power stations. Some will find that debts assumed in a low tax environment are no longer sustainable under the carbon tax burden. And banks will become concerned whether the reduced value of the assets will cover the debts. Some banks will blink and refuse to roll over the loans. Others have already refused to finance industries with large potential emission liabilities. This could easily balloon into a Cap-n-Tax financial crisis.

5. Are the Climate Forecasts soundly based?

Every economic analysis depends on forecasts of future conditions. The Cap-n-Tax Scheme has been politically justified on the basis of numerous forecasts of environmental doom emanating mainly from people whose funds depend on maintaining a fear of man-made climate change.

Even the CSIRO (where many scare forecasts originate) are at pains to stress in disclaimers that they take no responsibility for their forecasts. It is clear that their projections are not forecasts on which we can rely. Most models need assumptions to be forecast, so we have forecasts based on forecasts. They are little better than scenarios of various extreme projections with no basis for claiming that one is more likely than another. And CSIRO has been very reluctant to release data on which they are based or to answer scientific questions.

The Global Warming Crisis - Two Views

"Never waste a good crisis."

Hillary Clinton

"There was no climate crisis; there is no climate crisis; there will be no climate crisis. The U.N. says global temperatures will rise by 7 degrees F this century, yet since 1980 global temperatures have been rising at little more than a third of this rate, and since late 2001 temperatures have been falling at a rate of 3.5 degrees F per century.

"A growing band of determined scientists and researchers are exposing the lies being profitably peddled by the surprisingly small clique that drives the scare. The truth always prevails in the end."

Christopher Monckton Environment and Climate News April 2009

There are well established guidelines for determining whether a forecast is soundly based, but the government has not subjected the future climate scenarios to this scrutiny. It should be done by independent experts before significant decisions are based on them.

Forecasts, Projections, Scenarios and Prophecies

"Some computer modellers claim (without substance) to accurately predict Earth's climate 100 years from now. According to the ABC's Four Corners program on Monday, March 9th, 2009 it seems Ross Garnaut has improved on this. Quote:

"The failure of our generation to act on climate change would lead to consequences that would haunt humanity until the end of time."

Meanwhile, back here in the real world, accurately forecasting weather next week, sometimes even tomorrow, remains a challenge."

Malcolm Roberts, Managing Director, Catalyst for Corporate Performance, Brisbane.

6. Where are the studies proving the feasibility of generating base load electricity from renewable sources?

The major sources of new man-made CO2 emissions are electricity generation and engines of all types (animal emissions are discussed later).

We would expect that before reckless commitments are made, the government would commission and release for comment independent studies that would identify the assumed location and output of alternative "green" power generation plants, accompanied by estimates of the full unsubsidised cost of producing reliable base-load electricity from renewable energy sources such as wind, solar and geothermal power.

An estimate of full costs must include:

- The full capital cost including feasibility studies, permit approvals, financing and development costs.
- An economic return on capital determined using well established regulatory principles.
- The market value of the land and land compensation costs incurred.
- Operating and maintenance costs.
- The cost of building, maintaining and operating standby backup/storage capacity to maintain supply “when the winds don’t blow or the sun don’t shine”.
- The additional transmission costs incurred.
- The additional cost of stabilising the energy grid.
- The cost of decommissioning the coal fired stations rendered unprofitable by the carbon dioxide tax.

Every serious study done so far, as well as the operating experience in places like Denmark, California and Texas (all of whom have ventured recklessly and prematurely into wind energy), shows that the true cost of such energy is significantly above that for current base load generation from modern coal fired stations. Sometimes the cost is multiples above competitive costs. And when the winds or the sun fail to produce power, the old reliables of coal, nuclear, hydro or gas have to swing in at short notice.

Shell says “Renewables are not Economic”.

Shell will no longer invest in renewable technologies such as wind, solar and hydro power because they are not economic, the Anglo-Dutch oil company said today. Linda Cook, Shell's executive director of gas and power, said: "If there were renewables which made money we would put money into it."

*Tim Webb, The Guardian, 17 March 2009
Reported in CCNet 42/2009*

Al Gore’s side-kick, James Hansen, unintentionally added another graphic illustration of the unreliability of the other darling of the renewables – solar energy. During a protest outside a coal fired power station, it was planned to light up a protest billboard with solar power. But the Gore effect swung in, snow fell heavily and no solar power was produced.

