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TITLE: Dressing windows while the globe burns

AUTHOR: Andrew Macintosh

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The recent rush of activity around climate change has led some to suggest that the Federal Government has finally got the message on the perils of global warming, but history indicates such optimism is misplaced. The Government's announcements of the past month are just more of the window-dressing and stalling tactics that we have had to endure for more than a decade.

The Government's strategy on climate change has been simple. Deny it and muddy the waters on the science for as long as possible, while providing large subsidies to the fossil fuel industry under the guise of greenhouse programs.

This dual approach is intended to stifle the impetus for change. The denial lulls the community into thinking that nothing significant needs to be done about greenhouse emissions. Then the subsidy programs are supposed to demonstrate that the Government is doing what needs to be done. To date, this strategy has been devastatingly effective.

The most pressing public policy issue of our times has been kept off the political agenda and the Government has not had to pay a price for its failings. And if the past month's events are anything to go by, it could continue to get away with it at the next election.

The media coverage of the Government's announcements that it would provide millions of dollars for clean coal and renewable energy projects was relatively friendly. Many environment groups were also loath to criticise the announcements, some even saying they constituted a "good first step".

But how could this be a good first step when it was just one of many similar announcements made since the Howard Government took power in 1996?

The first of these policy statements was in 1997 when the Government launched what was called Safeguarding the Future, a \$180million funding program for greenhouse measures.

Then, in 1999, on the back of the GST deal with the Australian Democrats, the Government announced a four-year \$900million greenhouse package called Measures for a Better Environment.

The centrepiece of the package was the Greenhouse Gas Abatement Program that was supposed to provide \$400million to allow the Government to "buy" abatement from big polluters like coal-fired power plants.

These two policy announcements gave us the Government's line that it had invested \$1billion on greenhouse, notwithstanding the fact that the money was never spent.

At the end of the four years, some \$630million of the Measures for a Better Environment package hadn't made it out of the Government's coffers.

Worse still, when money was spent under these programs, they resulted in only minor emission reductions from business-as-usual projections.

Then came the 2004 Securing Australia's Energy Future announcement, which contained \$500 million for the Low Emissions Technology Demonstration Fund. This program is essentially the same as Greenhouse Gas Abatement Program - it relies on the Government picking technology winners to cut emissions.

Providing subsidies to select businesses to cut emissions makes wonderful politics. Big numbers look impressive to the general public and they make easy copy for newspapers. Further, there are no major losers other than taxpayers (and the environment).

Fossil fuel intensive industries aren't forced to pay for their emissions and their consumers don't have to endure higher prices.

Rather, the pain associated with the subsidies is spread across the community, so there is less chance the Government will upset its business supporters and other key constituencies.

While these programs make good politics, they are appalling policy. For anybody vaguely sympathetic to free-market ideals, they constitute policy sacrilege.

History has shown that when it comes to selecting technologies to reduce pollution, the choice is best left to the market. But these policies are a form of central control. The Government selects the winning projects, as opposed to placing a price on carbon and allowing the market to determine the most cost-effective way of cutting emissions.

And not only are these policies in-efficient, the evidence shows they are ineffective. Governments pay the subsidies to businesses but get little in return.

A major study on subsidy programs like these that was published by the Organisation for Economic Cooperation and Development in 2003 found they usually resulted in outcomes that would have occurred anyway. And the domestic evidence on subsidy programs backs this up.

When people tell you that the Government has turned the corner on climate change, tell them to read their history. The Government will deserve accolades if it introduces a comprehensive carbon trading scheme. Anything less is just window-dressing designed to put off the inevitable.

Andrew Macintosh is deputy director of the Australia Institute, a Canberra-based think tank.