Australia: Bipartisan carbon trading deal transfers $6 billion from households to corporate polluters

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An extraordinary deal finalised Tuesday between the Labor government and the opposition Liberal Party on legislation enacting an Australian carbon emissions trading scheme will strip low and middle income earners of nearly $6 billion previously allocated as compensation for higher fuel and energy costs. The money will now be used to cover the bulk of an additional $7 billion allocated to the major corporate polluters, bringing the grand total of public funds to be transferred to business through the emissions trading scheme to a staggering $A123.4 billion ($US114.1 billion). The final terms of the government's so-called Carbon Pollution Reduction Scheme (CPRS)—set to be approved by parliament this week and to commence operations in 2011—underscore that the mechanism has nothing to do with protecting the environment, but is driven by the interests of corporate Australia.

The additional $7 billion subsidy will go to different sections of business—an extra $1.3 billion for industries classed as "energy intensive, trade exposed"; a doubling of assistance to the coal industry, making a total of $1.5 billion; about $3 billion more to electricity generators; compensation of $1.1 billion to large and medium businesses for energy price rises; and various other measures including $600 million for the liquid natural gas sector and $150 million for food processing companies.

The decision to hand money over to the heavily polluting coal generated power stations came after their private operators raised the possibility of abruptly shutting down operations. In other circumstances, any group making a threat such as this to sabotage power supplies to major cities, unless payment of $3 billion was forthcoming, would be classified as a terrorist organisation. In this instance, however, the blackmail went unchallenged in the media; Prime Minister Kevin Rudd and Minister for Climate Change Penny Wong simply referred to the need to uphold "security of energy supply".

The government justified the $6 billion cut to household compensation on the basis that the stronger Australian dollar meant that the forecast carbon price would be lower, reducing the anticipated increase in fuel and energy costs. But this calculation is based on highly uncertain, long term predictions of the future market price of two volatile commodities—the Australian dollar and international carbon credits. The *Australian*'s Paul Kelly described the government's move as a "magic accounting trick", while the *Business Spectator*'s Alan Kohler noted that "the government's assumptions have been manipulated to achieve a political outcome".

There is no question that the ETS will leave the working class significantly worse off—directly through higher energy costs, and indirectly in the form of higher prices across the board. According to a recent study commissioned by the Business Council of Australia, electricity prices could double over the next five years. The *Australian Financial Review* yesterday noted that a Citigroup analysis concluded that carbon costs "are unlikely to be material for many S&P/ASX 100 companies, and will often be passed on to customers", while Deutsche Securities said that the "combination of significant relief for many large emitters" plus the ability to simply raise prices will result in "relatively benign valuation impacts in general".

What happens after five years, when the initial cap on the price of carbon credits in Australia is lifted, remains unclear. Beyond this point there is no limit to how high the price of carbon—and therefore of energy and fuel for ordinary people—may be pushed up by the activities of international hedge funds and speculators.

None of this will have any significant beneficial environmental impact. The Rudd government's baseline target is to reduce carbon emissions by just 5 percent of their 2000 levels by 2020. The final target may be higher, with Labor tying action in Australia to an as yet un-finalised new international climate treaty. Rudd has paraded his offer of a potential 25 percent cut in Australian reductions by 2020 as proof of his environmental credentials, but the offer is completely bogus, since it has been tied to a series of conditions that the government knows will not be met.

The 2007 United Nations' Intergovernmental Panel on Climate Change (IPCC) report concluded that advanced economies would need to cut their emissions by between 25 and 40 percent by 2020.

Evidence is already mounting that the IPCC's assessment was a significant under-estimation. Twenty-six climate scientists, including 14 IPCC members, this week released a report summarising hundreds of peer-reviewed research papers published in scientific journals since 2007. They concluded that arctic sea ice is melting 40 percent faster than the IPCC report estimated, while the annual sea level rise in the fifteen years up to 2008 is 80 percent greater than estimated. The scientists indicated that global emissions needed to peak between

2015 and 2020 and then decline rapidly, with a near-zero carbon emissions world economy achieved well before the end of the century.