It is therefore incumbent on the Minister introducing this legislation to prove that she has independent advice that renewables can generate reliable power to sustain Australia’s electricity demand at a cost that allows our industries to remain competitive and our lifestyles maintained in comfort and safety. If this is cannot be proved to a bankable feasibility standard, this dangerous tax experiment may see even Australia, with its huge deposits of coal, uranium and gas, experiencing third world brownouts and blackouts. One false move could close the great Yallourn power complex and the older NSW stations would be next.

For more discussion of the cost and feasibility of expecting renewables to provide base load power for Australia, see:

<http://carbon-sense.com/2009/02/22/stealth-tax/>

7. Don't put your faith in "Carbon Geo-Sequestration".

This is the daft idea that we need to separate millions of tonnes of harmless carbon dioxide gas from exhaust pipes and chimneys; compress it using large amounts of energy; use more energy to pipe it for long distances across the country; then use more energy to pump it down specially drilled holes in suitably porous rocks; and forever afterwards live in hope that this very mobile gas will stay there. All this, they say, in order to "save the planet, the Great Barrier Reef, Ningaloo, Kakadu, the Murray Darling and the polar bears".

The Senate committee should take a serious look at the logistics, engineering and costs of this foolish proposal. It will do nothing useful for the climate, it will remove a valuable aerial plant food from the atmosphere, and it will probably make the full cost of producing electricity from carbon fuels as horrendously expensive as wind and solar power (for some deep greens, that is the main purpose).

8. What will be the consequences of encouraging the increased use of natural gas for electricity generation?

In every bit of complex legislation, the devil is in the detail. Australians are relying on the Senate Economics Committee to find out what unexpected economic consequences may arise from the details in the 374 page Cap-n-Tax Scheme.

A case in point is the discriminatory way in which The Scheme treats gas and coal in the generation of electricity.

Both natural gas and natural coal are "natural" products. In both, the energy components are hydrogen and carbon. In both, combustion in a power station produces the same two so-called greenhouse gases of water vapour and carbon dioxide. Coal produces a higher proportion of CO₂ and natural gas produces more water vapour. Water in all of its form undoubtedly has far more influence on earth's climate than carbon dioxide. Yet CO₂ emissions are penalised and steam emissions are ignored.

The result of a carbon dioxide tax will be to encourage the substitution of gas for coal in many heavy usage applications such as power generation. Gas is perfectly acceptable for power generation, but it has many other useful applications that will be harmed by the diversion of scarce gas resources to heavy lifting jobs better suited to coal.

This artificial stimulation of demand for gas will push up the price of gas for portable applications like cars and taxis, for home applications like stoves heaters and barbecues, and for industrial applications like the production of ammonia and nitrogen fertilisers. The gas producers will love it, but will the Committee enquire into the likely effect of this unnecessary legislative distortion of the Australian gas market?

9. *The need to simplify and streamline all the green handouts and payoffs.*

The Senate Economics Committee needs also to look at the green jungle of tangled federal and state legislations which distort and prevent any sort of rational economic comparison of the various energy options facing power companies, distributors and consumers. A necessary consequence of passage of the Cap-n-Tax Scheme is that all of these costly duplications be repealed. This Scheme looks likely to have too many exceptions, exemptions and special deals already. No more are required. The Senate Committee must insist that the following legislation is repealed at the same time the Scheme is introduced:

- Legislation forcing electricity generators in Australia to generate a mandated share of their electricity sales from renewable sources. This share is determined by the Renewable Energy Target (RET). The grand plan is that at least 20% of Australia's electricity will be generated from renewable sources by 2020.
- The above legislation also provides for the creation of renewable energy certificates (RECs) by those who generate renewable energy. Power companies can meet their mandated targets by buying these RECs. Abolition of these should be a condition of the Cap-n-Tax Scheme.
- Complicating this power medley is a jigsaw of state schemes to force power companies to purchase low-grade home-hobby electricity generated by householders at artificially high prices. This underhand scheme hides the real cost of such foolishness and forces the power distributors to bear the brunt of consumer anger at rising power costs.
- Some states even force power companies to use a legislated proportion of gas for generating power, no matter what it costs.
- Naturally, gas producers and those who manufacture home-hobby electricity generators think these are great ideas.

