Lord Deben was once Margaret Thatcher’s minister for the environment. He is now head of the British committee on climate change – the model for Australia’s Climate Change Authority. He has repeatedly praised in his comment on the Abbott government’s push to change established climate change policies.

“It lets down the whole of British tradition that a country should have become so selfish about this issue that it’s prepared to spoil the efforts of others and to foul what very many other countries are doing. It’s wholly contrary to the science, it’s wholly contradictory to the interests of Australia and I hope that many people in Australia will see when the rest of the world is going in the right direction what nonsense is being talked to them.”

Christine Lagarde was France’s conservative finance minister before taking up her current post as managing director of the International Monetary Fund. On the eve of departing for the February G20 meeting in Sydney, her natural diplomacy did not disguise her thoughts on the government’s action on climate change.

“Climate change issues and progress are critical… Australia was very much at the forefront and was pioneering in this field beginning where Australia continues to be a pioneer.”

Conservative Australians usually consider the position of the United States governments on major international policy issues with respect. Yet here is what Secretary of State John Kerry said in Jakarta last month.

“President… Obama and I believe very deeply that we do not have time for a meeting anywhere of the Flat Earth Society… It is time for the world to approach this problem with the co-operation, the urgency and the commitment which a challenge of this scale warrants.”

In sharp contrast, Prime Minister Tony Abbott asked the visiting Canadian foreign minister late in February for confirmation that climate change was a fact. But even the Canadian government – probably the closest to our own in its reluctance to take strong action on climate change – has accepted the reality of global opinion if not of climate science, and is taking seriously its commitment to match the US target to reduce greenhouse gas emissions by 17 per cent from 2005 levels by 2020.

The Abbott government’s plans on climate change appear to make it an outsider among international conservatism. It proposes the repeal of laws supporting carbon pricing, the dissolution of the Climate Change Authority and the Clean Energy Finance Corporation, and possibly the amendment of laws supporting the generation of the renewable energy target. The government proposes replacing these laws and agencies with an Emissions Reduction Fund (ERF), to purchase reductions in emissions for the lowest cost in each of the states.

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The feature of the established policies that attracted most unhappiness was the setting of a fixed carbon price in the first three years. This was highlighted by Clive Palmer, when he told the National Press Club on February 12 that our carbon permit prices were about $27 a tonne, when European prices were about $3.

The four big reasons why the budget deterioration is likely to be much larger: weakening the renewable energy target or other complementary policies would increase the spending necessary under the ERF; Australia’s commitments are likely to require larger emissions reductions than just 5 per cent; the extra cost of developing new and developing countries, within the clean development mechanism, places caps on the cost of abatement within established policies if most within direction; and, if any enterprises not receiving payments from the ERF increase their emissions, that would increase the abatement that would have to be purchased by the fund.

Correction of the fourth flaw is likely to lead to another. The setting of baselines and penalties for inclusion or omission from the ERF’s payment scheme would be a huge and intrusive bureaucratic exercise.

“The Abbott government’s plans on climate change appear to make it an outlier among international conservatism.”

Ultimately, such a deterioration in budget outcomes under direct action would render much more difficult – and perhaps practically impossible – the fiscal argument for obtaining sustained economic stability once the resources boom fades. It is unclear how the government would meet the domestic budget and international commitments through an ERF, even if massive budgetary resources were available, the genuine benefits to business or households from removing the “carbon tax” are even harder to determine, having been greatly exaggerated by the government and business lobbies.

The two-fold benefits are said to be an increase in the profits of companies with direct or indirect exposure to carbon pricing, and the reduction in the cost of living of households. Of course, these benefits are by nature exclusive of each other.

Moreover, the present policy regime includes free permits issued to the most emissions intensive of the trade-exposed industries, to provide protection against loss of competitiveness. The amount of free permits is set according to emissions intensities prior to carbon pricing and is not diminished if the company takes steps to reduce emissions. As a result, many trade-exposed enterprises – apparently including Alcoa, owners of the Point Henry aluminium smelter – have so far made a profit out of the carbon pricing arrangements. There is a partial exception in the coal industry; but even there the net costs of carbon pricing on profitability are tiny compared with the effects of recent fluctuations in the exchange rate and coal prices (see my 2013 book Dog Days: Australia After the Boom, p. 209).

For non-trade-exposed companies, the net costs of carbon have been passed on to consumers to the extent anticipated in the Treasury modelling that preceded introduction of carbon pricing. Low- and middle-income earners were fully compensated for the price increases by tax cuts (an increase in the tax free threshold) or adjustments to social security payments.

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It was the fixed price that then prime minister Kevin Rudd proposed to remove when he said he would “abolish the carbon tax” by bringing linkage to Europe’s carbon market forward from July 1, 2011, to July 1, 2014. Presumably this is what the Business Council, the Chamber of Commerce and Industry, the Australian Industry Group and the Mining Industry Council had in mind when their joint statement endorsed this proposal.

Our current fixed price mechanism is due to disappear in July, which would be no harm in “abolishing the carbon tax” by bringing forward linking to Europe to July 1, 2014.

This is consistent with the existing climate change policies were retained rather than overturned in the face of strong economic argument, conservative Australians and their friends abroad might then take comfort in Australia being able to do its fair share in the global mitigation effort at reasonable cost. The benefits of the alternative have yet to be sufficiently explained to justify the risk of change.”