

**Should Australia price carbon? Discuss with reference to the recent political debate in Australia.**

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While the asylum seeker issue has polarized debate in Australia in the past, the 21<sup>st</sup> century could see the birth of new kinds of refugees. Will they be fleeing destruction? Yes. Is their plight caused by humans? Yes. Do we have a responsibility to minimise the risk of their appearance on our planet? Most definitely.

Environmental refugees are the result of rising sea levels due to climate change, the product of human impact on our planetary home.

The United Nations Intergovernmental Panel on Climate Change (IPCC), encompassing the views and research of the world's leading scientists in the field, attributes the dramatic changes which the global climate is currently experiencing to increasing greenhouse gas emissions. Since the industrial revolution over two centuries ago, greenhouse gases, like carbon dioxide, have dramatically increased with increased fossil fuel burning and land clearing. These gases trap heat within the Earth's atmosphere which would otherwise radiate back into space.<sup>1</sup>

If emissions grow unchecked we will see increasing extreme weather conditions and water shortages, more frequent droughts, fires and flooding, loss of coral reefs, forests and other habitats. In addition we will witness mass migration of human populations as rising sea levels inundate islands making coastal areas impossible to inhabit.<sup>2</sup>

To avoid these consequences the IPCC advises that by 2050 greenhouse gas emissions must be reduced by 80%. As a result, many countries around the world are working to establish targets to dramatically reduce their carbon dioxide emissions and combat this ticking environmental time bomb which will have irreversible effects on our world.

On February 28, 2011, Prime Minister Julia Gillard announced that her government would introduce a temporary carbon tax to help reduce Australia's carbon emissions. As the country responsible for the greatest carbon pollution per capita, the 2011 Garnaut Climate Change Review had suggested that 'Australia should play its proportionate part in global emissions reductions'. To do so the government could have employed two options; pricing carbon or 'direct action' where specific projects are supported which aim to reduce carbon emissions. The Garnaut Review confirmed that 'economy-wide pricing of carbon is the centre piece of any policy designed to reduce emissions at the lowest possible

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<sup>1</sup> Climate Change Summary

<http://www.carbonneutral.com/knowledge-centre/climate-change-summary/>

<sup>2</sup> Consequences of Climate Change on the Oceans

<http://www.climate.org/topics/sea-level/index.html>

costs<sup>3</sup>. Australia's leading economists and institutions including the OECD and the Productivity Commission agree and support pricing carbon as the most environmentally and economically sound method of reducing greenhouse gas emissions. For this approach to be implemented there are two alternatives – an emissions trading scheme or a tax.

Our fixed price emissions trading scheme is equivalent to a tax for the first three years where carbon pollution is priced at \$23 per tonne.<sup>4</sup> However, once the transition period is complete, a limited number of emissions permits become available and so take on a market value. Under this policy, businesses are faced with a strong incentive to reduce the pollution that they emit to minimise their costs by investing in cleaner energy sources.

So what's good about this scheme for Australians?

For a start, it puts us on track to reduce our carbon footprint to the tune of 160 million tonnes by 2020, which is the same as removing 45 million cars from our roads. The Climate Change Authority is responsible for setting targets with their first report due on February 2014 and for each consecutive two years. This independent body controls the issuance of permits to ensure that we can deliver the targets that we have set for ourselves.

In response to the repeated claims from the Opposition that this tax will impose a heavy burden on Australian families who are not in a position to deal with yet another cost of living pressure, the government has committed to providing household compensation with the money raised by the tax. Nine in ten Australian households will receive some form of assistance to counteract the estimated 0.7% CPI increase in 2012 -13 with a 1.7% rise in the pension, \$9.2 billion in industry compensation to protect Australian workers and a 'battler's buffer' to ensure that the lowest income families are fully supported with overcompensation to accommodate the rise in electricity and consumer prices. In fact, this reform will affect prices less than the GST, which increased CPI by 2.5% and was introduced in 2000 with a compensation package of reduced tax and increased welfare payments that were similar to the Gillard plan.<sup>5</sup>

Bringing about such a monumental change in the way that we have lived for the past several hundred years must be gradual and will require time for adjustment. However, this scheme aims to provide a means of drastically cutting greenhouse gas emissions in as efficient – and thus pain free – manner possible. Most Australian families will gain more from the compensation than they lose from the tax. And that's before they take action to reduce their emissions – investing in energy saving lighting, heating

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<sup>3</sup> Garnaut Climate Change Review 2011

<http://www.garnautreview.org.au/update-2011/update-papers/up6-key-points.html>

<sup>4</sup> Clean Energy Future – Carbon Price

<http://www.cleanenergyfuture.gov.au/clean-energy-future/carbon-price/#content01>

<sup>5</sup> Carbon Tax: Gillard's 'Clean Energy Future' at a Glance

<http://www.crikey.com.au/2011/07/10/carbon-tax-gillards-clean-energy-future-at-a-glance/>

and insulation. That's not to mention that we will all be better off knowing we can sustain a world for our children and future generations because we have worked to minimise our impact on our environment.

