SPECTATOR AUSTRALIA

FLAT WHITE

# Net zero emissions? That will be $3000 for each of you, each year

Alan Moran

*Getty Images*

15 July 2021

In a widely accepted assessment, Energy consultant Wood Mackenzie Ltd. estimate the carbon price must rise to $160 per ton by 2030 to restrict emissions to the "net-zero" level that the IPCC claims is necessary to hold global warming to 1.5 degrees celsius.

In crude terms, for Australia with CO2 equivalent emissions at an annual 500 million tonnes, net CO2 neutrality means a cost of $80 billion a year, or over

$3,000 per head. The outcome would also entail closing much of the primary and secondary industry which define a modern economy.
There is no shortage of interest groups seeking funding to reduce carbon dioxide emissions. Wind and solar suppliers have garnered the lion's share of the $6.9 billion a year of government subsidies and regulatory favours, the necessity for which contradicts advice from CSIRO that wind and solar generate electricity at lower costs than coal and gas.

Farmers are joining the carbon abatement subsidy-seekers. The Commonwealth already supports a scheme, which some speculate could take out of the atmosphere 35-90 million tonnes of $CO_2$ annually. If farmers could get their hands on a subsidy for 35 million tonnes, that might offer a mouth-watering $5.6 billion a year.

This prospect has been seized upon by former Nats leader and Senate aspirant, John Anderson. In a recent article he discussed, alongside fantasies like carbon-free steel and aluminium, subsidies for $CO_2$ sequestration in the soil. He said these subsidies would also allow "rehabilitation of Australia's 200 million hectares of overgrazed rangelands". Doubtless, some farmers are overgrazing their property just as some miners and manufacturers are overworking their mines and factories. But the very essence of secure private property rights means that the owners carefully ensure the optimum use of their assets. It is odd that, as a farmer, John Anderson is unaware of this.

Subsidies and regulations to abate emissions of $CO_2$ have taken on a pan-global dimension. Coal is the bête noir.

The G7 major western countries have, with the exception of Japan, which sees itself in competition with China, agreed to no longer allow finance for coal plants that do not have carbon capture and storage.

Spain has banned all new coal, gas and oil exploration and production permits. Canada has announced that it will not approve any new thermal coal mines. In Australia, similar outcomes emerge from planning authorities, which having held up development of the planned NSW Hume metallurgical coal mine for six years, look likely to formally reject it claiming, "adverse social and environmental impacts". This follows the intimidating decision of extreme left wing judge Mordecai Bromberg that miners have a duty of care for future generations from the burning of coal. An even stronger burden, imposed by a Dutch court, requires Shell (which has major gas projects in Australia) to sharply cut carbon emissions. The UN estimates that, worldwide, climate campaigners are running 1550 courts-based climate cases in 38 countries, including Australia. \

The Big Four Australian banks have committed to cease loans to thermal coal by 2030 as are institutional investors, like Australia's industry superannuation funds as well as private funds. Some superannuation funds are following the Black Rock playbook, one outcome of which has led to the election of three green directors to the Exxon board. Many are affiliated to "Climate Action 100+", the members of which control funds equivalent to 60 per cent of the world stock exchanges' capitalisation. Insurance companies are also rejecting business from coal miners in Australia.

Barnaby Joyce is standing against this trend, saying that banks receive government privileges and should be obliged to lend, including for coal facilities, without discrimination.

But the deluge of pressures is showing little respite. Both the Bank of International Settlements and the Australian Securities and Investment Commission have issued carbon emissions-based "climate risk" warnings to Australian firms. Sixty of Australia's largest 100 firms already publish extensive disclosures which carry the catalyst of carbon reduction policies. Disclosure requirements being canvassed extend beyond the firms' own emissions to include those of their customers.

These obligations have support among the more vocal business leaders.
The latest 'Davos Manifesto' was grounded on "the Great Reset", seeking 100% renewable electricity as well as other "sustainability" agendas including reduced meat consumption, and increasing the availability of electric vehicles.

To reinforce these institutional pressures, the EU and US are calling for CO2 border adjustment as a building block of a climate club that would penalise imports from countries not deemed to be incurring sufficient costs from their domestic measures. Menacingly, US Secretary of State John Kerry calls border taxes, "a last resort, when you've exhausted the possibilities of getting emission reductions".

All this adds costs and blunts the onus on firms to maximise profits, as conventionally envisaged. Measures that add costs to operating businesses would normally be stymied by competition from firms not burdened with such requirements. But institutional settings are intended to be barricades against market forces. These may be undermined in the long run but, in the famous phrase of Lord Keynes, the father of modern government intervention, "in the long run we are all dead".

*Alan Moran is the author of the Australian chapter in the forthcoming global compendium* Local Electricity Markets *edited by Tiago Pinto and published by Elsevier. His latest book is* CLIMATE CHANGE, Treaties and Policies in the Trump Era*, available from Connor Court.*