"Climate change is accelerating towards the tipping points for polar ice sheets," Professor Tim Lenton of Britain's University of East Anglia School of Environmental Sciences explained. "That's why we're now projecting future sea level rise in metres rather than centimetres."

The "free market" carbon trading mechanism—proposed as a means of resolving the climate crisis within the framework of the profit system—is inherently incapable of delivering the vast reorganisation of the world economy that is required.

For all of Rudd's rhetoric about climate change being the "greatest moral challenge of our generation", the reality is that Labor's approach has never been dictated by concern for the environment. Rather, for several years Australian big business has been adamant that it must be better positioned to take advantage of the billion dollar trade in carbon credits created by the Kyoto Protocol. Rudd's ratification of Kyoto upon entering office imposed no additional burdens on Australia to reduce emissions, but it did allow Australian corporations to gain open access, for the first time, to the European Emissions Trading Scheme and to the international Clean Development Mechanism (see: "Climate change, Kyoto, and carbon trading").

The Australian banks and financial institutions are among the most enthusiastic proponents of an ETS. Just as London is now the world centre for carbon trading, because the British government gained "first mover" advantage by establishing a national carbon trading scheme ahead of the European ETS, so Australian finance capital is looking to position Sydney as a key hub for a future Asian carbon market, potentially involving two of the three largest economies in the world—China and Japan.

These considerations played a central role in the Labor government's determination to push through the ETS legislation before next month's international climate negotiations in Copenhagen, Denmark. The summit—for years anticipated as the climax of the process of establishing a post-Kyoto world climate change treaty—is a debacle before it has even begun, with intense rivalries between the major powers now universally expected to stymie any agreement. On behalf of big business and finance capital, Rudd is nevertheless planning to use the event to promote Australia's carbon trading credentials. According to the *Financial Times*, Rudd is going to serve as "friend of the chair" to the Danish prime minister during the summit.

Little serious scrutiny of the ETS package worked out by prime minister Kevin Rudd and opposition leader Malcolm Turnbull has emerged in the media, in part due to its preoccupation with an explosive crisis within the opposition Liberal Party. Despite dissenters from the ETS dominating the opposition's parliamentary caucus proceedings on Tuesday, convened to vote on the new legislation, Turnbull emerged in the evening declaring he had "made the call" in favour of the CPRS. Yesterday Turnbull's opponents tried to force a leadership spill, with Turnbull narrowly avoiding a leadership challenge by 48 to 35 votes. Several of the Liberal dissenters are expected to cross the floor and join the Nationals in voting against the legislation.

The bitter divisions within the opposition are directly related to the competing interests of different sections of business. The mining, coal, and fossil fuel industries are the only significant corporate sectors likely to incur any real costs as a result of the ETS. These corporations enjoyed the closest of ties with the former Howard government and exercised virtual veto power over climate policy; they have since retained the loyalties of a substantial number of Liberal parliamentarians. As for the Nationals, they fear the impact of higher energy costs on less efficient farming interests—though the National Farmers Federation, on behalf of larger agribusinesses, backed the amended ETS after agriculture was excluded from the scheme and more de facto subsidies added.

These various vested interests have in turn fed into the absurd position advanced by elements within the Liberal Party's right wing—that climate change is a "left-wing" hoax and conspiracy.

Turnbull is a former merchant banker and well understands the business interests at stake. He has pleaded for his colleagues to take heed of the demand within corporate Australia for an end to uncertainty on carbon trading; he has also pointed to the fact that former prime minister Howard's 2007 proposal to enact an ETS was little different to the Rudd government's final scheme. Events over the past two days make clear, however, that even if Howard had won the 2007 election, he may well have failed to implement his plan in the face of such trenchant opposition within his own ranks.

Not for the first time in Australian history, at the point of a major economic shift, the conservatives are tearing themselves apart as they seek to defend the various rival sectional interests. The Labor Party, on the other hand, has once again proven itself as the sole political force capable of implementing a far reaching economic "reform", on behalf of the most powerful layers of the national bourgeoisie.

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