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Australia needs to match US commitment to reduce emissions

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Vice-Chancellor's Fellow and Professorial Fellow in Economics at the University of Melbourne and former Ambassador to China Professor Ross Garnaut discusses the US China deal on carbon emissions.

Transcript

TONY JONES, PRESENTER: To discuss what the US-China deal on climate pollution means for Australia, I'm joined now from our Melbourne studio by climate change economist, former ambassador to China, Professor Ross Garnaut.

Thanks for being there.

ROSS GARNAUT, ECONOMIST, MELBOURNE UNIVERSITY: Hello, Tony.

TONY JONES: Now what's your response to the Prime Minister's statement that he's not focusing on what might happen in 16 years' time on hypothetical emissions targets?

ROSS GARNAUT: Well, I think we've got to start acting now if we're going to have anything in place in 16 years' time. Energy systems take a long time to build and to turn over, so you have to look a long way ahead. That's the nature of energy policy and planning for a future of lower emissions.

TONY JONES: OK, Mr Abbott was quite categorical about this. He says, "We're not talking about what might hypothetically happen 15, 20, 25, 30 years down the track." Is the logic of that statement that it doesn't appear that he's going to be setting long-term Australian targets at all before the Paris climate conference?

ROSS GARNAUT: Well I doubt that he's saying that because the Government has said that it will set long-term targets before the Paris conference. That's what Australia has agreed to do. That's what all other substantial countries are doing. So we're really doing a backflip on our commitments if we're not preparing to put long-term targets on the table well before Paris.

TONY JONES: I mean, are you concerned about the rhetoric, because it does sound like there is a - well, quite a distinct difference between what the Prime Minister's saying and what Greg Hunt, the

Environment Minister's saying. He's saying, Greg Hunt, that is, Australia would consider a post-2020 emissions reduction targets in the leadup to the Paris conference and it would take into account what our major trading partners are doing, but it does seem the two of them are at odds over this.

ROSS GARNAUT: I think the statements over time have been quite clear about putting targets on the table for after 2020, doing that comfortably before Paris. We've made a formal commitment on that to the United Nations. The Minister for the Environment and the Prime Minister on earlier occasions has confirmed that. So, anything that sounds as if it's inconsistent with that probably hasn't been said or heard correctly.

TONY JONES: Well, in the US, Republicans are now in charge, as we know, of both houses of Congress. Tony Abbott's thinking seems to be more in sync with those Republicans than it does with President Obama's. Should we be gearing up for another long period? And I'm actually thinking here mostly in the United States of trench warfare over climate action.

ROSS GARNAUT: Oh, this will be a matter of dissension in the United States. The Australian Government has to respect and deal with the Government of the day and it would be a major strategic error for us to be dealing with an opposition rather than an American President. No Australian Government has ever done that before and that would create new dimensions, dangerous dimensions of the relationship with the United States. President Obama doesn't need the Congress to deliver on his new targets, just as he didn't need the Congress to deliver on his ambitious targets of reducing emissions by 17 per cent between 2005 and 2020. He's doing that through powers that were legislated quite a while ago which allowed the Environmental Protection Agency to regulate carbon dioxide emissions as a pollutant. The powers have been challenged in the American courts. The powers have been upheld, so the Prime Minister - the President doesn't need any more legislative authority. Of course the new Congress could seek to withdraw the existing laws, but I presume that the President would veto that and the Republicans would need a two-thirds majority in the Senate to override a veto and they don't have that majority. So, we're not going to get disruption of the program from this current congress. Of course, a new president could reverse the decision, but Hillary Clinton, the frontrunner at this stage, has made it quite clear that she would be tougher in implementing and just as tough in objectives as President Obama.

TONY JONES: Yes. I mean, the Republicans, however, are rather implacable about this and we've heard this kind of rhetoric obviously in Australia. They're saying these targets for cutting emissions by the President will lead to higher gas and electricity prices and fewer jobs. I mean, if that's right, if that sort of gets momentum, then Tony Abbott may be right that these targets are hypothetical.

ROSS GARNAUT: Oh, of course, there is a possibility that there will be a change of president at the next presidential election, but that's hypothetical, Tony.

TONY JONES: (Laughs) Whatever the President's political enemies think of it, the world was rather stunned by the scope of yesterday's US-China deal. Where does it actually leave Australia's climate policy?

ROSS GARNAUT: Ah, well, in difficulty. Um ...

TONY JONES: You were a bit more succinct yesterday, if I may say so. I think you said it left it up s**t creek.

ROSS GARNAUT: Ah ...

TONY JONES: Are you saying with or without a paddle?

ROSS GARNAUT: Without a paddle, but this is a family program, Tony. Some kids stay up this late and I don't like bad English in front of the family. Australia's commitment to the United Nations, endorsed by the Opposition at the time, re-endorsed during the election campaign, is that our target by 2020 is not minus five; it's minus five, minus 15 or minus 25, depending on what the rest of the world is doing. What the rest of the world is doing fully justifies minus 15. No-one who looks at our actual commitment objectively would move away from that and the Climate Change Authority put numbers of 15 and 19 per cent on it. So, that's our starting point. If we implemented our commitment to the United Nations and the Government's commitment to the Australian people, then we would have a reasonable base in 2020 for doing something like what the Americans are doing by 2025. And I think we do need to broadly match the Americans. The Canadian commitment is the American commitment up till 2020, the minus 17 per cent. The Canadians have to put something else on the table. The European commitment after 2020 is stronger, a bit stronger than the Obama target. So, our fair share is something like the Americans are doing. If we're not doing our fair share, then there will be an international relations cost, but of course the biggest cost is that we would be a drag on the international effort to reach a strong agreement, there would be more risk of dangerous climate change and it's been thoroughly demonstrated that Australia would be one of the big losers from unmitigated climate change.

