

# Australia: Carbon trading legislation triggers Liberal party “meltdown”

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The opposition Liberal party is tearing itself apart over a pending parliamentary vote on legislation for an Australian carbon emissions trading scheme (ETS), with leader Malcolm Turnbull facing a leadership spill on Tuesday morning. In the space of just three days, Turnbull's front bench has disintegrated, with thirteen MPs resigning. Turnbull will be challenged by right-wing shadow minister for families, housing, community services and indigenous affairs, Tony Abbott, and possibly by his ally, shadow treasurer Joe Hockey, who is on record as supporting the ETS.

Bitter internecine factional feuding erupted into the open following Turnbull's announcement last Tuesday that he had agreed to vote with the Labor government after negotiating an amended “cap and trade” scheme. The political crisis wracking the Liberal party has led to increasing concerns within the official establishment over the financial implications of any delay in launching a carbon pollution reduction scheme and the political consequences of the lack of an alternative to the Rudd Labor government.

Turnbull last month secured caucus support to negotiate with the government on the terms of the ETS. The opposition's chief negotiator Ian Macfarlane pressed Labor to issue yet more concessions to agriculture and big business, especially to mining, coal and electricity generator interests. Included in the terms of the deal, which was announced on Tuesday, was an additional \$7 billion in corporate compensation, bringing the total to \$A123 billion (\$US114 billion) (see: “Bipartisan carbon trading deal transfers \$6 billion from households to corporate polluters”).

Nevertheless, the situation immediately began to unravel and Liberal MPs opposed to the ETS began publicly denouncing Turnbull's leadership. During lengthy and highly acrimonious parliamentary caucus meetings on Tuesday, elementary party discipline broke down; some MPs texted journalists during the discussions, others posted running commentaries on the internet via Twitter, a social networking site. A key turning point was an intervention by Andrew Robb, the Liberals' former emissions trading spokesman and an important Turnbull supporter in the ousting of previous opposition leader Brendan Nelson. Robb forcefully denounced the proposed ETS, largely on the basis that it offered insufficient compensation for big business. According to the *Age*, this came as a “bombshell”. Robb had kept his plans from Turnbull and Macfarlane because he feared being bumped down the speakers' list. Reappearing after a prolonged leave of absence caused by depression, he did not even forewarn his staffers. The attack was clearly a calculated move; the day before,

former Howard advisor Grahame Morris had told ABC radio that a powerful speech by an influential MP could swing the debate.

Robb's speech emboldened caucus opponents of the ETS. Soon after a series of shadow ministers, including Tony Abbott, opposition Senate leader Nick Minchin, and deputy Senate leader Eric Abetz, handed in their resignations. Yesterday, Turnbull's opponents in the senate stymied a scheduled upper house vote on the ETS.

The Rudd government insists there will be a vote early next week before the parliamentary summer break. Unless seven Liberal senators vote for the ETS legislation, it will be blocked and the Rudd government will be in a position to call an early “double dissolution” election. Such a poll is universally expected to see the opposition routed. The *Australian* today reviewed polls showing strong public concern over climate change and concluded that the Liberals could lose up to 20 of its metropolitan lower house seats and be relegated to a small parliamentary rump with virtually no chance of winning the subsequent election scheduled for 2013.

While the media commentary has largely focused on the various personalities involved—referring to Turnbull's abrasive business leadership style and regularly characterising Abbott as the “Mad Monk”—the conflict is, in reality, rooted in sharp divisions within the Australian bourgeoisie.

The Rudd government's so-called Carbon Pollution Reduction Scheme has nothing to do with addressing global warming—“free market” carbon trading measures are inherently incapable of delivering the vast reorganisation of the world economy required to lower carbon emissions by the required amount. The Australian ETS is instead primarily aimed at meeting the demands of finance capital for access to the increasingly lucrative carbon credit market. By ratifying the Kyoto Protocol and establishing a national ETS, the Rudd government has positioned Australian banks, hedge funds, and other financial institutions to capitalise on global trade in the new commodity—greenhouse gas pollution—now worth more than \$100 billion annually and growing at a rapid rate.

Establishing an Australian ETS is intended to pre-position Sydney as a key hub for future carbon trading in East Asia. Carbon commodity analysts are already looking forward to a Chinese ETS in coming years, with Beijing's recent pledge to reduce “carbon intensity” requiring the establishment of accurate emissions measurements—a key precondition for a national carbon market. Japan

already has a limited ETS covering a small number of firms, but is expected to enact a broader scheme once a global post-Kyoto treaty is negotiated. Countries including Indonesia and Papua New Guinea are becoming more involved in global carbon trading mechanisms, earning credits through the reported prevention of deforestation. Just as Britain's establishment of a national ETS ahead of the European scheme resulted in London becoming the centre of the carbon trade, so Australian finance capital hopes to capitalise on the emerging market in the Asia-Pacific region.

