

POWER FAILURE

**Speech by Ross Garnaut at the Book Launch of Power
Failure (by Philip Chubb)**

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This is an interesting and important book. It is a good read, and teaches us important things about our political culture.

I was close to many of the events described in the book and I learned new things from it.

Power Failure presents the results of diligent sifting of the documentary evidence and interviews with 74 participants in the policy process that led eventually to the legislation described as The Clean Energy Future. The road to the Clean Energy Future was long and hard and twisted. The book presumes that it has led to the edge of a cliff. The day after a budget that proposes to abolish one of the few elements of the Clean Energy Future to which the Government had told the Australian electorate that it would keep—the Australian Renewable Energy Agency—it seems that Australian contributions to the global effort on climate change mitigation are about to fall down the cliff face. But it would not be the most improbable twist in this extraordinary story if a parachute were to open before the repeal laws hit the ground, operated by three of the six Senators who have not unconditionally declared their positions on repeal.

A highly improbable twist. But no more improbable than the story told in Power Failure, of Malcolm Turnbull being so weakened by the extraordinary impropriety of a Treasury official who said he was on the Leader of the Opposition's side that he became vulnerable to challenge and lost the leadership of the Parliamentary Liberal Party by a single vote.

No more improbable than two rural independent members having the balance of power in the House of Representatives after the 2010 election and making the formation of a new Gillard Government dependent on revisiting the carbon pricing question.

This is a story of highly improbable events.

The amalgam of vested interest and ideological distortion of reality seems to have had a definitive victory. But it will not be the end of the road if Australian carbon policy hits the ground at the foot of the cliff. The author says that he hopes this account of the journey so far will assist the drivers of the next stage of the journey.

Chubb makes a favourable assessment of Prime Minister Gillard's role in securing the legislation of an effective and reasonably economically efficient climate change mitigation package, when many other leaders in Australia, the United States and elsewhere have failed to do so. I share that assessment, and contributed to it. The way that Gillard became Prime Minister made it impossible for her ever to exercise the normal Prime Ministerial authority—just as Malcolm Fraser's path to office was forever a constraint on the exercise of Prime Ministerial power. But on this hardest stretch of a hard road—bringing together a range of divergent views inside and outside her own party to legislate an effective carbon reduction package, and steering it smoothly through its early implementation, with an extraordinary array of forces opposing her with hysterical intensity—she deserves the credit that Chubb allocates to her.

Many will be excited most by new insights into the relationship between our two most recent former Prime Ministers, and its contribution to the disintegration of their respective governments. Phillip Chubb comes down strongly on the side of Gillard, and presents weighty evidence from his interviews in favour of that view. But more could be said about the degree of difficulty facing Rudd. He had members of his Parliamentary Party playing interference. Chubb lets them off lightly. We now know from ICAC that some members of the Labor Government in New

South Wales who were playing interference had valuable personal reasons to wish the failure of policy that might hold back the coal industry. Rudd's attempt to implement a complex reform requiring many Australians to accept modest personal constraints in the public interest, and a long-term view of their own and the country's interests, was mugged by the political culture of the Great Australian Complacency of the Early Twenty First Century. The assailant had robust and energetic assistance from a new media view that truth is what the newspaper says it is, and the media culture of the 24 hour news cycle. Chubb's analysis of content of Melbourne newspapers shows that some newspapers were much worse than others in their departures from reality in reporting of climate change, but none were good.

Rudd's Government was not well equipped to handle the new political culture of naked, self-interested investment by private interests in the policy process. There are revealing insights in Chubb's reporting of his interview with former Climate Change Minister Penny Wong. Chubb reports that Wong "identified the government strategy as "the stakeholder model of democracy". This, for her, "assumes that the Government can act as an umpire to finalise an outcome that involves all stake-holders moving from their positions".

That approach is inconsistent with good policy in the public interest. Governments are assisted by consultations on proposed policy with interested parties, but cannot expect private parties to subjugate their own to the public interest. This has always been true. What has changed in the early twenty first century is that there is no large, strong independent centre of the polity drawing attention to and criticising unbridled pursuit of private interests through pressure on the political process.

Climate Change Minister Wong's statement gels with my own observation of policy-making on the Carbon Pollution Reduction Scheme in 2008 and 2009. I would get an occasional good hearing from the Prime Minister and the Minister, but sometimes felt that independent advice in the national interest was being treated as pressure from one of many interest groups. I was to be given enough good policy in the national interest to dull my criticism of bad policy serving private interests.

Policy should be made of sterner stuff. Consultations with private interests on policy can have good outcomes when the Government does not depend on support from those private interests for success. The Government must have a political base for change that holds firm in the face of external pressure. If it is known to have that base, the pressures diminish, and some compromise of private positions may be offered.

Memories over another contest with private fossil fuel interests over policy come back to me from nearly three decades ago. The Hawke Government was committed to legislating a Petroleum Resource Rent Tax on offshore resources. (A Commonwealth tax on on-shore resources would have led to jurisdictional conflict with the States). A great deal of work had been undertaken within government on the design and parameters of the tax, and there had been extensive consultation with businesses in the petroleum sector. The sector's resistance to the new tax, joined by the Federal Parliamentary Opposition, was as furious as that of the coal-based generators to carbon pricing in 2008 and 2009. The Government's proposal incorporated a 40 percent tax rate. The time came for final decisions on the proposed legislation. In his inimitable style—highly effective for policy-making but sometimes uncomfortable for participants—Prime Minister Hawke called relevant Ministers and their public service and private office advisers

around him to talk through remaining issues. The Secretary of the Treasury put the view that a modest adjustment of the tax rate, down to 35 percent, would be advisable, as it may diminish the extent of the fury from affected interests. I put an alternative view: that we had all done a lot of work leading to the 40 percent, and the uncertain prospect of less furious opposition was a poor reason to pull back from that position. The Prime Minister heard out all who wanted to speak, and then turned to the Secretary of the Treasury. “Tell (the chief executive of the lobby group leading the fury) that the rate is 40 percent, but that you might be able to get the Government to consider 35 percent if they cease their opposition to it”. The lobbyist told the Secretary of the Treasury that his organization would oppose the legislation whatever the tax rate. The rate of tax was set at 40 percent and remains at that level today under the Abbott Government.