Those promoting the Cap-n-Tax Scheme say that it provides an efficient market mechanism to find the cheapest way of reducing carbon emissions. This lofty aim all comes to naught if other arms of the federal government and various state governments run other schemes which distort and negate this market mechanism.

10. *The perverse effects of compensation payments.*

The whole purpose of The Scheme is to deter consumers from using goods and services with a high "Carbon Footprint". Thus, no matter what they say, the aim is to force up the prices for coal fired electricity, cement and petroleum products in order to deter the use of these products.

The increased costs for basic energy and construction materials will flow through to affect all consumer products from a new house, to a bottle of gas, a lamb chop or a litre of milk. How could we possibly administer "fair compensation"?

Moreover, any attempt to buy votes by promising to shield some lucky consumers from this harsh reality will defeat the purposes of The Scheme and it will be ineffective at driving behavioural change.

It will also create waste as a significant part of the funds will be absorbed in the turnaround. Even if some consumers get “compensation”, consumers as a whole must obtain less value than they would without this Scheme. There will be winners and losers, but on balance our whole society will be worse off because real resources are seized and wasted in bureaucratic costs.

*The money you get from Canberra,
Is the money you sent to Canberra,
Less freight charges both Ways.*

11. What is the basis for the targets cuts of “5% to 15%”?

The Senate Economics committee should enquire into the basis for deciding these figures. It appears that the main criterion was to achieve a position of being criticised equally by all parties. This indicates that the whole thing is a political exercise. If there is an urgent man-made global warming crisis as they claim, severe and immediate cuts are justified. However there is no such crisis – global temperatures are stable or cooling, sea levels are stable, and snow and ice are coming and going as they always have.

Any more of this Global Warming, and we will freeze to Death.

“Most of North Dakota is experiencing one of the snowiest winters in the history of North Dakota.”

Kit Pharo, Pharo Cattle Company, Colorado. 18 March 2009

There is no detectable warming crisis so why are we rushing to do anything?

12. Why is Australia the emissions tax guinea pig of the Pacific?

The only significant emissions trading scheme in the world is the faltering European one. If Australia tries to go it alone in our corner of the world, it will merely export emissions, businesses, jobs and tax receipts overseas. Export industries will become import industries. Even businesses who cater solely to the domestic market will find their costs increased which will encourage the import of cheaper foreign goods. No one can be shielded from this foolishness in the long run. Costs will escalate, business will stagnate or contract or migrate, and jobs will do the same.

13. Will the world follow the Judas Goat* to the slaughter?

The federal government seems to believe that should Australia show “leadership” in committing carbon suicide, others will follow us in leaping over the cliff. However, the green goodwill is evaporating with cold dry winds of recession. People are rightly concerned about their jobs, their mortgage and a job for their kids. The boys at the IPCC have called “wolf” once too often, and each revised forecasts increases the growing public scepticism. Weekly scare forecasts of increasing intensity are no longer credible.

The global warming flotilla is dead in the water. India, China, Russia and South America were never believers – they mean to cynically exploit the system for all it is worth, and it can be worth big dollars in carbon credits and subsidies for those countries to develop clean green industries. The US Senate has twice soundly defeated Kyoto/ETS proposals and even Superman Obama is conceding that nothing will be enacted there in a hurry. The Europeans are increasingly split and tired of being the pioneers. Even New Zealand has hesitated. Their Labour government was all for rushing into Emissions Trading but the electorate threw them out and the new government is naturally pausing to take stock.

In such a situation of doubt and hesitation, the sensible course for the frenzied rowers of the Australian green tinny is to rest on their oars – the fleet is not about to move, and we cannot tow it through the doldrums even with super-woman Wong rowing the boat.

(* the Judas Goat was a tame trained goat used in slaughter-houses to lead unsuspecting sheep calmly to the slaughterman).

14. Make sure emissions trading is not just an excuse for underhand protectionism and foreign aid.

Already the ruling class from every failing state sees the carbon gravy train as the source of rivers of disguised “foreign aid”.

