

Climate ruminations: the markets reject Chalmers

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Combatting the perceived incidence of global warming is driving government policies. In Australia this has been obvious for many years, but for the ALP it was clarified by the publication in the *Monthly* of the Treasurer's philosophy on the need to remake capitalism. Jim Chalmers claims this is necessary because energy policy cannot be left to genuine market forces when we need to combat the effects on the Earth's atmosphere by the combustion of fossil fuels.

That rests on the theoretic construct that a doubling of CO₂ in the atmosphere, which is likely to take place in the next 50 years, is causing about a 1 to 1.5°C warming and Australia, with 1 per cent of emissions, can be instrumental in stopping this. Most experts agree with this and, as the warming is logarithmic, almost all of the increase will have already taken place. Some claim that the increase will be amplified perhaps to as much as a 4.5°C warming by water vapour, but this is not supported by empirical evidence (with temperatures showing no rise over the past 7 years).

Leveraging off this are claims that we are seeing extreme weather events. These include extreme temperature variations, hurricanes, droughts, flooding and sea level rises, none of which turn out to be of unprecedented magnitudes. Even so, this material is bringing about hysterical statements. [President Biden](#) even claims that climate change is a bigger threat to humanity than nuclear war.

Constructs of energy costs from different sources, Australia's being CSIRO, understate the costs of switching from coal and gas by fictitious claims that wind/solar are cheaper. Such claims are only defensible for generation that is available when the supplier not the customer chooses. Indeed, if wind solar were cheaper, there would be no need for the subsidies, which they receive everywhere they're built. The CSIRO presently has its 'GENCOST' analysis out for public review, but it is inconceivable that they will risk incurring government displeasure by rectifying their previous erroneous understatements of renewables costs and overstatements of those of coal and gas.

In Australia, the present government is increasing the subsidies to wind and solar with imposts on coal. These amounted to an annual [\\$6.9 billion](#) in 2019, although the government refuses to reveal the costs.

Somewhat over-egging his one achievement in retarding the subsidies to renewables, Tony Abbott says in 2015 that the federal government spent \$1 billion a year to fund emissions-reducing technology such as tree planting, soil improvement, and better technology. However, this wasted spending was built on regulatory costs related to the requirements for increasing renewable energy supplies.

On the underlying cost of non-subsidised electricity generation (\$12 billion), \$6.9 billion is a tax of over 50 per cent or some \$45 per tonne of CO₂ (the Gillard carbon tax was \$23 per tonne). And this excludes the recent 'safeguard mechanism' that requires the top 215 firms to cut CO₂ emissions by a further 30 per cent. It also excludes punitive state government royalties, impediments to investment in coal and gas generators, the transmission subsidies, for which Energy Minister Bowen is presently seeking overseas funding, and pressures on financial institutions to avoid coal, oil, and gas.

The penalty for forcing a displacement of low by high-cost products increases exponentially with each additional tranche. This is especially so with energy. My own estimate of the tax required for Australia to achieve 2019's 15 per cent renewables share is \$45 per tonne of CO₂. The *Australian Financial Review's* [Jacob Greber](#) recently drew attention to the IMF estimates of the necessary carbon tax being \$A255 per tonne for the ALP's legislated 43 percent emission reduction target. Even without secondary effects, this is a cost of \$4,500 per household by 2030.

Of course, this is only one station along the route to net zero. [Paul McArdle](#), of WattClarity, showed that under ideal conditions to firm up Net Zero with batteries would entail a cost of \$630 billion (30 per cent of GDP) each year!

But the government's war on coal continues and Tanya Plibersek's apparent killing of Clive Palmer's coal mine, which poses no environmental threat but is owned by a political opponent, will portend further such action. To deflect accusations of political bias and to please greens, the ALP will ban other proposals with huge detrimental effects on future living standards.

This brings us back to the strategy as outlined by Treasurer Jim Chalmers. Dr Chalmers earned his doctorate at ANU by writing a schoolboy essay on the difference between democracy in Australia, the UK, and America. He then superimposed on this tens of thousands of words about Paul Keating, words that avoided the content of his policies but concentrated on his selling of them. Chalmer's claim that 50 political luminaries had contributed to his mediocre work ensured its approval as a piece of meaningful originality.

Chalmers, who is calling in [debts](#) to back-peddle from his headlong attack on private enterprise, cut his teeth in assisting Treasurer (2011's Finance Minister of the Year) Wayne Swan write an earlier vacuous horse-choker in *The Monthly*. Swanny levelled his sights on the super-rich. He claimed, 'Politicians have a choice: between standing up for workers and kneeling down at the feet of the Gina Rineharts and the Clive Palmers,' and those like Alan Jones and Andrew Bolt who he claimed were the billionaires' lackeys. But standing in the wings, like a Bill Hayden seeking to rectify the damage wrought by a big spending socialistic regulating 1970's Whitlam government, is Andrew Charlton. Charlton, who has a proper economics PhD from Oxford, was the prime author of Kevin Rudd's 2009 piece in the *Monthly*. Rudd's essay railed against 'free market fundamentalism, extreme capitalism, and excessive greed which became the economic orthodoxy of our time'. But it was more nuanced

than Chalmers' promotion of a fascistic leadership role in directing investment into government and squashing competition.

In the 12-year interregnum between political adviser and MP for Parramatta, Charlton enjoyed a highly successful business career. As the economy crumbles from the effects of the excessive spending that Treasurer Chalmers is overseeing and the increased regulation being pursued by Tanya Plibersek and Chris Bowen, he is likely to fill the breach, perhaps even becoming the Prime Minister.