The book tells in detail the important story of the “Lie” in the 2010 election campaign—the statement that there would be no carbon tax under a government led by Prime Minister Gillard. Chubb records an important expansion of Gillard’s commitment, reported by NewsCorp papers on the eve of the election, that made it clear that Gillard was open to early introduction of carbon pricing, but not to a carbon tax. Chubb notes how Gillard’s acquiescence in the description of an emissions trading scheme with an initial fixed price as a tax left her politically more vulnerable than she otherwise would have been. The then Prime Minister wished to focus on the substance and not the semantics of the proposal. In so doing, she facilitated the characterization of the carbon pricing arrangement as a breach of her election commitments.

After the Budget last night, that semantic breach seems trivial; too innocent to warrant pages in an important book. But it was important in history. As a monster of twentieth century European history once observed, a small untruth is more likely to be brought to account than a large-scale falsehood.

I made my own views on keeping bad election promises known in my book *Dog Days*. Both political parties took policies into the 2013 election campaign that were inconsistent with Australian economic realities in the period ahead. A choice would need to be made between keeping election promises, and governing in the national interest. It would be better to break bad promises than to destabilize Australian economic life.

So while it would have been much better for the Government to have made no election commitments to bad policy, and while a Government’s breach of promises may have electoral consequences, I do not condemn the breach itself. But the policies that correct bad promises would be more readily accepted in the community and therefore to attract support more durably if the Government explained honestly what it was doing and why. Notwithstanding the views of Hitler and Goebbels to the contrary, I doubt that the Government can sustain for long the biggest untruth from the Budget: that there has been no breach of election commitments.

There has been so much to absorb from the Budget that there has been little focus on breaches of election commitments on climate change mitigation policies. Last night, the Government announced that the Australian Renewable Energy Agency (ARENA) would be abolished. The then Opposition spokesman on the environment, now Minister for the Environment, won some credit for the then Opposition before the election with unequivocal statements that ARENA would continue under a Coalition Government. Much was said about the positive role it would play in commercial application of solar technologies. That turned out to be a non-solemn promise.

That follows other breaches of commitments on climate change policy from the Government prior to the election. There was support in from the then Opposition for the Australian pledge on emissions reduction, communicated to the United Nations Framework Convention on Climate Change in 2010. The pledge was that emissions would be reduced by 5 percent on 2000 levels by 2020 whatever other countries were doing; by 15 percent if other developed countries were taking comparable measures and major developing taking substantial steps to reduce emissions below business as usual; and by 25 percent if there were an international agreement that had good prospects of holding temperature increases to 2 degrees Celsius. The target was never simply 5 percent. The Opposition confirmed during the election campaign that it was committed to the three-part Australian target and not only to the unconditional 5 percent reduction.

Since the election we have heard nothing about the second and third parts of the commitment. If they have been withdrawn, this is a breach of an election commitment, as well as an Australian breach of a pledge to the international community.

Before the election, we were told that the Government's Direct Action policies would drive the achievement of Australia's bipartisan targets—5, or 15 or 25 percent. We now know how Direct Action will work. It seems to me that within the Budget parameters revealed last night, so long as there is no sleight of hand in application of international measurement of emissions, and within the Government's stated policies on purchase of international permits, it is unlikely that there will be any reduction of 2000 emissions by 2020, let alone 5, 15 or 25 percent.

The 2011 laws on climate change mitigation have not yet gone over the cliff. A number of budget savings are currently under challenge in the Senate. If that challenge were extended to opposition to repeal of the carbon laws, the Government's budget bottom line would improve by \$6-7 billion next year and \$4-5 billion or more in each of the years beyond the 4-year forward estimates. This would go a long way to supporting the delivery of the Government's sensible proposed bottom line, in the face of losses in the Senate on deficit-reducing measures; depending on Senate decisions, it might fill all of the gap. Australian households have already been compensated for the effects of carbon pricing through tax cuts and social security adjustments. Emissions-intensive and highly trade-exposed Australian business has been well protected from the effects of carbon pricing, through mechanisms that retain incentives for reducing emissions.

The hard and twisted journey that Phillip Chubb describes led to an effective set of policies, that allow Australia to do its fair share in a global mitigation effort at reasonable cost. The author expects that to end in a heap at the bottom of the cliff. He does not expect that to be the end of the matter. He has good reasons to expect this book to assist the new efforts that will be made to introduce effective greenhouse gas mitigation efforts in Australia. There will be large costs in the delay. Our own efforts will be more costly for being delayed. Our free riding on the international effort may discourage strong action by others, so Australians will have to carry their shares of the unnecessarily large accumulating costs of weakly mitigated climate change—especially big shares because of Australia's exceptional vulnerability. If Australian governments persist in being as thorough in resistance to taking action to reduce emissions as the current Government in last night's budget, we can expect problems in our important international relationships.

The twisted journey to where we are on climate policy is an important enough story to be told well. Phillip Chubb tells it well.