TONY JONES: OK. If Australia were to move to the higher targets using the current Direct Action policy, what would it cost? Is there any methodology for understanding that?

ROSS GARNAUT: Ah, using the current policies, we'd have difficulty working that out because we still don't know in detail how Direct Action will work. There's been talk - there was some talk in the emissions reduction fund green paper that there will be caps on emissions from activities that are not covered by grants from the Emissions Reduction Fund. If those caps were appropriately set, if there were strong penalties for breach of those caps, then the emissions reductions could be substantial.

TONY JONES: Well in those circumstances, that would seem a little more like the Obama version of direct action where you literally put caps on pollution, penalise polluters who break them.

ROSS GARNAUT: That's right. So that's one of the ways the Direct Action could evolve.

TONY JONES: But hasn't that been ruled out by Greg Hunt, though, as a possibility?

ROSS GARNAUT: Well, what has been ruled out by penalties - is penalties, and if you had caps on other activities without penalties, you'd have a voluntary tax and people tend not to pay much

voluntary tax. So it's an ineffective mechanism, especially if it doesn't have caps and penalties, and we haven't been told we'll have them. So, we're going to have to think again fundamentally how we implement our targets if we're going to do our fair share in an international effort.

TONY JONES: We should note that both Mr Hunt and Joe Hockey, the Treasurer, say that Australia's five per cent commitment to 2020 is, they say, very close to the US target for 2020. Do you agree with that?

ROSS GARNAUT: Ah, I can't see the arithmetic that leads to that. The five per cent of course came from my recommendation in the 2008 review. I recommended that we should do minus five unconditionally if the rest of the world did nothing and then minus 15 if the rest of the developed world was making comparable efforts, minus 25 if we were headed towards a two degrees international agreement. I know those targets inside out. They were legislated with the support of the then opposition. Certainly that set of targets is fully consistent with the Obama minus 17 per cent. The Climate Change Authority looked at that carefully in a thorough report and said, depending on how you measure it, the commensurate target for Australia, given what the rest of the world was doing, was minus 15 to minus 19.

TONY JONES: So - well - so, how do you explain what Greg Hunt and the Treasurer are saying? I mean, their argument's quite categorical that Australia's very close to what the US is committing to for 2020.

ROSS GARNAUT: Oh, if the minister - the two ministers have done that arithmetic, I'd be delighted to see it, but I haven't seen that arithmetic. I don't think such arithmetic's been released.

TONY JONES: Greg Hunt says he's optimistic his Direct Action policy will allow Australia to reach higher targets, higher than the five per cent, because what he calls "immense scientific progress in reducing emissions by storing carbon in landscapes," and on top of that, the ability to transform industry to have lower emissions. Can you or anyone quantify exactly what this Direct Action policy is capable of if you leave out the penalties and so on?

ROSS GARNAUT: Well the existing carbon farming initiative, which Mr Hunt is relying on, in the - in soil storage and so on, has real prospects. Very substantial incentives were provided under the existing Carbon Farming Initiative because farmers could sell their credits from soil carbon or development of a carbon in pastures and woodlands to enterprises that were liable to pay, so they would effectively get the full carbon price. It's hard to see how comparable incentives could be provided right across the board for the farming community, comparable with what was already in place under the old Carbon Farming Initiative.

TONY JONES: But is there - he seems to be suggesting there's much more potential for that initiative to achieve greater outcomes in terms of emissions cuts. Is there a way to model that that that you know of?

ROSS GARNAUT: Well various estimates have been made. The minister, in statements before the last election, and the Prime Minister earlier on, were relying on the estimates that I had brought

together in my report, which had their origins in CSIRO and other reports. At that stage, we were talking about potential; a lot of work had to be done to realise that potential. There is potential. We have to keep standing by the international measurement standards. Of course, you can get very big numbers if you throw rigorous measurement out the window and - but if you stick by rigorous standards, then there's something to be had from these mechanisms. It's not costless.

TONY JONES: But enough - is there any prospect, do you think, that Mr Hunt's optimism of creating much bigger emissions cuts, perhaps even to the degree that the US are proposing to cut by 2025?

ROSS GARNAUT: Not under the accepted international rules of measurement without spending a lot more money than is currently contemplated. Now the minister is quite right in saying that the cost of emissions reduction is coming down. In the energy sector, the cost of all of the low emissions sources of energy has come down quite rapidly, much faster than I assumed in my 2008 modelling. Solar panels have come down 80 per cent in cost since 2008. Wind turbines about half of that or a bit more. Nuclear components have come down significantly. So, the cost of emissions reduction is not what we thought it was, which means that we could do our fair share at lower cost than my modelling suggested six years ago, and I think that's all the more reason to make sure we do our fair share.

TONY JONES: And very briefly, we're nearly out of time, but you were employed by the Labor government as an economist to work out the best way to cut emissions. Do you know, are there economists like yourself advising the minister now and giving him the figures around which all of this will be bound?

ROSS GARNAUT: Ah, I haven't seen any document that rigorously looks at trajectories of emissions reduction, rigorously looks at costs, puts all of that into the public arena. So, long before the Federal Government acted on my recommendations, there'd been a lot of discussion of quite detailed estimates of costs and benefits. We haven't seen anything similar up to date from this government's policy. Maybe there is some document somewhere, but the community hasn't seen it.

TONY JONES: Ross Garnaut, we'll have to leave you there. We thank you very much for coming in to join us.

ROSS GARNAUT: Yeah, good, Tony. Always good to be with you.