

Palm trees and palm-offs

Australia's climate action and distraction in the Pacific

Australia's climate aid to the Pacific is just 2% of an already record-low aid budget, while the federal government supports a \$1 billion subsidised loan to the world's largest new coal mine. Pacific leaders can lead climate action with a call for a moratorium on new coal mines.

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Summary

As Fiji prepares to chair climate talks in late 2017, Pacific leaders are gathering in Suva to consider what policies to push for. One should be a moratorium on new coal mines.

Australian government ministers are actively promoting subsidies to the world's largest new coal mine, Adani's Carmichael project. When Pacific leaders have called for a moratorium on new coal, Australian politicians and media have been forced to pay attention. Support for a moratorium has come from leaders such as Fiji's Prime Minister Bainimarama, former Kirabati President Anote Tong and Marshal Islands President Hilda Heine, and is mentioned in the Suva declaration.

Pacific leaders should realise that Australia's aid budget is at its lowest ever level, just 0.2 percent of national income. Just 2 percent of Australia's aid goes to Pacific climate aid, around \$75 million per year. Australia's contribution to running the Suva talks will take up 8 percent of this year's spending on climate.

Australia's climate aid is not new aid spending. It comes at the expense of other parts of the aid budget.

Australia's generosity towards its climate change-causing coal industry is in stark contrast to its miserly contributions to the Pacific. The coal industry receives tax breaks worth over \$1 billion per year. The Adani mine alone is looking to receive a \$1 billion subsidised loan and royalty breaks worth \$320 million.

Perhaps surprisingly, coal is not a major source of revenue for Australian governments, nor is it a big employer. Federal tax and state royalties from the coal industry total just 2% of federal government revenues and employs less than one in two hundred Australians. Australia could introduce a moratorium on new coal mines with minimal economic impact.

Pacific leaders should understand the context of Australia's spending on climate issues and that our current government actually subsidising more coal and climate change. A moratorium on new coal mines would be a clear step towards climate action, and one that works in conjunction with emissions reductions in the Paris pledges.

Introduction

As Fiji prepares to chair the next United Nations Framework Convention on Climate Change talks later in 2017, Australia is presenting itself as a friend of Pacific countries in their fight against climate change. Australia's Minister for the Pacific, Concetta Fierravanti-Wells, is attending the preparatory Climate Action Pacific Partnership talks in Suva, claiming to be a strong supporter of the region:

Australia recognises the significant impact climate change will have on the Pacific. As a close neighbour and an integral part of the region, we actively support the Pacific through COP23, including providing \$6 million of funding to support Fiji's COP23 Presidency.¹

The Minister's claims are hard to reconcile with Australia's actions. Australia's domestic carbon emissions are going up, not down.² Australia's Paris pledges for emissions reductions are woefully inadequate, and Australia is unlikely to meet any of our climate targets under current policy settings.³ Furthermore, Australian federal and state governments continue to subsidise fossil fuel use and extraction, with the Adani coal mine being the best-known example.

Pacific leaders have begun to question Australia's stance, with considerable effect. Fiji's Prime Minister Bainimarama, former Kirabati President Anote Tong and Marshal Islands President Hilda Heine have all spoken in support of a coal moratorium and received widespread support within Australia.⁴ The Pacific Islands Development Forum Summit of Leaders (PIDF 3) in Suva, has signed the historic Suva Declaration on Climate Change, which includes a call for a global moratorium on new coal mines.⁵

This paper explores to what extent Australian governments support the Pacific on climate, compared to their support for the coal industry, and the climate damage it causes.

¹ Fierravanti-Wells (2017) Media Release: Climate Action Pacific Partnership Event, Suva, 3-4 July.

² Saddler (2017) National Energy Emissions Audit: June 2017, <http://www.tai.org.au/sites/default/files/The%20Audit%20-%20June%202017.pdf>

³ Climate action tracker (2017) Australia, <http://climateactiontracker.org/countries/australia.html>

⁴ Fettes (2017) Marshall Islands President Hilda Heine says Australia's standing in Pacific 'at risk' over climate change debate, <http://www.abc.net.au/news/2017-05-17/marshall-islands-urge-australia-to-support-climate-change/8533434> ; PBC (2015) Fiji PM pleads with Turnbull to ban coal mining, <http://www.fbc.com.fj/fiji/34366/fiji-pm-pleads-with-turnbull-to-ban-coal-mining> ; ABC (2015) President of Kiribati calls for global ban on all new coal mines – ABC, <http://www.abc.net.au/news/2015-11-19/kiribati-president-urges-world-leaders-moratorium-coal-mines/6953930>

