Carbon Buyback Strikes Root of Problem

In the spirit of robust policy debate about climate change, I welcome Ross Garnaut’s latest contribution (“2020 emissions budget short by billions”, AFR, March 7).

I respectfully disagree, however, with his views on the government’s Emissions Reduction Fund.

Two major approaches to emissions reductions are used by various countries. The carbon tax approach, used in Australia by the former government, imposes costs on the entire economy as it is in effect an electricity and fuel tax.

The other approach is to directly purchase emissions reductions. This is the basis of the largest abatement system in the world – the United Nations Clean Development Mechanism, which has generated approximately 1.4 billion tonnes of emissions reductions. The advantage of the carbon buyback approach is that it directly targets the problem. If you wanted to reduce emissions from 100 to 95, why would you tax the entire 100 into submission when you can just buy back the five?

The Emissions Reduction Fund will achieve the carbon buyback with the classic market mechanism of a reverse auction to obtain the lowest-cost abatement.

The Emissions Reduction Fund approach is remarkably similar to the former government’s Non-Kyoto Carbon Farming Fund, which Professor Garnaut supported.

Ultimately, we know the carbon tax doesn’t work.

In the carbon tax’s first year of operation, emissions reduced by just 0.1 per cent.

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