

## **How We Found Ourselves Ambushed by Reality**

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### ***Australia's love of emissions trading to combat global warming is ending in the face of economic uncertainty, says Tom Switzer***

Kevin Rudd likes to proclaim that 'climate change is the great economic, environmental and moral challenge of our time'. Malcolm Turnbull seems to agree. Yet their love affair with emissions trading schemes to combat global warming has been pushed to the margins of public life in the face of global financial turmoil. The politics of climate change is shifting dramatically.

Whereas once both leaders were calling on Australians to pay higher energy prices to save the planet, they now warn of tougher economic times as the financial crisis enters a new and dangerous phase. Whereas once Australians wanted to do their bit to cut the gases our leaders claim cause global warming, we now panic about more visceral things like protecting their jobs, mortgages and superannuation. Whereas once Australians were cheering on the Prime Minister to lead the world on the environment, we now fear we'll succumb to the financial contagion wreaking havoc all over the world. And whereas once the political debate was over co-ordinated global action to tackle global warming, it's now over co-ordinated global action to stabilise the international financial system.

You know the climate is changing when even ABC gabfests ignore one of the Left's sacred cows. I recently appeared on Q&A, and I naturally expected questions about Ross Garnaut's final and most important report on climate change which had been released that very week. Of the dozen or so questions asked, more than half were about Wall Street's market upheaval; not one question was raised about climate change. Not one. And this disinterest, remember, came from an audience not usually known for reflecting the thoughts and attitudes of Middle Australia.

So you'd expect the federal opposition to be howling about the Rudd government's call for a huge bureaucratic expansion and undefined costs to industry at a time of economic unrest. Instead the Coalition is sending mixed signals. F. Scott Fitzgerald once remarked: 'The test of a first-rate intelligence is the ability to hold two opposed ideas in the mind at the same time, and still retain the ability to function.' Perhaps no one better exemplifies this truth than Turnbull himself.

Amid economic uncertainty, the new Liberal leader insists that 'whatever Australia does will be ineffective unless it is part of a global solution'; and yet he also remains committed to a 2011 or 2012 start date for the implementation of an ETS regardless of the outcome of the Copenhagen global conference in December 2009.

Which raises the obvious point: why even make plans to implement an ETS now? If the world's major emitters such as China, India and the US — which together will account for more than 50 per cent of global emissions by 2030 — won't participate in any serious carbon reduction plans, why should Australia — which will account for only 1 per cent of global emissions — slash emissions to 60 per cent of 2000 levels in the next 40 years?

A disclaimer is necessary here: from March to September, I worked for former federal Liberal leader Brendan Nelson, and I was credited — or blamed, according to one's perspective — for having advised the then Liberal leader to toughen up the coalition's policy approach towards a scheme John Howard himself promised and which Turnbull fiercely defended.

Nelson, his chief of staff Peter Hendy and I believed the coalition should sharpen the difference with Labor over its proposed Carbon Pollution Reduction Scheme, by arguing that it was mad to slash Australia's carbon levels at a high cost in jobs and cash when no nation that matters would follow our lead.

The response was overwhelmingly hostile. The media, more interested in subjecting the opposition's policy to more scrutiny than the government's Green Paper, viewed Nelson's intentions through the prism of the never-ending leadership speculation.

The Rudd government used the episode to accuse the Liberals of being climate change deniers in the pocket of Big Oil and Big Coal companies. Several shadow ministers, meanwhile, were aghast that their leader had the temerity to question the previous government's recommendations for an ETS — even though these same critics had no qualms about jettisoning other Howard policies on an apology, Work Choices and Kyoto ratification.

The strange thing was that the article that induced this violent reaction was a very modest one. Writing in the *Australian* on 11 July, Nelson merely pointed out the obvious: that there are serious risks for Australia if we implement an ETS before any global agreement.

The article was undogmatic in its presentation, studded to the point of tedium with pro-green lines such as 'It is prudent to reduce our carbon footprint' and 'Practical steps to reduce carbon emissions are imperative'. Nelson did not question the science underlining global warming, nor did he propose any serious alternative to the cap-and-trade model.

Nothing in the article suggested opposition to an ETS itself. It only took issue with the idea of Australia, with its natural abundance of fossil fuels, going out on a limb ahead of the world on cutting greenhouse gases. Unless the nations responsible for the biggest emissions commit to effective plans to reduce them, Nelson argued, Australian unilateral action would inflict collateral damage on the

wider economy in lower growth and higher prices up and down the energy chain. And it would lead to the export of our energy-intensive jobs to those nations that do not take action to reduce carbon emissions, thus worsening the emissions problem.

