

Analysis finds flaws in Direct Action carbon program

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An independent economic analysis of Australia's Direct Action program to reduce greenhouse gas emissions has found major flaws in the program.

The analysis by Dr Paul Burke from the ANU has found the Direct Action program often leads to inefficient spending on projects that

would go ahead anyway without government support, and that the scheme likely overstates the amount of [emissions](#) reductions.

Direct Action works by allocating funds for emissions reduction projects through a series of reverse carbon auctions. Since it was introduced in 2014, around \$1.7 billion has been allocated for projects promising to lower carbon emissions.

"Unfortunately, projects that would have gone ahead even without a subsidy - anyway projects - have a cost advantage that makes them well placed to win the auctions," said Dr Burke, a climate economist at the ANU Crawford School of Public Policy.

"When projects of this type receive funding, taxpayers' money is being used ineffectively.

"The research concludes that Direct Action is likely to be delivering emission reductions that are smaller than the government has claimed."

He said examples of anyway projects include many landfill gas capture projects, which have received Direct Action payments even though they can already generate revenues from their gas. Other projects include upgrades to supermarket lighting and vehicle fuel efficiency, types of activities that routinely happen anyway.

Other Direct Action winners include projects to reduce tree clearing. While some of the funding will help preserve vegetation, it is unclear if all farmers included had been planning to clear vegetation.

Dr Burke also said Direct Action had not worked as an incentive for key sectors of the economy, such as electricity generation, to reduce emissions.

"The previous policy of carbon pricing was a more effective approach than Direct Action," he said.

Direct Action is the Government's key program to help Australia lower [carbon emissions](#) by five per cent of 2000 levels by 2020, and by 26 to 28 per cent below 2005 levels by 2030.

Three Direct Action auctions have been held so far, with the next one due in the second half of 2016.

The Opposition has promised a return to limited emissions trading if it wins the July 2 election.

More information: Paul J. Burke. Undermined by Adverse Selection: Australia's Direct Action Abatement Subsidies, *Economic Papers: A journal of applied economics and policy* (2016). [DOI: 10.1111/1759-3441.12138](#)

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