⁵ The Australia Institute (2015) No new coal declaration at Pacific Island Development Forum, http://www.nonewcoalmines.org.au/no_new_coal_declaration_at_pacific_island_development_forum

Pacific climate aid in context

Australia's overseas development assistance has sunk to its lowest ever level as a portion of our national income,⁶ as shown in Figure 1 below:

Figure 1 - Australian aid budget as % of Gross National Income

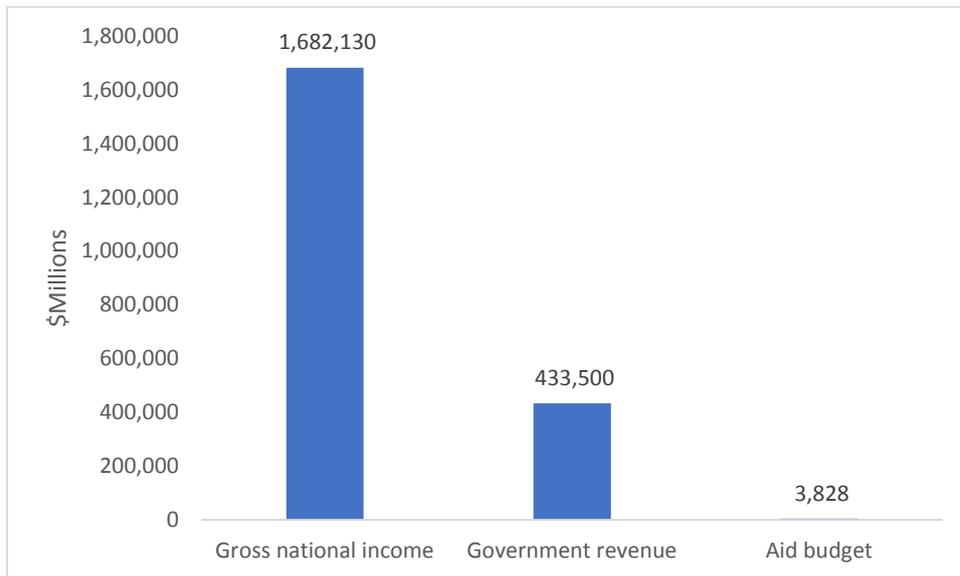


Source: Australian Aid Tracker, 2017, <http://devpolicy.org/aidtracker/trends/>

Figure 2 below shows the size of the current aid budget in context of Australian government revenue and Australian gross national income.

⁶ Grudnoff and Gilchrist (2015) Charity ends at home, [http://www.jubileeaustralia.org/2013/campaigns/notonmywatch/P168%20Charity%20ends%20at%20home%20-%20foreign%20aid%20by%20foreign%20minister%20\(C\).pdf](http://www.jubileeaustralia.org/2013/campaigns/notonmywatch/P168%20Charity%20ends%20at%20home%20-%20foreign%20aid%20by%20foreign%20minister%20(C).pdf)

Figure 2: Australian Gross National Income, Federal Government Revenue and Overseas Development Assistance

