

# Australia carbon tax repeal a 'perfect storm of stupidity'

July 20 2014, by Martin Parry

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Australia's axing of its carbon tax and a plan to replace it by offering incentives to polluters to increase their energy efficiency is "the perfect storm of stupidity", scientists and academics argue.

The repeal of the divisive levy, a fundamental pledge of the conservative government at elections last year, has been warmly welcomed by farming, industry and mining groups.

"The [carbon tax](#) was a dead weight on the Australian economy and abolishing it is a win for consumers, a win for energy users and a win for business," said Australian Chamber of Commerce and Industry head Kate Carnell.

Minerals Council of Australia chief Brendan Pearson agreed, saying: "The removal of the world's biggest carbon tax is an important step towards regaining the competitive edge that Australia lost over the last decade".

But Prime Minister Tony Abbott's government, which argued the cost was being passed to consumers, resulting in higher utility bills, has also faced a storm of criticism since the axing last Thursday.

It has been led by EU Climate Commissioner Connie Hedegaard and environmental activist Al Gore, who said Australia was "falling behind other major industrialised nations in the growing global effort to reduce carbon emissions".

Conservation groups have also been scathing, and many experts have been left scratching their heads.

Roger Jones, a Research Fellow at the Victoria Institute of Strategic Economic Studies, called the repeal "the perfect storm of stupidity".

"It's hard to imagine a more effective combination of poor reasoning and bad policy making," he said.

"A complete disregard of the science of [climate change](#) and its impacts. Bad economics and mistrust of market forces."

## **Direct action plan**

The abolition has left Australia with no economy-wide mechanism for reaching its stated goal of a minimum five percent reduction in [greenhouse gas emissions](#) by 2020.

It must now try and win the support of a divided upper house Senate, where it needs the backing of a host of minor parties for its alternative "direct action" plan to tackle pollution.

Under this proposal, financial incentives are offered for polluters to increase their [energy efficiency](#), as opposed to the carbon tax where the biggest polluters paid for the emissions they produced.

Environment Minister Greg Hunt said last week he was confident the Senate would legislate the Aus\$2.55 billion (US2.4 billion) direct action policy.

But how he manages to get the Palmer United Party—which has three senators the government needs on board for legislation to pass—onside is unclear.

Powerbroker Clive Palmer's trade-off for supporting direct action is government backing for an [emissions trading scheme](#) with a starting carbon price of zero.

He says this scheme would only begin once Australia's major economic partners established similar programmes. Hunt has said this was "not our policy".

Roger Dargaville, a senior analyst at the Melbourne Energy Institute & School of Earth Sciences at the University of Melbourne, said a direct action plan was not the way forward.

"When the clean energy bill was introduced in 2012 (by the previous Labor government), there was a significant and immediate reduction in the emission intensity of Australia's electricity production," he said.

"The improvement was due to a shift away from brown coal and an increase in gas and hydro power."

He said the change was driven by the price on carbon, and direct action would not work as well as it failed to penalise the worst culprits.

Jemma Green, a senior Research Fellow at Curtin University, agreed.

"With what we know so far about the direct action plan, we can see there are major loopholes which could mean the policy costs more while doing less than Australia's current climate laws," she said.

Michael Raupach, director of the Climate Change Institute at the Australian National University, said the repeal was a major blow but all was not lost.

"There are signs of a quiet revolution, despite our national leadership,"

he said, pointing to more determined moves internationally to tackle climate change.

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