

OPINION

Zero net carbon choice: do we want to be losers or winners?

Ross Gittins, Economic Editor, Sydney Morning Herald

You may regard economists as a dismal lot, always reminding us of the cost of this or the risk of that. But there's one prominent economist with a much more positive story to tell.

Professor Ross Garnaut is more prophet than gloomy economist, a man with the vision of a better future that our politicians have lost as they squabble over votes.

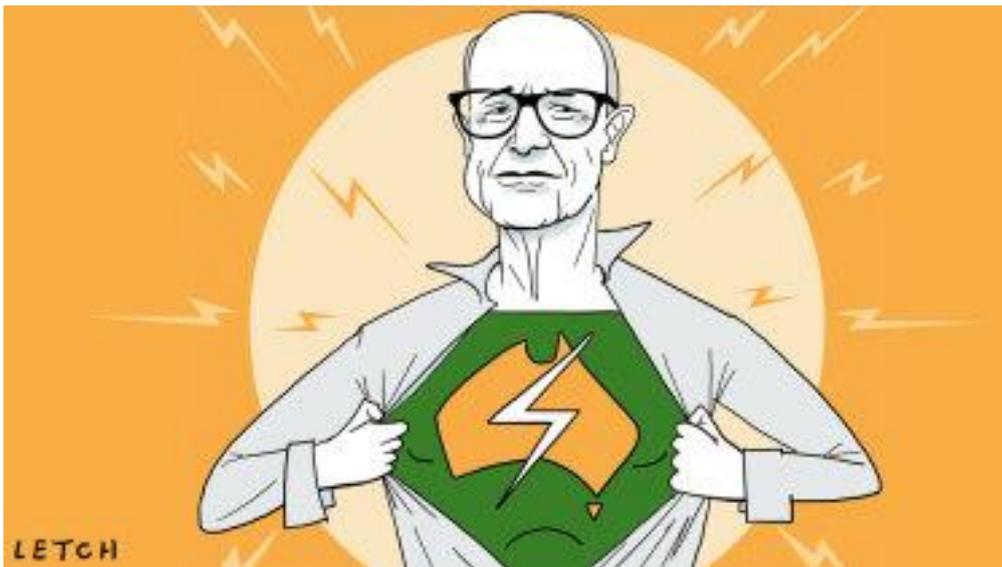
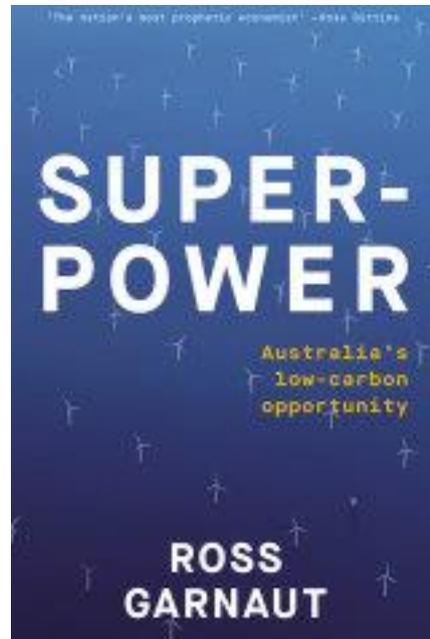


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The Morrison government trembles at the thought of the Paris agreement's goal of achieving zero net carbon emissions by 2050. All it can see is the need for higher taxes and the loss of jobs in coal mining. Garnaut, by contrast, sees a golden opportunity for us to shift from an industry in terminal decline to a new set of industries with bright prospects in the low-carbon world that's coming.

Garnaut foresees that, if we rise to the challenge of climate change, we "will emerge as a global superpower in energy, low-carbon industry and absorption of carbon in the landscape".



Super-power by Ross Garnaut. CREDIT:

This vision is set out in his latest book, *Superpower*, which seems to offer something for everyone. Do you regret the decline of manufacturing? Garnaut sees how we could give it a new lease on life.

Have you always thought that, rather than sending our minerals off for further processing abroad, we should do it ourselves? Garnaut sees how we can.

With climate change making the land hotter, drier and more prone to bushfires, do you fear for the future of farming? Garnaut sees the bush getting a whole new source of income and activity.

Do you fear that, with the decline of coal mining, regional Australia will be left even further out of the economic action? Garnaut sees all the new industries created by the world's move to renewable energy being located in the regions.

Of course, as the author of two government reports on our response to climate change, Garnaut has form as a prophet. In his first report in 2008, he relied on scientists' advice to predict that "fire seasons will start earlier, end slightly later, and generally be more intense. This effect increases over time, but should be directly observable by 2020."

On the other hand, Garnaut now admits that even his second report, in 2011, has been overtaken by events. Then, he calculated that the cost of moving to renewable energy would come early and reduce our rate of economic growth for many years before it was eventually outweighed by the benefits of climate change avoided.

Now, he sees that the move to renewable energy won't cost a lot, low-carbon electricity will be cheaper and will give us major new export opportunities. These more positive benefits will come earlier than the benefit of less climate change.

The cost of moving to all-renewable electricity has been transformed by two things. First, the huge reduction in the cost of solar panels and lesser falls in the cost of wind turbines and batteries.

Second, by the fall in global interest rates to record lows, which seem likely to persist. Whereas much of the cost of coal-fired electricity comes from the cost of the coal, with solar and wind power almost all of the cost comes from setting up the system – sun and air are free. Lower interest rates mean the capital cost is much reduced.

So, zero-emissions electricity will be cheaper to produce (though we may have to pay more in transmission costs). More significantly, our carbon-free power will be much cheaper than other countries'.

Carbon-free electricity is the key to our efforts to achieve zero net emissions overall, and to our various opportunities to profit from the world's move away from fossil fuels. Our transport emissions will be slashed by moving to electric vehicles and increased use of public transport.

The scope for exporting our electricity through submarine cables – or via tankers of electrolysis-produced hydrogen – is limited. But this will now make it economic to further process alumina, iron ore, silicon and ammonia before we export them. That processing is best done adjacent to the mine site.

At present, plastics and many chemicals used in manufacturing are produced from fossil fuels. But we will have more plentiful supplies of (renewable) biomass – plant material – than many other countries, which we can use to produce plastics and chemicals for ourselves and for export.

The "net" in zero net emissions implies that the world will still be emitting *some* carbon dioxide, but these emissions will be offset by "negative

emissions" as atmospheric carbon is captured and sequestered in soil, pastures, woodlands, forests and plantations.

Guess what? Few countries have more scope for "natural climate solutions" such as carbon farming than we do. We need research to improve the measurement of carbon capture, but we have so much scope that, after meeting our own needs, we could sell carbon credits to the rest of the world. This could be a new rural industry, much bigger than wool.

To maximise our chances of benefiting from the move to a low-carbon world, however, we have to get to zero net emissions sooner than the other rich countries, not later.

Ross Gittins is the *Herald's* economics editor.