

Garnaut discusses China's take on climate change

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Joining Lateline is Professor Ross Garnaut who holds senior economic positions at both the ANU and Melbourne University and last year conducted the Government's review of climate change. He is also a former ambassador to China and he is currently in the Chinese capital where he is delivering a paper at a conference on the low carbon economy.

Transcript

TONY JONES, PRESENTER: Professor Ross Garnaut, who holds senior economic positions at both the ANU and Melbourne University and last year conducted the Government's review of climate change. He's also a former Ambassador to China. He's currently in the Chinese capital where he's delivered a paper at a conference on the low carbon economy.

Professor Garnaut joins us now live from Beijing.

Ross Garnaut, thanks for being there, and I should say at the outset, we'll get to what some of those farmers are saying and their concerns later. But first of all, your report says that Australia would be damaged more than any other developed country by unmitigated climate change. Does China face comparable risks?

ROSS GARNAUT, GOVERNMENT CLIMATE CHANGE ADVISER: Yes, I think there's several developing countries and countries that matter a lot to Australia that are very vulnerable, and that's one of the ways that Australia would be hurt by climate change. Proportionately, probably South Asia, Bangladesh, but also to some extent India, parts of South East Asia, the river delta's of Vietnam and coastal cities of Indonesia are very vulnerable. China: very vulnerable in parts, perhaps not quite as much as the others, but proportionately perhaps almost comparable to Australia.

TONY JONES: Do you think the Chinese leadership understands those risks as you've spelt them out? I mean, you've talked of the deglaciation of the Tibetan Plateau, the risk to the rivers, to the North China plain and its irrigation systems, and of course to low-lying industrial areas of China.

ROSS GARNAUT: Yes, there's a lot of good science in China and the President and the Premier are engaged with that good science. So there's a lot of awareness of the issue at senior levels in China, and that's broadly spread through the policy-making communities. So there's a strong base here of knowledge about the realities from which China can work.

TONY JONES: In New York last week, the Chinese President Hu Jintao pledged to reduce China's carbon intensity by what he called a notable margin by 2020. No figures. How far and how fast do you believe the Chinese leadership will be willing to reduce its greenhouse

emissions?

ROSS GARNAUT: Well, maybe a long way. Maybe further than I was anticipating in the review last year as being necessary. There were three main elements in the changes that the President referred to last week. One is a big reduction in the energy intensity of economic activity. They've put a target of four percentage points per annum reduction in the amount of energy used per unit of GDP through the current plan, which ends in 2010. They had a slow start, but they've been doing well lately. There's a lot of discussion in China, and that's been shared with me in the last couple of days, about whether it will be possible to continue that through to 2020. If it is continued through to 2020, and I think there's a good chance that it will be, then that is important on a global scale.

The second is the strong commitment to low emissions energy. All of the renewable sources of energy, plus nuclear - very heavy investments in all of those and that's been accelerated through the financial crisis.

And the third element, which can be quite important over the next few decades, is a very heavy commitment to reforestation of parts of China where woodlands and forests have been denuded. The President referred to, in the next period, planting an area equivalent to a couple per cent of the Chinese territory.

Add those things together and you're looking at reductions in emissions in China by 2020 by something towards 40 per cent from the business-as-usual levels that I'd calculated for the review. So that's a very big story if it comes through. What China hasn't done yet is commit internationally to those numbers. They're cautious about that because they're not sure that they'll be able to deliver, but also they're expecting the developed countries to do what they promised to do and to move first, and I think that they'll be ready to follow, and that's what the President had in mind when he talked about significant developments.

TONY JONES: I don't know if you've had any chance to talk to the officials you've been speaking to about the new approach that's being talked about for negotiating by Penny Wong and the Australian Government. What they call "national schedules" for developing nations, where only some sectors of their economies will have to be - will have to commit to substantial targets. There won't be overall - under this system anyway, there would not be overall, economy-wide targets that the developed countries have to live with. Is that resonating in Beijing and among policy-makers?

ROSS GARNAUT: That hasn't been raised with me, Tony, and I'd be hopeful that in China we'll see a bit more than that, that we'll go further than that. But in many developing countries that would be an important step forward and it may not be possible in the near term to go further than that in many developing countries, but I don't think China's one of them.

TONY JONES: Have you seen any signs at all that China is willing to rein in its production of giant coal-fired power generators, which is the thing that's primarily driving their carbon dioxide emissions?

ROSS GARNAUT: Oh, yes. The huge reductions in the energy intensity of economic activity

and the investment in low emissions energy sources both have big implications for the rate of growth of coal-fired power generation. That's implicit in all of the planning that's going on.

TONY JONES: Indeed, there's still a deadlock, though, isn't there, between developing and developed countries and it is over who pays for the tremendous cost of transforming developing economies in the way that they will need to be transformed. China was calling for one per cent of GDP from all developed countries to be put aside to create a giant fund to help developing or poor countries pay for all these things. Are they still pushing along those lines?

ROSS GARNAUT: Well, China, in taking that position is thinking more about what's necessary to get the whole developing world committed to emissions reduction, rather than having high expectations of itself of huge transfers to China. The evidence of that is what they're doing unilaterally right now in reducing the energy intensity of economic activity and investing in renewables. But I think that idea, that there needs to be strong commitment by the developed countries to development of the new technologies and facilitating access to them for lower income countries, has to be an important part of the solution. I discussed that extensively in the review last year.