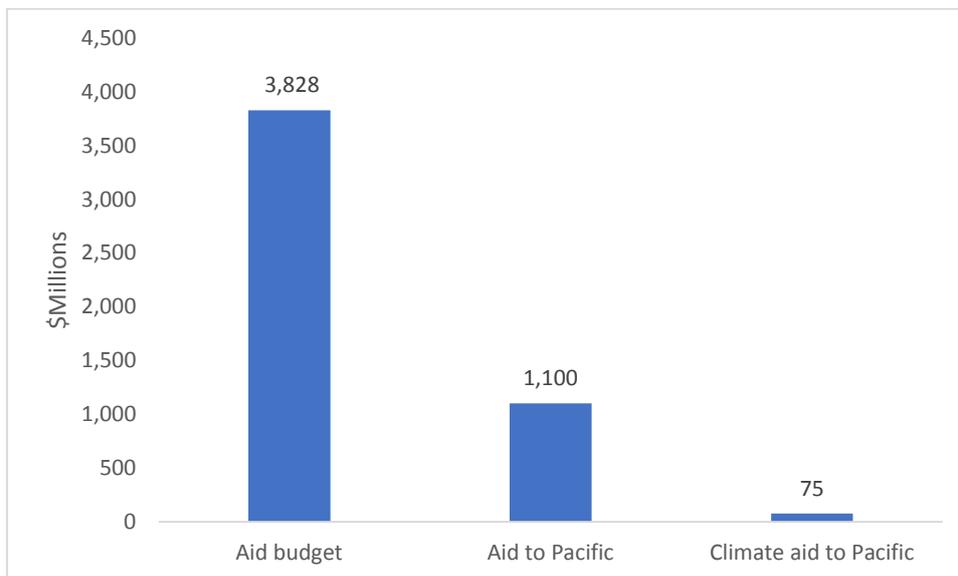


Note: From most available year-to-date figures. Sources: ABS (2017) 5206.0 - Australian National Accounts: National Income, Expenditure and Product; Commonwealth Treasury (2017) Budget papers 2017-18: Budget Paper 1, statement 5: Revenue, DFAT (2017) Australian Aid Budget Summary: Appendix 1.

Figure 2 shows that Australia's aid budget is now just 0.2 percent of national income and 0.9 percent of federal government revenue. The Howard government committed to the United Nations Millennium Development Goal of 0.7 percent of GNI.

While Australia's aid budget is small and declining, aid to the Pacific and aid to the Pacific to address climate change is smaller still, as shown in Figure 3:

Figure 3: Australia’s total aid budget, total aid to the Pacific and climate aid to Pacific, 2017-18



Sources: DFAT (2017) Australian Aid Budget Summary: Appendix 1; DFAT (2017) Australian Aid Budget Summary: Pacific

Figure 3 shows that just 2 percent of Australia’s aid budget is directed towards Pacific climate aid. Climate aid is just 7 percent of aid to the Pacific. The minister’s boast that Australia was contributing \$6 million to expenses of the CAPP meeting means that 8 percent of this already meagre budget is spent on this meeting.

It is also important to note that the Turnbull government’s wider claim to be spending \$1 billion on climate aid is spent over five years, and also that it comes at the expense of other aid spending. The \$200 million pledge for the Green Climate Fund was not new spending, but aid spending redirected from other programs.⁷

Australian support for Pacific and support for coal

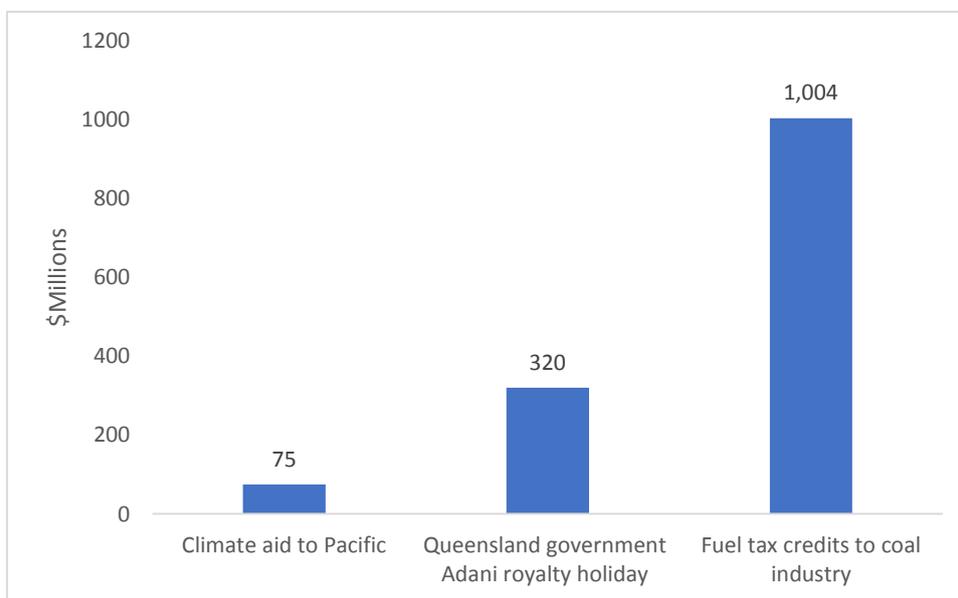
While Australian governments’ support for Pacific climate issues is modest, support for the coal industry is far more generous. As shown in Figure 4 below, just two measures of support for coal dwarf support for the Pacific. The first is the value of coal the Queensland government is prepared to give away, without receiving the standard royalty paid by coal companies.

