

Carbon scheme in danger of going up in smoke

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Political squabbling runs the risk of turning the world's best carbon pricing scheme into the world's shortest-lived.

(Phys.org) -- Australia's carbon-pricing scheme is a world-leader and shows the way forward for other countries seeking to mitigate carbon emissions, says an expert from The Australian National University. However, political squabbling runs the risk of turning the world's best carbon pricing scheme into the world's shortest-lived.

Writing in today's edition of *Nature Climate Change*, Dr. Frank Jotzo, director of the Centre for Climate Economics and Policy in the ANU Crawford School of Public Policy, said that Australia's [carbon pricing](#) scheme is notable for its broad coverage of emissions, managed pricing and recycling of permit revenue through income tax cuts.

“The centrepiece of the scheme is a carbon price covering 60 per cent of Australia’s greenhouse gas emissions, including carbon emissions from both industry and households. This broad coverage underpins Australia’s national commitment of a 5 per cent reduction in emissions by 2020 when compared to 2000.

“The government-determined price of A\$23 per tonne of carbon dioxide is also a notable feature. Importantly, the fixed price model helped break some of the political deadlock impeding the adopting of the scheme. It also makes fiscal revenues and impacts on price levels more predictable, and allows more time to prepare for market-based trading. This model could be particularly attractive for emerging permit schemes in China, South Korea and Mexico, because business and governments in these countries are likely to prefer price predictability in particular in the early phases of their schemes.

“Recycling revenue has also been an important and novel feature of Australia’s carbon pricing scheme. The income tax cuts have been the government’s trump card in its bid to rally public support for the policy, though this has fallen victim of poor public communication. Targeting household assistance at lower-income groups directly tackles the most widespread concern about the scheme – namely increases in the cost of electricity.

“And finally, as colleagues at the University of Melbourne also writing in today’s edition argue, Australia’s policy approach to tackling greenhouse gas emissions gives hope that the country can make an effective contribution to international objectives.”

However, Dr. Jotzo warned that the innovative scheme could soon be derailed by partisan politics.

“The legislation of ambitious climate change policy is a remarkable

development for Australia, which is the world's second-largest coal exporter and among the highest per capita emitters. A decisive factor was the growing awareness that Australia faces severe risks from climate change impacts.

“The government adopted this position, but public support has since fallen, amid a widespread misperception that few other countries are acting to cut emissions and following the end of a long period of drought in Australia.

“However, there is no bipartisan support for carbon pricing, resulting in continued policy uncertainty. The opposition parties now reject carbon pricing, and their leader has pledged to repeal the legislation if and when in power. The issue of carbon pricing has been turned into such a political touchstone that substantial change or repeal is a distinct possibility after the next election, which is due by late 2013.

“If so, [Australia](#)'s carbon pricing mechanism might enter history as one of the best-designed yet shortest-lived policies for [climate change](#) mitigation.”

Provided by Australian National University

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