In 2007, then prime minister John Howard responded to growing business pressures by jettisoning his previous opposition to emission reduction targets and proposing an Australian ETS. Turnbull's attempt to maintain this position, however, has come into sharp conflict with those layers within the Liberal Party that articulate the interests of the fossil fuel sector in particular—mining, coal, oil, aluminium, cement and electricity. These interests, which were paramount under the Howard government and enjoyed a virtual veto over climate policy until 2007, fear losing out under the ETS. Lobbyists for the fossil fuel sector proudly referred to themselves as the “greenhouse mafia”. Successfully preventing rival sections of big business from influencing the government, they would routinely be shown government statements on climate matters prior to public release, and even authored cabinet submissions and ministerial briefings.

The bipartisan shift towards an ETS in 2007 ultimately reflected the growing weight of finance capital within the Australian ruling elite. It became simply untenable for rival industries and their political representatives to cut off the banks and financial institutions from the global carbon market.

Events in recent days underscore the fact that, despite Howard's change of heart, the Liberal party was always incapable of implementing an ETS. Like other major shifts in economic policy, Labor has been called upon to introduce it, on behalf of the most powerful sections of the ruling elite. Under the Hawke-Keating governments from 1983 to 1996, Labor demonstrated its willingness to ruthlessly advance the interests of finance capital at the expense of less competitive sections of industry and business—floating the dollar, deregulating the financial industry, and slashing tariffs and trade barriers. As with deregulation, climate policy is directly bound up with vast changes in world economy, with the lucrative global carbon market lending immense weight to Labor's push for an Australian ETS. Alternative mechanisms for limiting national emissions—such as a “carbon tax” or regulating the energy industry—have received short shrift because they would result, irrespective of their environmental effectiveness, in Australia becoming an isolated backwater in the world carbon trade.

Sections of the Liberal Party nevertheless remain wedded to the fossil fuel sector. While Rudd did everything possible to ensure that no section of big business was adversely affected by the ETS, the coal mining industry and the coal-fired electricity generators will likely take a hit. This is largely because it is impossible to even marginally reduce Australian carbon emissions without reducing the country's dependence on coal-generated energy. Australia's electricity plants are extremely inefficient—Victoria's Hazelwood station creates more greenhouse gases per unit of power generated than any other plant in

the world.

Several Liberals who initially agreed with Turnbull's proposal to support the Rudd government's ETS balked when the final terms were announced. Andrew Robb, for example, reportedly argued that the scheme should have incorporated aspects of an alternative mechanism outlined in a study by Frontier Economics, commissioned earlier this year by the Liberal-National coalition and independent senator Nick Xenophon. The Frontier Economics model involved exempting “fugitive emissions” in the coal industry, thereby avoiding the need for the \$1.5 billion compensation package offered by the government. The alternative scheme also proposed to make electricity plants purchase carbon credits not for their total emissions but only for those above a set baseline.

The interests of the coal and electricity industries were expressed through a ferocious campaign waged through the right wing of the Liberal and National parties. The coal sector ran advertisements warning of massive job losses, the power generators threatened that supply to major cities could be abruptly shut off, and radio “shock jocks” throughout the country railed against the ETS, promoting bizarre conspiracy theories that the post-Kyoto treaty to be discussed in Denmark next month would result in a “one world government”. At the same time they sought to exploit legitimate fears that while Rudd's scheme would do nothing to affect climate change, it will make ordinary people far worse off by jacking up fuel and energy costs.

The Liberal opponents of the ETS have drawn sharp criticisms from the mouthpieces of finance capital in the media. A Friday editorial in Murdoch's *Australian* praised Turnbull's “unflinching defence” of his support for the ETS, which “stood in marked contrast to the ill-disciplined behaviour of the sceptics and their fellow-travellers within the Liberal ranks”. The editorial went on to declare that Turnbull's “leadership on climate change is absolutely correct”.

Likewise, the *Sydney Morning Herald* likened the “catastrophic and bloody” internal conflict to Armageddon, declaring “It calls into question the very existence of a united Liberal Party. It is hardly less significant for the future of our democracy.”

Pointing to the depth of the current tensions, as well as to its own priorities, the editorial continued: “Turnbull believes, rightly, that the Liberal Party is unelectable if it appears opposed to an emissions trading scheme. Turnbull's opponents believe, also apparently with justification, that the party will split if it is asked to support the carbon pollution reduction scheme. For the sake of party unity, they want to delay. The party is thus forced to choose between what is good for the Liberal Party, or good for the country. We believe it must choose the latter.”



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