The second is fuel tax credits for the coal industry. When most Australians drive their cars or use liquid fuels in other machinery, they pay tax on this fuel. Many industries are exempt from this tax, giving them an incentive to use fossil fuel and an advantage

⁷ Grattan (2014) *Australia finally contributes to Green Climate Fund*
<https://theconversation.com/australia-finally-contributes-to-green-climate-fund-35323>

over other users. The coal industry is the biggest recipient of this tax break. The Australia Institute estimates the coal industry fuel tax break will reach over \$1 billion this financial year.⁸

Figure 4: Pacific climate aid, Adani royalty holiday and coal industry fuel tax credits



Sources: DFAT (2017) Australian Aid Budget Summary: Pacific; O'Brien (2017) Adani Carmichael mine \$320 million 'royalties holiday' proposal sparks Labor faction fight, Treasury (2017) Budget Paper 1, statement 6: Expenses and net capital investment, with industry breakdown based on ATO tax statistics.

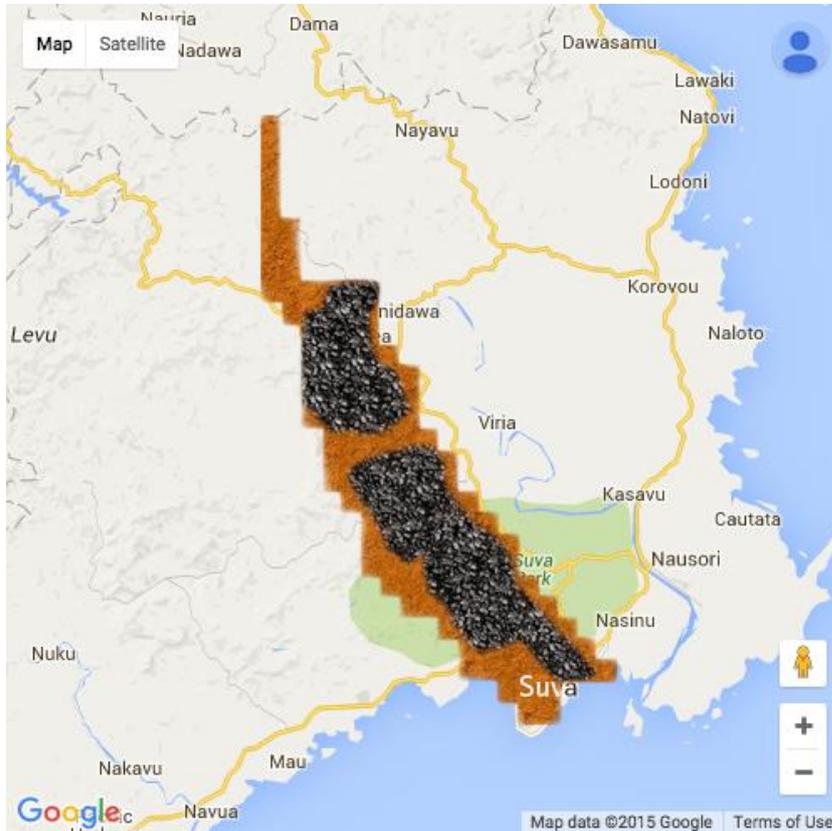
Figure 4 does not include the most controversial potential subsidy to coal in Australia at the moment, the proposed \$1 billion concessional loan to Adani for the Carmichael coal and rail project. This would be paid by the taxpayer-backed Northern Australia Infrastructure Facility (NAIF). While NAIF is governed by an ostensibly independent board, the Adani loan has the vocal backing of the Prime Minister, the Deputy Prime Minister, the Resource Minister, the Premier of Queensland and various local mayors in Queensland. Enthusiasm for subsidising climate change is strong amongst Australia's leaders.

It should be noted that the Queensland government's royalty holiday plan for Adani has appears to have been converted into a loan and would accrue over several years. It demonstrates, however, the willingness of Australian governments to provide subsidies and tax breaks to the coal industry that are far more generous than spending on the Pacific and climate aid. While Australian governments are reluctant to spend money on addressing climate change, they seem happy to subsidise the industries that cause it.