The chief of the European Commission, Jose Manuelk Barosso said in Jan 2009 that the EU would “do everything to make Copenhagen a success. We have to find a consensus with the developing countries”.

Already the EU climatecrats, desperate for something that can be presented to the world as an international agreement on global warming, are offering bribes of thirty billion euros to “poor countries”. This money will come from auctioning carbon emission permits.

China and India have also demanded ransom money before joining any Copenhagen Agreement. China’s top climate negotiator, Xie Zhenhua, said that China was “*waiting for rich nations to provide funding and technology to fight climate change*”.

China has also learned how to milk the “Clean Development Mechanism”. Hundreds of hydro projects are lining up for carbon credits at a cost of billions to unsuspecting Europeans and Japanese consumers and taxpayers.

The Senate should make sure that no Australian carbon dioxide tax receipts or credits leak out of the country. Why should Australian businesses and consumers be forced to subsidise their foreign competitors under this sham that it is helping the climate?

Those who believe “renewables” are good for the environment should look at Borneo.

Firstly, enormous swags of virgin forest have been clear-felled to make way for palm oil plantations to produce “environment friendly” ethanol fuel. The smoke from burning timber has been a major factor in the Asian Brown Smog. Now Chinese interests are planning to build 12 hydro dams to produce renewable energy, probably for an aluminium refinery fed with Australian alumina. These dams will “*cut through virgin land and displace thousands of Dayak people*”. (The Australian 16 March 2009)

Carbon credit hydro schemes are also flourishing in mainland China.

Emissions Trading in Europe is thus causing more smog in Asia as more forests are cleared and burned. This smog will darken Asian skies and drift across the Pacific.

15. But what about all the green jobs?

Green Job Opportunities with Rickshaws.

“Rickshaws are the way to go for green jobs. There are no rickshaw drivers in the United States today, so every rickshaw job is a new job. Even more new jobs would be created as the auto companies shift, with a little urging from Uncle Sam, to rickshaw production in the United States – no point importing them from abroad, obviously, if job production is the point.

“And what could be greener than a rickshaw? It produces no pollution whatsoever. And the materials it is made from are typically all very natural and simple – wood, cloth, a few basic metals, nothing fancy. Until, of course, Washington decides to worry about safety and demands that every new rickshaw come with airbags for runner and passenger alike.

“The way to start would be to begin forcing taxi drivers in America to drive rickshaws. Perhaps start out with a 1 percent mandate, go to 10 percent after a few years, and then eventually to 50 percent. At the same time, the government could require that every individual and family with more than one car or truck have at least one rickshaw.

Good policy often has beneficial side effects, and widespread rickshaw use certainly qualifies. For example, imagine how much healthier America’s taxi drivers would be if they had to drive a rickshaw at least two days out of five. Obesity would drop and cardiovascular health would soar.

“Before long, rickshaws would be so popular that companies would be exploring ways to move heavier objects using two, four, or even eight-man rickshaw teams. Unkind observers might note that these new contraptions look a lot like the machines in use before humans learned to domesticate beasts of burden, but the media have a long history of ignoring naysayers.” (PS The first rickshaw was seen in Brisbane Australia in March 2009).

J D Foster, Heritage Foundation
(http://foxforum.blogs.foxnews.com/2009/03/19/foster_green_jobs/)

To listen to politicians in election mode, all that matters in society is that everyone “has a job”. Everyone had a job in Soviet Russia, but little was produced, so all except party members got progressively poorer. Australia lies in a remote corner of the world. We are heavily dependent on trade. Having to support an army of unproductive green jobs will be lead in the saddle for an economy already burdened by carbon taxes.

Economist Bjorn Lomborg put wind energy and jobs in perspective:

“Recently, former US vice-president Al Gore and UN Secretary-General Ban Ki-moon claimed that “in the US, there are now more jobs in the wind industry than in the entire coal industry”. Never mind that the numbers were massaged because they still hold a valuable message. The US gets 50% of its electricity from coal, but less than 0.5% from wind (*no that is not a typo, wind supplies less than half of one percent*). If it takes the same manpower to produce both, wind power is phenomenally more expensive.” (The Australian 14/15 March 2009).

