

Australia: Labor government moves to ratify Kyoto Protocol ahead of Bali climate change conference

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On Monday, Prime Minister Kevin Rudd signed the instrument of ratification of the Kyoto Protocol on climate change. This move—which marks the first step in the formal ratification process that will see Australia become a full Kyoto member by March 2008—was heralded in a Rudd press release as the “first official act of the new Australian government, demonstrating my government’s commitment to tackling climate change”.

In reality, however, the Labor government’s policies have nothing to do with resolving the global warming crisis. Rudd’s overriding concern is to allow Australian business an opportunity to reap some of the vast profits being generated through the Kyoto Protocol and the rapidly growing carbon trading and “offsetting” industries.

Ratifying the protocol does not impose a single obligation on the Rudd government to reduce the carbon emissions of Australia’s major corporate polluters. Due to a major loophole in the agreement that was secured by the former Howard government during the Kyoto negotiations in 1997, Australia has been able to increase its emissions of greenhouse gases by approximately 30 percent while still meeting its Kyoto Protocol commitments, or, at worst, exceeding the defined target by just 1 percent.

For this reason, some media commentators have described the Labor government’s ratification of the treaty as “symbolic”. But there is nothing symbolic about the business opportunities opened up by ratifying Kyoto.

Under the climate change treaty, only those countries which have ratified the protocol may participate in the European Emissions Trading Scheme (ETS) and the Clean Development Mechanism (CDM). The ETS is the world’s largest trading market in carbon credits, and the CDM generates additional credits through subsidised projects in less developed countries that supposedly help reduce carbon emissions. While neither scheme does anything to effectively solve the climate change crisis, they have created an international market in carbon credits and offsets that is estimated to be worth about \$40 billion.

(For more information on the operation of the ETS and CDM see “Climate change, Kyoto, and carbon trading”).

The former Howard government’s refusal to ratify Kyoto left Australian business out in the cold. A study commissioned by the Australian Conservation Foundation and released in October estimated that lost investment opportunities were worth \$A3.8 billion (\$US3.3 billion) annually. Decisive sections of big business backed Labor’s climate change policies after concluding that the former Howard government was favouring fossil fuel industry interests at the expense of broader sections of corporate Australia.

An article in the *Age* on Wednesday, titled “Kyoto deal to clear air for investors, say experts,” highlighted the financial market’s response to Rudd’s move. “Business will reap benefits from the ratification of the Kyoto Protocol, with easier access to global carbon projects and

multimillion-dollar investments expected to flow into Australia,” it stated. “Investors, as well as industry experts, have hailed Prime Minister Kevin Rudd’s decision to ratify the 10-year-old global climate change agreement, saying Australian businesses will be among the main winners.”

The article quoted Rob Fowler, managing director of emissions trading company Abatement Solutions Asia Pacific, who commented: “There is no doubt that if we grab hold of this with both hands there is a lot of money to be made.”

In addition to the international carbon market, there is money to be made under the Rudd government in the private renewable energy sector as well as so-called clean coal and carbon capture and storage technologies. Many of these were unprofitable under the previous government but are now potentially highly lucrative due to Labor’s renewable energy target and its various subsidy schemes.

Citigroup released a report last Monday which concluded that the capture and storage of carbon emissions may soon develop into a \$10 billion a year industry in Australia. The technology involved in carbon capture and storage (also known as geosequestration) is yet to be proven viable, but it involves trapping greenhouse emissions from power plants and permanently storing them underground. BP, Shell, and Anglo American Plc are among companies developing Australian projects. Citigroup noted that investment opportunities will open up across a number of industries, including petroleum, chemicals, industrial gases, infrastructure and engineering.

Another major beneficiary of the Labor government’s measures is the voluntary carbon “offset” industry. This industry is a vast fraud. It enables corporate polluters to maintain their current levels of carbon emissions, so long as they “neutralise” their pollution through tree planting or subsidised renewable energy schemes. These projects do nothing to adequately lower emissions and in many cases are based on entirely bogus scientific projections.

Andrew Grant, CEO of the Perth-based carbon offset company CO2 Group, hailed the Rudd government for ratifying the Kyoto Protocol, saying the move would improve carbon trading and raise the price of offsets. Grant’s company announced earlier this month a contract worth \$100 million with Woodside Petroleum to plant tracts of mallee trees in New South Wales and Western Australia to “offset” the carbon emissions of Woodside’s new \$11 billion liquefied natural gas project near Karratha in north-west Australia.

Major investors are now looking for a slice of the offset industry. The day after Rudd formally signed the protocol, Macquarie Bank announced it was purchasing 50 percent of offset company Climate Friendly for an undisclosed amount.

The corporate interests underlying Labor’s climate change policies

underscore the impossibility of genuinely addressing global warming within the framework of the profit system. Under capitalism, every human and social need, including that for a stable and healthy environment, is subordinated to the accumulation of private profit and wealth.