⁸ See The Australia Institute (2017) Budget analysis mail to supporters and for earlier analysis Grudnoff (2013) *Pouring more fuel on the fire*, <http://www.tai.org.au/content/pouring-more-fuel-fire>

The Adani mine would be a huge thermal coal mine. If built it would be long enough to stretch around half way across Fiji's Viti Levu, as shown in Figure 5 below:

Figure 5: Adani coal mine and Fiji

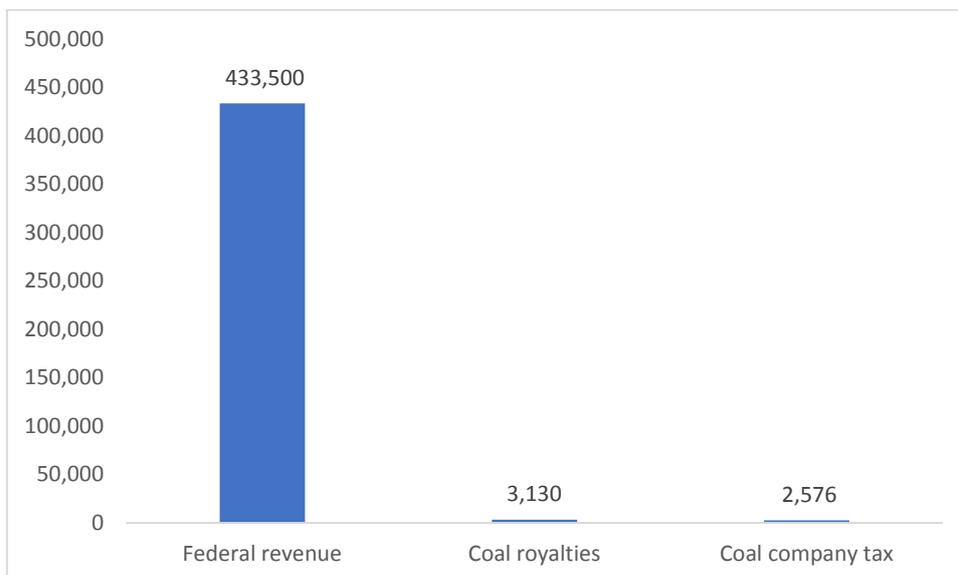


Source: Google maps, Adani planning documents

Coal and the Australian government

Given the influence that the coal industry appears to have over the current Australian government, it contributes surprisingly little to the government revenues, either at a state or federal level, as shown in Figure 6 below:

Figure 6: Australian federal budget and coal



Sources: Treasury (2017) Budget papers 2017-18: Budget Paper 1, statement 5: Revenue; Deloitte Access Economics (2014) Estimated company tax, MRRT, carbon tax and royalties expenses for the minerals sector, coal company tax share estimated with portion of annual value of commodity exports (fob) in Office of Chief Economist (2017) Resource and Energy Quarterly, March Quarter.

Figure 6 shows that coal royalties and estimated company tax payments amount to less than 2 percent of the federal government’s revenue, although royalties are actually paid to state governments. The modest value of coal to Australian governments means that Australia can phase out coal at minimal cost to government revenues or the wider economy. Economic modelling has shown that a moratorium on new coal mines in Australia would have an impact of just 0.6% of GDP in 2040. Coal is a small employer in Australia, representing 0.4% of the workforce, a moratorium would at most affect employment by 0.04%.⁹ However it should be noted that a moratorium would actually help many workers in existing coal mines, as coal prices would remain higher than would otherwise be the case.

⁹ Denniss et al (2016) Never gonna dig you up! Modelling the economic impact of a moratorium on new coal mines, <http://www.tai.org.au/sites/default/files/P198%20Never%20gonna%20dig%20you%20up%20FINAL.1.pdf>

Conclusion

Australian governments talk about supporting the Pacific in addressing climate change, but in fact our contribution is a minimal fraction of our aid budget, which is itself at its lowest levels in history. By contrast Australian governments' support for the coal industry is generous, worth over a billion dollars per year in fuel tax credits alone, with other subsidies such as loans and royalty holidays worth hundreds of millions more.

Surprisingly, coal plays a very small role in Australia's economy and government budget. It is a small employer and contributes an amount in taxes and royalties approximating 2 percent of the federal budget.

Given these facts, Pacific leaders should push for a moratorium on new coal mines. Unlike Australia's aid funding levels, a coal moratorium can be easily understood by the public and decision makers. It represents a solid step towards reducing emissions, that any country serious about addressing climate change should endorse. Australia actually has little to lose from such a policy, although it would certainly come under pressure from the industry itself. A coal moratorium should be on the agenda for the Fiji COP in late 2017.