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California's 'Green Jobs' Experiment Isn't Going Well

By STEPHEN MOORE

Los Angeles

Gov. Arnold Schwarzenegger was all smiles in 2006 when he signed into law the toughest anti-global-warming regulations of any state. Mr. Schwarzenegger and his green supporters boasted that the regulations would steer California into a prosperous era of green jobs, renewable energy, and technological leadership. Instead, since 2007 -- in anticipation of the new mandates -- California has led the nation in job losses.

The regulations created a cap-and-trade system, similar to proposed federal global-warming measures, by limiting the CO₂ that utilities, trucking companies and other businesses can emit, and imposed steep new taxes on companies that exceed the caps. Since energy is an input in everything that's produced, this will raise the cost of production inside California's borders.

Now, as the Golden State prepares to implement this regulatory scheme, employers are howling. It's become clear to nearly everyone that the plan's backers have underestimated its negative impact and exaggerated the benefits. "We've been sold a false bill of goods," is how Republican Assemblyman Roger Niello, who has been the GOP's point man on environmental issues in the legislature, put it to me.

Meanwhile, California is losing jobs, a lot of them. The state's unemployment rate hit 9.3% in December, up from 4.9% in December 2006. There are now 1.5 million Californians out of work. The state has the fourth-highest housing foreclosure rate in the nation, has lost more businesses than any state in recent years, and is facing a \$40 billion deficit. With cap and trade firmly in place, the economic situation is only likely to get worse.

Los Angeles Times January 31, 2009, 12:04 A.M. ET

Most individuals desperate for a job will take any job, no matter how unproductive it may appear to be: “any job as long as it pays”. This is understandable individual behaviour.

But the Senate should look to the long term interests of all Australians – the jobs must produce goods or services at a price that consumers are prepared to pay. They should heed the key task of good economic policy – don't look at the personal interests of a few people in the short term, look at the long term interests of all society.

If creating jobs is our only priority, we can ban all machines – there will be plenty of jobs with picks, shovels and rakes but no food or energy for our teeming cities.

As California is showing the world, when carbon taxes are introduced, real jobs disappear quicker than phony green jobs can be manufactured.

16. Animal, plant and soil emissions in the carbon cycle.

The Senate Committee should ensure that animal, plant and soil emissions are never subject to any part of the Cap-n-Tax Scheme.

Animals, plants and soils are merely links in a continuous carbon cycle that supports all life. The cycle of life should not be the target for the carbon alarmists – their sole focus should be the emission of new carbon products generated by the combustion of mined hydrocarbons such as coal, oil and gas.

In case they have not noticed, neither cows, sheep or trees burn fossil fuels – they all extract nutrients from the air or from the soil and use energy from the sun.

Every carbon containing molecule emitted from the soil, from the leaves of a tree, from either end of a cow, or from the decay or incineration of the bodies of animals and plants, had to come originally from that gas of life in the atmosphere, the dreaded carbon dioxide. Some carbon molecules spend a little time in the soil, or in live, dead or decaying bodies, but in the end, every bit of carbon circulates. THERE ARE NO NET EMISSIONS from agriculture or forestry. All cows, sheep and trees are green. The final proof is below:



Liquid and solid animal wastes are also part of the carbon cycle – they are best returned to the soil naturally by grazing animals or used for producing compost fertiliser. As for the stupid proposals to use valuable energy to convert farm “wastes” to char, which is then buried or tipped down mine shafts, our armchair farmers need to be told: “On a sustainable farm there are NO organic “wastes””.

Farmers and food consumers will no doubt bear their share of carbon dioxide taxes on electricity, petroleum fuels and in the rising costs of everything they buy. But neither farmers, foresters nor the Australian public should shoulder any carbon liabilities for any part of the carbon cycle of life.

17. Decentralisation? - Carbon dioxide taxes will eat the heart out of Australia.

The Senate Economics committee also needs to look at the effect of the Cap-n-Tax Scheme on regional Australia. Australia is a huge sparsely populated continent, with every industry dependent on road, rail and air transport. All of these services are almost totally dependent on carbon fuels. There are at present ZERO feasible options for quickly replacing carbon fuels in these applications. Therefore the sole effect of the Cap-n-Tax Scheme will be to increase the costs of road, rail and air transport. This will have a very serious effect on tourism, mining, agriculture and population in regional Australia.

