

Prepare for dim, costly future

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Climate Change Minister Penny Wong accused the Opposition of not knowing whether it was Arthur or Martha on climate change. As the realities of a carbon tax sink in, there are politicians on both sides having second thoughts.

The International Energy Agency recently estimated that 1.1% of annual global output would be required in additional investment to achieve meaningful carbon dioxide emission reductions. The estimate is founded on a nuclear-powered future, which Australian governments have ruled out.

Similarly, Ross Garnaut's econometric advisers are indicating to him the cost of policies to force the elimination of carbon-based energy. His draft climate change report - due out today - will have ministers focusing their minds on the sacrifices needed if they are to activate rhetoric about the need for action. This message has been slow reaching Wong and her advisers. A senior Commonwealth official, during one of the extensive greenhouse gas meetings between Wong and energy industry executives, argued, "A carbon price of \$10 per tonne would only mean 3 per litre on the petrol price. That surely is not the end of the world."

He might have added that even a \$100 a tonne carbon price and a 30 price rise was not economically debilitating. Apart from anything else, this line of argument has become the victim of opinion polls. The electorate believes a few cents a litre of petrol is important. One arm of the Government clearly agrees, as evidenced by the discredited national price watch system, established ostensibly to save consumers 1.9 a litre.

The favourable response to the Opposition's proposal for an excise reduction indicates public opinion is more sophisticated than the Government had expected. The propaganda about global warming, coupled with assertions that overall costs to the economy and to individuals will be trivial, had led to complacency by the proponents of carbon taxes or other price-boosting measures. People may want to save the whale and the world but they do not believe they have to make sacrifices of several cents a litre of petrol to do so.

More important is the fallacy that it will take a few cents a litre to cut emissions said to cause global warming. The point about an emissions tax is that it is not in place to raise revenue. It is in place to stop us using the carbon-emitting products. If with a 30 a litre additional charge on petrol we don't change our use much, the charge has to go higher. Nicholas Stern, in Britain, and Garnaut have argued, correctly, that to stabilise carbon dioxide in the atmosphere, countries like Australia need to reduce emissions by 80%-90%. Because of the pervasive nature of carbon dioxide in energy products, even with nuclear power, this requires big reductions in our energy use.

Any possible scenario to achieve the reductions said to be needed entails measures that will choke off carbon use from petrol by between 70% and 80%. Demand for petrol is highly inelastic - to reduce it by 70%-80% may involve a \$10 a litre price. Even spending hundreds of billions of dollars to replace the car fleet with hybrids would only take us half-way. To meet the sort of goals being discussed, we would need to transform society in ways that have never been seen. The choking off of demand goes far beyond no longer being able to drop off the kids for sport. It means a total reorganisation of living, working and leisure.

It means abandoning comforts we have come to regard as essential. It means a transformation of the nation's industrial structure and abandoning energy-intensive industries that have an internationally comparative advantage.

The issue is, how much further damage will be tolerated before the Government is forced to change tack and abandon its pursuit of its impossible goals and the cost burdens these will impose on the community?

Postscript: The \$70 million subsidy to the Toyota hybrid, assuming the car would not otherwise have been produced or imported, equates to a carbon tax of \$30 a tonne. Compared with some emission reduction schemes this price would be

a bargain, as it would be equivalent to a mere doubling of electricity's cost!

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