Rudd and the Bali conference

As well as aiming to satisfy the demands of big business, Rudd's rush to ratify Kyoto was also designed to boost his government's standing at the two-week climate change conference now underway in Bali, Indonesia. The conference, convened under the auspices of the UN, is the first of several international meetings being held to discuss a new protocol on carbon emissions targets that will replace Kyoto when it expires in 2012. This process is expected to take at least two years.

More than 10,000 bureaucrats, lobbyists, and delegates from 190 countries are meeting in Bali. Yvo de Boer, general secretary of the UN Framework Convention on Climate Change, bluntly warned that anyone expecting specific emission reduction targets or long-term climate change solutions "will leave disappointed".

Global warming is already well underway. Scientists have issued definitive warnings that unless drastic steps are immediately taken to reduce global carbon emissions there is a very real danger that climate change will reach a tipping point and prove irreversible, threatening to make the planet uninhabitable. Despite the grave seriousness of the threat, delegates from the various capitalist powers meeting in Bali are all primarily concerned with securing an advantage for their national businesses and industries by evading stringent carbon emission reduction targets.

There are two central outstanding questions regarding the drawing up of a post-Kyoto climate change agreement.

The first concerns the US—the world's largest greenhouse gas polluter—and whether it will accept binding emission targets. Rudd's ratification of Kyoto leaves the US the only advanced capitalist country that has refused to sign on to the treaty. Washington continues to reject outright any agreement involving binding targets. There is no doubt that the schedule for the next international agreement on climate change is being coordinated in anticipation of the Bush administration losing office in late 2008. Powerful sections of big business in the US have grown increasingly dissatisfied with Bush for his refusal to ratify Kyoto and create a national American carbon trading scheme. It is widely expected that the next administration, whether Republican or Democrat, will adopt a different approach more consistent with international developments.

The second question concerns the so-called developing countries. Kyoto imposed emission reduction targets on the advanced countries but not developing industrial powers such as China, India, and Brazil. The US, Canadian, Japanese, and Australian governments have insisted that these countries must be included, while the undeveloped countries say the advanced countries should bear the burden of resolving the climate change crisis. The European powers have played a conciliatory role, with the EU delegation in Bali pressing for relatively steep binding targets for advanced countries but only "firm commitments" from the rest of the world.

Prime Minister Rudd has staked significant political capital on the Bali conference and is personally heading the Australian delegation to next week's two-day leaders' summit, which marks the culmination of the event. Climate change minister Penny Wong, environment minister Peter Garrett and Treasurer Wayne Swan are also attending. The Australian delegation also includes representatives from the departments of environment, industry, tourism and resources, as well as six lobby groups—the National Farmers Federation, National Association of Forest Industries, Australian Industry Greenhouse Network, Clean Energy Council, Climate Action Network Australia and World Vision.

Rudd hopes to bridge the different interests of the Asian powers, the Europeans, and the loose grouping of the US, Canada, and Japan, in order

to secure a favourable outcome for Australian corporate interests.

On the one hand, Rudd aims to capitalise on the goodwill Australia has won from the European powers by ratifying Kyoto, which has isolated the Bush administration. On the other hand, Australia is the current chair of the climate change "umbrella group" which includes the US, Japan, and Canada. And in addition, Rudd, a former diplomat and Mandarin-speaker, hopes to capitalise on his relations with the Chinese government. According to the *Australian*, Rudd had a 20-minute phone conversation with Premier Wen Jiabao on Wednesday and proposed to act as an intermediary between China and the developed countries at the Bali conference.

The Labor government's manoeuvres are all aimed at ensuring that China, India, and other Asian powers are formally included in the post-Kyoto agreement. Canberra's concern has nothing to do with securing global emission reductions sufficient to halt climate change, but is instead again motivated by commercial interests. Rudd wants the Australian carbon trading scheme—due to come into existence in 2010—to form the hub of an Asian-wide carbon market that could potentially dwarf the multi-billion dollar European industry. A Sydney-based emissions trading scheme that incorporated China and India would provide extraordinary opportunities for Australian-based investors and financial institutions. For this to eventuate, however, developing countries must be brought on board and allocated emissions targets.

During the federal election campaign, Labor's Peter Garrett was condemned by the Australian media for initially suggesting that a Rudd government would sign a future climate change agreement that excluded China and India. Rudd immediately declared that a Labor government would in fact never agree to such a protocol. The revealing episode demonstrated the Labor leader's acute sensitivity to business concerns.

Garrett is yet to politically recover from his "gaffe". Formerly Labor spokesman for both climate change and the environment, after the election he lost the climate change portfolio to Senator Penny Wong. Rudd also announced this week that questions in the House of Representatives related to global warming would be answered not by Garrett, the environment minister, but by Treasurer Wayne Swan.

While the Liberals sought to exploit Garrett's sidelining, Wong retorted by saying that climate change is "as much an economic issue as an environmental issue"—a comment that underscores the purpose of Labor's entire climate change agenda.



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