This increase in empty land and underused resources will not be un-noticed by the overcrowded nations in our region.

In addition, the Cap-n-Tax Scheme will also severely affect the project economics of the industries of the outback – mining, agriculture, transport, tourism and bureaucracy.

All mining operations are heavily dependent on diesel equipment for clearing, road building, overburden removal, mining and ore transport. Every emission will need a permit from Canberra. Then the ore processing plants live on electricity and the smelters use coke and lime – all producing more taxable emissions. Then the products are railed using diesel or coal powered energy – more permits. Finally the ships that take the products to our distant markets rely on oil power (there are not many nuclear or wind powered ore carriers these days). If the rest of the world follows our foolish moves, international sleuths will monitor every exhaust pipe in sea or sky and send a bill.

Agriculture relies on carbon fuels for dozers, tractors, trucks, farm utes and quad bikes. It also uses electricity to pump water, run shearing plants and milking parlours and power workshops and tools of all types. Carbon dioxide taxes will weasel their way onto every farm, and then into the prices for every plate of food.

Finally, imagine what is in store for tourism with scare mongers attacking “unnecessary travel”, airlines blabbing about carbon footprints, carbon dioxide taxes pushing up air fares and Australian costs and protestors preventing runway construction. Tourists will stay close to home leaving us alone in the South Pacific with just a few Kiwi backpackers visiting.

It is no solution to fiddle with complex exemption formula that exempt some lucky businesses and tax others (“Trade Exposed, Emission Intensive Business” is the category that gets protection). All Australian businesses must compete in the world – they either compete with others in the export markets, or they compete with imports in the domestic markets. Carbon dioxide taxes will decrease the profits of every real business (that excludes artificial business existing on government feather beds, mandated markets or subsidies). Carbon dioxide taxes will also hit the pockets of every consumer. These destructive effects will be magnified in the outback.

The Cap-n-Tax Scheme will eat the heart out of Australia.

Emissions Trading will Smash Regional Jobs.

THE mayors of three of the nation's biggest mining cities have demanded Kevin Rudd delay introducing carbon emissions trading, warning it will smash jobs and seriously damage key regional areas.

The mayors of the traditional Labor strongholds of Newcastle, Gladstone and Mount Isa have called for the emissions trading scheme to be put off.

And the managing director of Frontier Economics, Danny Price, who conducted still-secret modelling for the NSW Treasury on the Rudd Government's plan, said the impact of the scheme across industrial regions, including central Queensland, the Hunter and Illawarra in NSW and Victoria's Gippsland, would be "very high" and "very severe".

"In those regions, the effect on regional GDP would be many, many times more than the national effect forecast by the Treasury, which predicted an ETS would cut 0.1 per cent of average annual growth," Mr Price said.

Matthew Franklin and Lenore Taylor The Australian, 17 March 2009

<http://www.theaustralian.news.com.au/story/0,25197,25197894-11949,00.html>

Reported in CCnet 41/2009

18. The Cap-n-Tax Scheme VS a simple Carbon Tax – a calamity or a disaster?

Let us be quite clear here – the Carbon Sense Coalition does NOT support either a Carbon Tax OR an Emissions Trading Scheme – that is the choice between a calamity and a disaster. However if forced to make that unpalatable choice, the carbon tax has fewer bad features, so we would choose the calamity. These are the reasons:

- The Carbon Tax can provide certainty – everyone knows its cost, and economic calculations can be done with much more confidence.
- There need be no special exemptions from a carbon tax – set it at a low rate to minimise sudden unexpected consequences. Flat rate, no exemptions, leave it alone.
- The Cap-n-Tax Scheme will create winners and losers, and immediately produces a huge unproductive vested interest which will live forever off this Scheme. They will lobby for its retention even when it becomes obvious even to Al Gore that it is producing ZERO benefits. The vested interests include the carbon credit traders, carbon bankers, carbon lawyers, emissions trading consultants, carbon hedge funds, carbon accountants, carbon auditors, carbon regulators, carbon credit brokers, carbon credit creators, energy subsidy recipients, IPCC world travellers, carbon research grant recipients and organisations that managed to lobby for exemption from the Cap-n-Tax Scheme.