Now, in the face of the global financial crisis, all this sounds reasonable enough. Yet the stridency of the response to our proposal at the time left Nelson, Hendy and me wondering whether, unwittingly, the article might have touched an exposed nerve of a new political correctness in Australia. Not only was it impermissible to question climate change science; we were now being told to not even question unilateral action to combat global warming, even if it would come at huge cost to the economy. It was a sad state of affairs that ideas bearing on Australia's national interest could not be discussed and speculated on freely without fear of being dismissed by those who claim moral superiority in this debate.

That was back then — only a few months ago, when polls showed 77 per cent of Australians were content to pay higher bills for electricity, gas, and other consumer goods, and Professor Garnaut was presenting his reports that made him famous among the elites. The world that confronts us today is not the one announced in the program and shown in the preview. As a recent Lowy Institute poll shows, Australians are now much more worried about jobs and economic security than emissions trading and global warming.

All of a sudden, the idea that a single-income family should pay more to run their evaporative air conditioning system, washing machine and dryer, fridge and stove, computer and large flat-screen television does not sound so morally self-satisfying after all. To say again: it was not meant to be like this, but the fact that it is suggests many advocates of unilateral action were naive to think that climate change could possibly trump cost-of-living issues that are the bread and butter of election campaigns. As Sarah Palin might say, Joe Six-Pack may not understand emissions trading schemes, but he sure as heck understands hits to the hip pocket.

In the midst of a global financial crisis, moreover, it is surely Pollyanna-ish to think the world will somehow reach a consensus on climate change. The Chinese government is not only refusing to cut its emissions; it is building a new coal-fired plant nearly every week. The Indian government is not only rejecting Rudd-style cuts; it is unashamedly saying poverty poses a greater threat to its people than climate change. In the US, although both presidential candidates support an ETS, the Democratic-controlled Congress recently failed to pass a watered-down version of their plans. Most of Europe, meanwhile, has failed to meet its mandatory carbon targets under the Kyoto protocol, despite already having implemented an ETS.

During the week that shadow cabinet 'rolled' Nelson's common-sense ideas, the other major global talks — the Doha round of multilateral trade — collapsed. The culprits? India's Congress, which sought to placate small farmers in the run-up to the next elections; and Chinese leaders who doggedly defended cotton and rice producers. What's to stop a few other well-placed parochial interests bringing another vast global process tumbling down? Indeed, if the world can't reach a consensus on something as relatively simple as free trade, how on earth will it be able to reach a consensus on something as complicated as climate change?

Now, it's true Rudd is so scared of inevitable voter anger over the ETS that he has softened Garnaut's original recommendations. Petrol taxes, for example, will be reduced for the first three years of the scheme. Nonetheless, forcing companies to buy pollution permits will raise the cost of energy production and hit every corner of the economy. According to the government's Green Paper, electricity and gas prices will rise by 16 and 9 per cent respectively. Why then should the Liberal party, ostensibly the party of small government, be complicit in a scheme that has all the hallmarks of a giant revenue grab and creeping socialism?

No doubt some critics will warn that Liberals can't afford to be seen as 'brownier than John Howard'. No doubt too they will use any Coalition opposition to an ETS as evidence that conservatives remain climate change deniers. But as Oscar Wilde said: 'The truth is rarely pure, and never simple.' What's so wrong with embracing an agnostic position on climate change which says: yes, it can't be good to pollute the atmosphere, but the moral absolutists who presume to know exactly what to do are kidding themselves? Meanwhile, with one of the world's biggest supplies of uranium, Australia could develop an alternative form of energy use which produces not an ounce of carbon dioxide: nuclear.

In any case, conservatives won't be able to attack effectively the government's global warming scheme if they remain carbon copies of Labor. When all is said and done, Turnbull and his shadow environment minister Greg Hunt agree with virtually everything that Rudd and his climate change minister Penny Wong say about taxing industry and redistributing the proceeds at potentially huge cost to the economy.

The only point of difference is the start date: the government supports a deadline of 2010; the opposition says no later than 2012 — no matter what the rest of the world does. But by putting forward a simple, sharp critique of this costly and risky scheme at a time of global economic turmoil and when no global consensus exists, the Coalition would be better able to feel the pain of battlers who will suffer most from higher energy prices as companies pass on costs.

This is what Brendan Nelson was essentially saying behind the scenes. For his pains, he was disowned by many of his colleagues and was denounced as a denier by the foolish. But this is what Malcolm Turnbull should be saying on the

record in the most forceful and coherent language he can find — and sooner, rather than later, he will have to.

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