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SUBMISSION ON CARBON TAX REPEAL BILLS 2013

Thank you for the opportunity to comment on the carbon tax repeal bills.

We need effective measures to reduce the threat of catastrophic climate change

Climate change is the greatest problem that has ever faced humanity. It is not just another discreet economic or political problem. It is a systemic crisis that requires concerted action locally and globally. It is about this planet and its ability to support life as we know it. It is about our children and our fellow humans.

The decisions and actions we take now are vital if life on Earth as we know it is to survive. Evidence is increasing that climate change is accelerating. This amplifies the imperative to act quickly and boldly on measures that will effectively reduce the threat of catastrophic climate change : we are beyond the stage where we can take a ‘gently, gently’ approach.

Climate change poses an immensely significant national and global risk

Scientists, governments and the United Nations consider that global warming must be kept to less than 2°C (above the pre-industrial average) to avoid the catastrophic affects of climate change. Recent evidence of the impacts of global warming to date and positive feedback loops suggest that even a 2°C rise will be too much to sustain life as we know it.

The overwhelming majority of scientific modelling indicates that we will exceed even 2°C level of warming within the next few decades unless we take effective action right now to change our emissions of greenhouse gases. The International Energy Agency is but one organisation now warning us about an unthinkable 4 °C rise in temperatures if greenhouse gas emissions continue to increase.

Recent experiences of extreme weather events and changing climates, both here and overseas, are a mild foretaste of what this will mean. These impacts tend to adversely affect those least likely to be able to deal with it, like the poor and subsistence farmers in developing countries. Australians and Australian infrastructure are also extremely vulnerable to the effects of climate change – and our vulnerability is highlighted in recent scientific reports.

Scientists agree that as global warming increases we will experience more extreme, more damaging and – importantly – more frequent extreme weather events. These will adversely affect – and kill – people living in Australia and around the world. And they will adversely affect ability to have the clean water, food and shelter we need to survive and the infrastructure that enables our civilisations to function. This, in turn, will threaten national and international security.

Such national and global risks require decisive and effective multilateral action, both within Australia and internationally. Essentially, we must move to a ‘war footing’

where we take all actions that could be needed to have any chance of winning this ‘war’, the war for our survival.

Fighting the ‘war’ against climate change is *not* about protecting our fossil fuel industries and native vegetation destruction; quite the reverse. It is about shifting to sustainable energy and sustainable practices. And it is about providing some equity between generations, and between those who are contributing most to the problem and those who will suffer its impacts most severely.

We need strong, multi-partisan leadership needed to transform current human-made systems from ones that are destroying our planet’s resilience and ability to support us to ones that sustain life.

Market mechanisms are economically efficient

Market mechanisms are one of the actions that will be needed to help individuals, businesses, industries and our economy make the necessary transitions from damaging our climate to restoring a stable climate that supports life as we know it.

Application of market mechanisms to an environmental problem tends to result in positive outcomes with much higher levels of efficiency (for the public dollar) than regulatory interventions. The US Center for Climate and Energy Solutions recently noted: ‘market-based policies can achieve climate goals more cheaply and efficiently than alternative policy structures - all while driving innovation to develop more cost effective, clean energy solutions that will serve as the foundation for strong economic growth throughout the 21st century.’¹

Carbon pricing is essential to tackling climate change

‘Credible and consistent carbon pricing must be the cornerstone of government actions to tackle climate change, according to a recently released OECD report.’ The report pointed out that:

- ‘a transformation of the global energy system is needed if countries hope to limit climate change to a 2°C temperature increase from pre-industrial levels, as agreed by the global community’ and
- ‘a coherent approach to carbon pricing [is needed], to ensure that price signals sent to consumers, producers and investors alike are consistent and facilitate the gradual phase-out of fossil fuel emissions.’²

Australia is a major exporter of fossil fuels and has one of the highest per-capita emitters around the world.