- Few people will like a plain carbon tax. Therefore it will be easy to abolish once it becomes obvious that it is achieving nothing except higher costs for everything we use and need.
- Because of the support from the clique of vested interests it will create, the insidious cost of the Cap-n-Tax Scheme will hang around forever, especially if it is sneaked in at a low rate with many tax holidays.
- A carbon tax is far simpler. Instead of a 374 page bill, just one or two pages will do. The collection and compliance costs are much smaller. (Even that is unnecessary because we already have a consumption tax – it is called the GST.)
- Because of its complexity and its potential for market manipulation, the Cap-n-Tax Scheme has far greater chance of unexpected consequences.

For an eloquent defence of a carbon tax see:

<http://pajamasmedia.com/blog/a-modest-proposal-to-prevent-the-pernicious-warming-of-our-fair-globe/>

HOWEVER, a carbon tax would still be a calamity and the Carbon Sense Coalition strongly opposes it also. It will have no effect on the climate, will push up the cost of living for every Australian, damage our biggest industries and lead towards the sort of trade wars that turned the 1929 financial crisis into a decade long depression.

19. *The need for a sunset clause.*

The Cap-n-Tax Scheme has no provision for a sunset clause. At the very least, if the cooling trends of the last decade continue for say another 3 years, the Scheme should be abandoned. There should also be a requirement for a review within three years of introducing of any Scheme for a complete review of the scientific basis for the war on carbon dioxide. This review should cover the science and the cost benefit analysis. Unless both the science and the cost benefits are demonstrated as supportive, the Scheme should automatically lapse.

Conclusions and Recommendations.

1. It is alarming that there has been no sound cost benefit analysis done to support the massive redirection of money that this Scheme will cause.
2. When population growth and the availability of proven non-carbon technology are taken into account, it is obvious that even the “modest” cuts being proposed are not likely to be achieved unless Australia suffers a long and deep economic depression.
3. This Scheme will launch an invasive new tax that breaks all the rules for a well designed tax. It is discriminatory, of uncertain cost, has huge reporting and compliance costs, is lacking in widespread community support, has social engineering as its main aim, and will create retrospective effects. There will be massive opposition to it and a large and innovative avoidance industry will be created.
4. This Scheme has been justified on a narrow range of unsubstantiated forecasts of climate and environmental doom. However not one of these forecasts is soundly based on evidence or projections. They are based on complex and controversial computer models which need assumptions before they produce “scenarios” – they are forecasts based on forecasts. Even their authors warn against using them as “forecasts”.
5. The Minister has presented no evidence that there are feasible alternatives to replace coal fired electricity generation with acceptable cost or reliability. There is also no justification presented that clean coal technology (carbon geo-sequestration) can be achieved in a reasonable time at acceptable cost. Therefore this Scheme will merely act as a tax and a poison pill for future economic growth.
6. The short sighted mandating of natural gas in preference to coal for base load power generation is likely to cause shortages and price spikes for other users of natural gas such as taxis, home hot water and fertiliser manufacturers.
7. If this Scheme is passed, it will not work effectively unless the plethora of other federal and state interventions, subsidies and mandates into energy markets are immediately abolished.
8. If there are to be massive transfer payments to “compensate” for the costs of the taxes on carbon dioxide that will appear because of this Scheme, there is no point in introducing it. The aim is punitive – stop people from using the products and services from coal, oil and cement. If they are fully compensated, why do anything? Moreover a massive transfer scheme will require acts and regulations as massive as the income tax bills and amendments, thus soaking up a significant part of the receipts in the bureaucracy. Because of bureaucratic leakage, it can never be fully compensated.
9. Both the current cooling weather phase and the world recession have cooled world ambitions to commit to costly and disruptive cuts in carbon emissions. Jobs and access to affordable energy have become the top community priorities. Australia would be foolish in the extreme to try to take a leadership role in the global warming crusade. It is unlikely the world will follow.