TONY JONES: Let me go back to the other things you discussed in the review and it's what's going to happen in Australia with an emissions trading scheme. You talked earlier this month about the damage that political argy bargy, as you called it, over the ETS is doing to Australia's international reputation leading up to the Copenhagen talks. Now the Coalition is putting up serious amendments to the legislation, how much should the Government be prepared to compromise to make sure that some sort of ETS, even a much weaker one, goes through?

ROSS GARNAUT: There's been a lot of compromise already, Tony. I think that there's a valid case for transitional assistance for trade-exposed industries. And you can calculate the level of support that's justified on economic and environmental grounds to prevent carbon leakage. On average, we've already gone beyond that, well beyond that in some industries, and there's the separate question of payments to domestic generators who are supplying the domestic market and who will pass on a lot of their cost increases and who aren't competing in an international market and I don't think there's any case at all for support there. So, to the extent that the calls for amendment of the emissions trading scheme involve larger payments to trade-exposed or domestic generating industries, I think it's a step in the wrong direction. There are other changes that would actually help the scheme, but unfortunately, the things that would make it a better scheme are much less discussed than the things that would make it worse.

TONY JONES: You think the Opposition or the Coalition's amendments would make it worse, is that what you're saying?

ROSS GARNAUT: Well, I haven't seen a list of amendments, Tony, but - so I'm not commenting on the Opposition's position. I don't know what that will be. But I'm saying additional payments to domestic generators, additional payments to the trade-exposed industries would make it worse. Not necessarily environmentally. The world is starting to move towards commitments towards - for strong mitigation, which would justify the 25 per

cent reduction in Australia. And if we commit to that in international negotiations, then we're doing our part environmentally. But if we're making all of these payments that distort the process of transition to the low carbon economy, we will greatly increase the cost of doing what we commit to environmentally.

TONY JONES: We know that some of the areas around which compromises are being sought by the Coalition, so let's start with this: can you take agriculture out of the scheme and leave farmers untouched by it?

ROSS GARNAUT: Well, the main emissions from agriculture are not to be part of the Government's current scheme for five years and decisions on that will be made in 2013. There are real issues of measurement and management of the scheme in relation to direct farm emissions, so I think that some delay while the work is done on measurement is justified. I'd like to make sure that there's very high priority given to the research that's necessary to - to allow early inclusion of agriculture. I'd also like to see large commitments to research development and commercialisation of biosequestration technologies, which are potentially enormously valuable to the Australian farm and rural communities. Putting that right in the middle of the emissions trading scheme, the support for research development and commercialisation of biosequestration is one of the things that would make it a better scheme.

TONY JONES: You're already seeing some rural politicians putting forward the alternative which is out there which they can point to, and that's in the United States with the Waxman-Markey bill, which is basically the American version of an emissions trading scheme, and it leaves farmers out completely on the penalty side. It enables farmers to actually take benefit from things like biosequestration, but leaves them out of the penalty side of the equation. Now why couldn't that be done in Australia, if it can be done in America?

ROSS GARNAUT: Oh, of course it could be done, but the more things that you exempt from the scheme, the higher the cost to the whole economy, the higher the costs of reaching our targets. If you've got comprehensive carbon accounting, where you are systematically providing incentives for biosequestration on the farm and systematically taxing emissions, that will give you your lowest cost scheme for the country as a whole, but it will also provide lots of opportunities and benefits for farmers.

TONY JONES: Yes, but do you sympathise with farmers on the political position here, and indeed with the Government, because the heat is now being turned up in the rural sector because there's scepticism about the science on the one hand, and a great deal of scepticism about being dragged into a scheme which will cost them money potentially for burping cattle and so on. So it looks to them like a huge bureaucratic imposture.

ROSS GARNAUT: Well, there's two separate issues there: one is the exemption of some sectors of the economy. Now, every sector will benefit itself if it is exempted. An investor in any sector will be better if it doesn't pay a tax. If you exempted any part of the economy from income tax, they'd benefit from it. And in a lot of our history, we did a lot of that sort of exemption, but that just pushes costs on the rest of the economy and makes the whole scheme more expensive than it otherwise it would be. The question of scepticism in the countryside is a different thing. That's a sad thing. There you've got climate sharks praying

on the vulnerability of people who aren't in a position to be well-informed themselves. That's a tragedy. The exploitation of people who would benefit from greater knowledge. I'm afraid that's what's going to happen in rural Australia is that the well-informed will make a lot of money out of the ignorant. And the ignorant include a lot of people who can't afford to be skinned in that way.

TONY JONES: A final question then: who are these climate sharks that you refer to? Do you mean the politicians that are leading their voters in different directions? Or are you talking about academics who take the view that there is no such thing as climate change? I mean, what sort of people are you referring to there?

ROSS GARNAUT: I'm referring to anyone who plays on the natural human instinct, who hope that there's some - that when there's bad news, it's not true. That's a very natural thing. I'm very sympathetic for it. I spent a lot of my life in rural Australia myself and I see that going on. It's the sort of denial we see in relation to a lot of tragic circumstances, but you never make a problem easier to handle by pretending it doesn't exist.

TONY JONES: Ross Garnaut, we're out of time. We thank you very much for taking the time to talk to us from your schedule in Beijing, and we'll speak to you when you're back in Australia no doubt. Thank you.

ROSS GARNAUT: Good to talk to you, Tony.