But Australia also has an abundance of natural and sustainable sources of energy including sunshine and wind as well as innovative scientists and engineers. Australia is a nation of innovators, world leaders in relevant technologies such as renewable energy. These advantages would allow Australia to lead the world in international efforts to limit global warming and avert catastrophic climate change. And they would allow Australia to transform our energy system and economy to become sustainable and prosperous – if we act now and continue – and preferably increase – pricing carbon.

Carbon pricing is having a positive impact

While the functioning of the economy is extremely complex, there is no doubt that the presence of the carbon price has been sending modest signals to the investment market about supporting lower-emission energy sources (such as renewable energy) and increased energy efficiency.^{3,4,5} (And increased energy efficiency is good for all energy consumers' hip pockets.)

Current carbon price has no major hip-pocket impacts

While the carbon price has certainly resulted in increased costs for energy-intensive businesses, the compensation that has been passed on to consumers and to big emitters has meant that, similar to the GST, predictions of economic hardship for individuals arising from carbon pricing have proven to be unfounded.

Reports that the carbon price has had a significant impact on consumer electricity prices are false. The vast majority of energy price rises are due to network upgrades.⁶

Business dislikes uncertainty and frequent change

Taking a partisan approach to issues such as tackling climate change leads to uncertainty and wasted effort because the direction taken depends on who is in power.

The lack of detail in the Direct Action Plan also creates uncertainty because it is unclear how the Plan will work and it is unclear how it will reduce emissions. As well as the concerns expressed by economists and others, businesses have been asking questions that indicate their concerns about it.⁷

Uncertainty is not good for anyone. In individuals, it leads to stress. In business, it leads to 'battening down the hatches' and deferral of investment.

Businesses also dislike waste, especially wasted effort. Many businesses 'have established sophisticated systems and processes for reporting, analysing and reducing emissions. They do not want to re-invent the wheel...Businesses want to know how Direct Action will complement existing federal and state schemes. They want an economically efficient scheme that targets emissions reduction activities within Australia.'⁸ A price on carbon is such a scheme.

Consumers do not like being misled

In the lead-up to the election and since, the government has said that scrapping the carbon price will lead to a decrease in electricity prices for Australians. There is, however, no certainty that this will happen. There have been many drivers of recent electricity price rises and the carbon price has been a small component, so prices may well continue to increase^{9,10} and abolition of a carbon price could actually drive price increases.¹¹

Current legislation can be easily strengthened

The current legislation, proven to be modestly effective, includes mechanisms that can be readily strengthened to help Australia achieve the deeper carbon emissions reductions necessary to transform our economy and help stabilise our climate.

We need strong short-, medium- and long-term targets for reducing emissions of greenhouse gases *urgently*. While there is some debate about the detail of the targets,¹² they need to be for the major greenhouse gases and at levels and timeframes that stabilise the atmosphere quickly.

And mechanisms need to put in place for meeting those targets. As mentioned earlier, these mechanisms need to include a price on carbon.

Australia currently has a price on carbon, and it would be very easy to raise that price to help meet strong targets to reduce emissions effectively and quickly.

Mixed signals

If the government wants to ensure that all trace of the carbon price is removed from Australia's economic system, then it should do so completely. The bills to abolish the carbon price reverse all the associated provisions except one : they fail to abolish the first round of personal income tax cuts that commenced from 1 July 2012 when the carbon price was introduced. Reversing that aspect of the current carbon pricing provisions would, of course, be very unpopular – but it is just one of many mixed signals that this suite of bills sends.

Abolishing the carbon price sends the wrong signals to everyone. For example:

- It shows the Australian and international communities that the Australian does not want to seriously tackle climate change even though our survival depends on it.
- In addition to creating uncertainty and wastage for business, it fails to send business the signals it needs to shift investment in order to reduce energy wastage and move away from fossil fuels and into renewable energy – where we currently have a competitive advantage.
- It signals to business that short term profit at any cost is more desirable than long term sustainable profitability.
- It will put Australia in the embarrassing position of being the first country to back away from carbon pricing. This will be even worse because it comes at a time when the necessity of carbon pricing has just been articulated in multinational fora.
- It will adversely affect our relationships with other countries as they make changes to both avert climate change and deal the consequences of climate change that are already occurring.
- It will diminish our credibility in international negotiations, especially when we advocate for the international action Australia needs as a nation particularly vulnerable to climate change.