10. The UN bureaucracy sees this issue as their chance to gain relevance and power by administering a world-wide international transfer of money and technology from western developed democracies to the rest of the world. Australia should do nothing to encourage this destructive development.
11. The Scheme will be very destructive of Australian jobs and wealth. Overseas experience is showing that “green energy” destroys jobs and income in the real economy much faster than they are created in the subsidy economy. This destruction will fall heaviest in the outback industries that have always been the backbone of Australia’s decentralised economy – mining, agriculture, processing, transport and tourism. Emissions trading taxes will eat the heart out of Australia.
12. There is no justification whatsoever for including animal, plant or soil emissions in the Emissions Trading net. All life processes merely recycle carbon dioxide, and there are no net emissions except in the short term. All cattle and sheep are green.
13. The government has produced no coherent argument as to why they are promoting a complex, costly, uncertain and unfair scheme like the Cap-n-Tax Scheme in preference to a simple, certain non-discriminatory direct carbon tax.
14. However, there is no justification for any more taxes on carbon fuels. Attempts to levy a carbon tax will lead demands for carbon tariffs on imports from countries with no carbon taxes, and soon we will have beggar-thy-neighbour protectionist wars such as converted the 1929 financial crisis into a decade long deep depression.
15. None of the above is intended to suggest that we should not care for our environment. We oppose all pollution of air and water. But it is a deliberate Orwellian deception to label carbon dioxide as a “pollutant”. It would be just as sensible to label water and oxygen as “pollutants”, because all three are invisible harmless natural atmospheric gases on which all life depends. Minister Wong should be roundly condemned for labelling her suicidal Scheme “The Carbon POLLUTION reduction scheme.” Such deception, and her continual demonization of “the Gas of Life”, is unforgivable.
16. We also support energy conservation. However this is being done every day by every consumer in comparing the price and utility of every product he buys. It is an insult to every consumer to suggest that climatcrats in Canberra know better than we do how to value and ration our usage of electricity and petrol. Unproven climate scares should not be used to promote secret agendas to change our consumption patterns and lifestyles.

The Gore Effect Strikes Again.

Three global warming researchers stranded near the North Pole by cold weather were holding out hope Wednesday as a fourth plane set off in an attempt to deliver them supplies.

The flight took off during a break in bad weather after “brutal” conditions halted three previous attempts to reach the British explorers who said they were nearly out of food. “We’re hungry, the cold is relentless, our sleeping bags are full of ice,” expedition leader Pen Hadow said in e-mailed statement.

<http://www.foxnews.com/story/0,2933,509735,00.html>

In conclusion, the Carbon Sense Coalition is totally opposed to the introduction of any taxes on emissions of the harmless plant food carbon dioxide.

It also believes that the Cap-n-Tax Scheme proposed is poorly researched and the Economics Committee of the Senate would be delinquent in their duty if they did not commission independent enquiries into:

- A cost-benefit analysis of the proposal done to the standards required for a prospectus seeking to raise very large funds from the public.
- The basis and reliability of the climate forecasts on which this Scheme is based.
- Whether this Scheme is based on good tax principles or whether a simple carbon tax would achieve the same results cheaper, with easier exit strategy and with less long term cost. And why there is no Sunset Clause.
- Why the Minister has not made repeal of all the other carbon-cutting state and federal regulations a condition of passage of this Scheme.
- The cost and feasibility of eliminating carbon dioxide emissions from base load power generation, and the risks posed by this Scheme to existing electricity generating capacity.
- The costs and benefits of Australia taking a leading world position in demonising our biggest export earners, coal, cattle, tourism, metals and sheep.
- The likely effect of increasing the costs for carbon fuels on our outback and regional industries.
- The public support for massive transfers of money, jobs, businesses and technology from Australia to overseas locations.

This Cap-n-Tax Scheme should be rejected outright, as should its pale cousin, the Carbon Tax.

This Submission is authorised by:

***Viv Forbes BSc App, FAIMM, FSIA
Chairman
The Carbon Sense Coalition
MS 23, Rosewood, Qld 4340***

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Phone 07 5464 0533

www.carbon-sense.com

info@carbon-sense.com

This submission was prepared by individual members of the Carbon Sense Coalition on their own initiative with no inducements or policy directions from any other groups. Many Coalition members are tax payers, shareholders and consumers in interests likely to be affected by this Scheme. They declare a vested interest in ensuring that the backbone industries of Australia are not savaged by this ill timed and poorly designed initiative. They fear for the costs and capacity of the future electricity generating system and for the future of real jobs for their kids and grandkids.