The Opposition argues that Australia is acting alone while other countries free ride on our efforts. The opposite is closer to the truth. Finland and Sweden were the first countries to introduce a form of a carbon tax in 1990 and 1991 respectively, Ireland placed a tax on oil and gas in 2010, India has recently introduced a coal levy<sup>6</sup> and the European Union introduced the world's largest 'cap-and-trade scheme' in January 2008 to abide by its commitment in the Kyoto Protocol to reduce greenhouse gas emissions.<sup>7</sup> China, the world's largest carbon pollution emitter, has cited tackling climate change as a priority in their recently released economic Five Year Plan as they continue to shut down high-pollution power stations and move towards a market-based scheme to reduce carbon dioxide emissions.<sup>8</sup>

In addressing climate change, it is most certainly our obligation to keep up our fair share of the global commitment to cut greenhouse gas emissions by 2050. However, the results of a hung parliament in the 2010 Federal Election and the subsequent formation of a minority Labor government left Julia Gillard with a stark choice; a temporary carbon tax leading towards an ETS or no action at all on this issue. Gillard could no longer adhere to the promise that she had made before the election, ruling out a carbon tax, as she was now forced to negotiate with the independent members of Parliament and the Greens. Our current policy has come about because Gillard decided, on behalf of the majority of Australians who agree, that a global crisis on this grand scale could not be neglected.

However, her decision has not been well received by the Australian public. Hindered by her promise to the Australian people that 'there will be no carbon tax under the government that I lead'<sup>9</sup>, Gillard has been relentlessly criticised by the Leader of the Opposition, Tony Abbott and more widely in the media, for her failure to honour this commitment. Branded as 'Ju-Liar' by radio shock jocks and with her popularity dwindling in the polls, Gillard is, in her own words, "wearing out the shoe leather" to sell the package in a national campaign as if she were in election mode.

Australians say they care about climate change, but when they are shown what that means; they are easily scared by the prospect of having to pay, especially in an atmosphere of heightened fear and suspicion of an incumbent politician. Paradoxically, they withdrew their support for Kevin Rudd when he

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<sup>6</sup> SBS: Carbon Taxes Around the World

<http://www.sbs.com.au/news/article/1492651/carbon-taxes-around-the-world>

<sup>7</sup> European Union ETS

<http://www.aph.gov.au/library/pubs/climatechange/responses/economic/emissions/international/theEuropean.htm>

<sup>8</sup> Facts win over rhetoric on China and climate change *Sydney Morning Herald*, April 1 2011

<sup>9</sup> PM says no carbon tax under her govt August 16, 2010

<http://news.ninemsn.com.au/national/election2010/7945914/pm-says-no-carbon-tax-under-her-govt>

backed off his stated intention to price carbon and they withdrew support for Julia Gillard when she reasserted her stated intention to price carbon – but in a way that arguably broke an election promise to do it through an emissions trading scheme, not a carbon tax.

In hindsight it seems reasonable to say that Gillard should have been more open with the public about the dilemma she faced when having campaigned for a majority, and then negotiated to form a minority government, something had to give. The extension of temporary fixed price permits – from one year in the original Carbon Pollution Reduction Scheme to three in the new scheme was the price she paid to avoid stalling again on this critical reform.

Perhaps, then, the reason for the record low results currently recorded in the polls for Prime Minister Gillard is a lack of communication with voters as opposed to a failure in a policy so strongly supported by scientific and economic evidence. Public commentary on this issue appears to reflect a lack of trust in the government because of a perceived broken promise rather than, necessarily, a negative view of the temporary carbon tax as a policy. After all, Tony Abbott himself is on record for saying in July 2009, ‘if you want to put a price on carbon why not just do it with a simple tax?’<sup>10</sup>

If Gillard can survive this temporary dip in the polls, which could be expected with the introduction of any new tax, to establish this significant reform for Australia’s future and for the world, history will vindicate her cause. As Martin Luther King Jnr once proclaimed, ‘in this unfolding conundrum of life and history there is such a thing as being too late...over the bleached bones and jumbled residue of numerous civilizations are written the pathetic words: “Too Late”’<sup>11</sup> We must learn from our past mistakes. We must never say that we turned our back on the greatest challenge of our time. We must tackle climate change now.

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<sup>10</sup> Abbott dogged by old carbon comment *Sydney Morning Herald*, June 7 2011

<sup>11</sup> Martin Luther King  
Beyond Vietnam – A Time to Break Silence  
<http://www.americanrhetoric.com/speeches/mlkatimetobreaksilence.htm>