These problems are exacerbated in the face of the subsidies and other incentives that Australia gives to extracting, consume and exporting fossil fuels. These subsidies and incentives are huge in amount and in scope. They grossly distort market signals and lead to inefficiencies in the economy and wastage of public money.

The subsidies and incentives to extract, consume and export fossil fuels need to be reduced and eventually removed. A plan to do this would go a long way to improving Australia's international leadership standing, reducing greenhouse gas emissions, and increasing uptake of renewable energy and energy efficiency measures. It would also reduce inefficiencies in our economy and dramatically remove pressure on the Budget.

If it is at all serious about tackling climate change and about the 'budget emergency', the government should

- **remove subsidies for fossil fuels (rather than continuing and extending them, for example via increases in fuel tax credits proposed in the bills)**
- **leave in place the provisions for carbon pricing – or replace them with stronger ones for a higher carbon price in time to provide continuity of market signals to reduce greenhouse gas emissions.**

Independent advice must be retained

In order to retain any semblance of credibility on tackling climate change, **the government must retain independent advice on Australia's emissions reduction targets and other government climate change initiatives**. The Climate Change Authority performs this function and should be retained.

SUMMARY

It is the current climate that allows us to have our civilisation, including our economy and standard of living: if the climate changes, so does human civilisation. That is where we are heading and it will make economic challenges like the 'Global Financial Crisis' look minuscule.

Australia is in the unique position of being both a developed country and a primary production country – and of suffering severe impacts as a result of climate change. If we, in that unique position and already experiencing some of those impacts, do not show the world that we understand and are prepared to really tackle climate change, what hope is there for other developed countries and newly industrialised countries to do so?

A carbon pricing system is necessary.

The current carbon pricing system is working.

Abolishing a carbon price and continuing to subsidise fossil fuels sends signals exactly opposite to what are needed to tackle climate change effectively and to ensure an efficient economy and budget responsibility.

A body to provide independent advice on Australia's emissions reduction targets and other government climate change initiatives must be retained.

I therefore strongly oppose the proposal by our Government to repeal the current legislation for a carbon price (in the absence of stronger carbon pricing legislation measures in place in time to provide continuity of market signals to reduce greenhouse gas emissions) and for the Climate Change Authority.

G King

¹ www.c2es.org/publications/market-mechanisms-understanding-options

² <http://www.oecd.org/env/countries-should-make-carbon-pricing-the-cornerstone-of-climate-policy-says-oecd.htm#!>

³ <http://theconversation.com/is-carbon-pricing-reducing-emissions-15562>

⁴ <http://www.abc.net.au/news/2013-10-30/tony-abott-carbon-tax-gas-electricity-bills/5050348#!>

⁵ <http://www.energetics.com.au/insights/latest-news/energetics-in-the-news/media-release-what-business-is-saying-about-the-co>

⁶ <http://theconversation.com/fact-check-will-scrapping-the-carbon-price-lower-electricity-prices-14408>

⁷ <http://www.energetics.com.au/insights/latest-news/energetics-in-the-news/media-release-what-business-is-saying-about-the-co>

⁸ <http://www.energetics.com.au/insights/latest-news/energetics-in-the-news/media-release-what-business-is-saying-about-the-co>

⁹ <http://www.abc.net.au/news/2013-10-30/tony-abott-carbon-tax-gas-electricity-bills/5050348#!>

¹⁰ <http://theconversation.com/fact-check-will-scrapping-the-carbon-price-lower-electricity-prices-14408>

¹¹ <http://www.abc.net.au/radionational/programs/breakfast/axing-carbon-price-will-hit-power-prices/4882394>

¹² <http://theconversation.com/new-emissions-target-will-test-government-but-it-isnt-enough-19622>