

End of the carbon bubble

Alan Moran |

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In the UK political satire *The Thick of It*, Peter Mannion MP speaks for all politicians when he says "I got into this game because I wanted to make a difference".

But it is a rare politician who does that by stripping away costs and functions created by governments. For most of them, it means adding taxes, spending, and regulations.

Climate change has become an exemplar of this. A perfect storm during the past quarter century has catapulted carbon dioxide to a central political role.

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A key ingredient was "market failure". Carbon dioxide became rebadged from a trace gas essential for plant growth to temperature-boosting emissions which could only be combated by political controls. Had politicians dispassionately examined cause and effect, they would have discovered no grounds for concern.

Even the alarmist IPCC in its latest estimates puts greenhouse gas induced temperature increases – themselves far from certain – at imposing a cost over the next century of less than half a year's loss of GDP growth.

However, the global warming agenda placed the scientific establishment in the spotlight. It had been almost 50 years since *Time* magazine had put Robert Oppenheimer, the head of the Manhattan Project, on its front page. Suddenly scientists were flying around the world, briefing politicians, delivering papers and taking

over editorial control of learned journals. Our very own CSIRO and Bureau of Meteorology basked in their new importance, the former maintaining that half of its staff and activities had been diverted to climate change related matters.

Commercial hucksters

This was amplified by a new breed of commercial hucksters. The demise of tariffs and other “industry policy” interventions left an enticing gap for pursuing politically assisted profits. Windmills and solar panels, which required subsidies to cover two-thirds of their costs, were ideally placed to fill this. Politicians and political scientists saw these as emerging new industries that would allow them, with their “holistic” framework, to demonstrate how they were more far-sighted than those businessmen focused on paring costs and seeking to supply the often irrational wants of ordinary folk.

Underpinning the perfect storm was the growth of environmental activism. The environmental movement started with the hippie fringe of society but came to claim a large swath of the media and has become sufficiently mainstream for major banks to promote their green credentials by not investing in legitimate business ventures that environmentalists oppose. Global warming rose from bit player within the movement to the crowned head directing all other issues.

The outcome was cascading programs of support for high-cost renewables and penalties for fossil fuels. In Australia these comprised the carbon tax, the Renewable Energy Target (RET) the Clean Energy Finance Corporation (CEFC) and a bewildering array of subsidies and programs. Planned costs under Labor in 2014 were \$14 billion from the carbon tax, \$5 billion in direct spending and a sum, rising to \$5 billion a year from the RET. The RET has already sucked in \$20 billion in investments that pay barely half of their commercial cost and will cost another \$13 billion over future years.

But now the tide has turned. The political entombment of the climate change agenda began at the 2009 Climate Change Conference in Copenhagen to which Kevin Rudd, now an obviously ludicrous character, took a 114-strong delegation to resolve “the greatest moral challenge of our time”.

Repeal next week

The carbon tax will be repealed next week and only a suicidal ALP would promise to reintroduce it. Budget disbursements are being reduced in spite of the Coalition's own Direct Action policy, and though it is defying its government owners, the CEFC has throttled back its \$2 billion a year allocation for wasted spending to less than half that.

The final domino, the RET, is under review. The only issue is how fast it is to be abolished. In this respect, powerful forces continue to demand payment for the worthless energy they have persuaded governments to fund, and these apparently include Clive Palmer and those close to Al Gore. But, as the prime minister has said, the RET "poses a serious threat to household budgets and energy-intensive industries", adding: "All of us should want to see lower prices and plainly at the moment the renewable energy target is a very significant impact on higher power prices."