Australia: Senate rejection of carbon trading legislation draws rebukes from big business

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Key sections of big business have expressed deep dissatisfaction over yesterday's senate vote blocking the Australian Labor government's carbon emissions trading scheme (ETS). The legislation was defeated by 41 votes to 33, with all but two Liberal Party senators voting against. The National Party, Greens, and two independent senators also opposed the scheme. Prime Minister Kevin Rudd had required at least seven Liberals to cross the floor and defy their new leader Tony Abbot in favour of the ETS, which had been agreed by the deposed opposition leader Malcolm Turnbull.

The competing interests of rival sections of big business and finance capital that lie behind the extraordinary political turmoil over the ETS were publicly expressed immediately after the senate vote.

According to the *Australian*, the Business Council of Australia—the peak body for the country's 100 largest corporations—pressed the opposition to change its position. BCA President Graham Bradley declared, "the best way for Australia to transition to a low-emissions economy is through a market-based emissions trading scheme". The Australian Industry Group took a similar position. AIG chief executive Heather Ridout warned: "The failure today of the senate to pass the Carbon Pollution Reduction Scheme will prolong, if not compound, the uncertainty for business."

On the other hand, the Minerals Council of Australia—representing the mining and coal industries—welcomed the senate's rejection of the legislation. The coal sector and several privately operated power generators are among the few corporate concerns not fully covered by the Rudd government's transfer of $123 billion ($US114 billion) in public funding to corporate Australia through the scheme. The staggering handouts underscore the fact that Labor's "free market" mechanism to reduce emissions has been driven by a concern to advance the interests of the most powerful sections of the bourgeoisie, and has nothing to do with resolving the climate change crisis.

The senate vote has provided the Rudd government with a trigger to call an early, "double dissolution" election of both houses of parliament. However, despite being heavily favoured to win such an election, given the Liberals' bitter infighting and disastrous standing in opinion polls, the Labor Party has clearly signalled it does not want to proceed in such a way. Acting Prime Minister Julia Gillard and Minister for Climate Change and Water Penny Wong yesterday instead insisted that the ETS legislation would be brought back before the senate next February.

Labor's strategy has always been to rush the carbon trading system through parliament with as little public scrutiny as possible. Rudd and Turnbull had agreed that discussion would be conducted behind closed doors and largely restricted to their inner circle, leading CEOs and representatives of finance capital, and the editorial staff of the major newspapers.

Fighting an election on the ETS would focus public attention on the details of the scheme, undermining the key factor so far working in the government's favour—the general lack of knowledge on the part of ordinary people about what the ETS actually entails. Even a limited public debate would reveal that the ETS benefits big business at the direct expense of the living standards of the working class—in the form of higher fuel, energy and other costs, and that it will not reduce carbon emissions by any significant amount.

To pass the ETS, Labor needs just five more Liberal senators to join Judith Troeth and Sue Boyce in crossing the floor. Senator Troeth, from Victoria, told the *Australian* that about nine or ten of her colleagues wanted to vote for the legislation but felt compelled not to. "I expect some of them felt it would be a mark of disrespect to a new leader, given that we have changed leaders and some of them have pre-selection coming up," she explained.

The government is no doubt anticipating that many opposition senators will see things differently by February, after big business has brought its pressure to bear on the Liberal Party.

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Abbott's policy stance appears to be untenable. He insists that the opposition will not support any form of emissions trading scheme going into the next election, nor a carbon tax—yet has maintained bipartisan agreement with the government's pledge to cut national greenhouse gas emissions by between 5 to 25 percent of their 2000 levels by 2020.

How Abbott proposes to achieve the target reduction remains unclear. He has floated taking "direct action" and enacting additional regulation of land management, building construction, and power generation. The *Australian* today noted: "These are all viable options, but they are all expensive. Very expensive. Without any form of carbon tax, it is not clear how they would be paid for other than directly by taxpayers. And some—such as the plan to convert power stations [from coal to gas]—could lead to bigger energy price rises than Labor's CPRS [Carbon Pollution Reduction Scheme]."

Abbott's proposals fail to meet two key requirements of big business and finance capital. Firstly, long term investment certainty—which requires a bipartisan pro-business approach to climate policy—and secondly, Australia's full participation in the international trade in carbon credits. This rapidly growing market is now worth about $120 billion annually. Australian banks and financial institutions hope to capitalise on the potential extension of this trade into China, Japan, India and other East Asian economies by positioning Sydney as the regional hub for investment and speculation in carbon.

Without a national ETS this will not happen. Moreover, Abbott's rejection of carbon trading has a number of other significant, and potentially adverse, implications for corporate Australia.

One issue yet to receive media scrutiny relates to emissions reduction targets. Under the Rudd government's model, Australian businesses can meet the benchmarks by purchasing carbon credits generated by projects supposedly reducing emissions in countries such as China, India, and Brazil. Labor's pledge to cut Australia's emissions by 5 to 25 percent by 2020 is therefore highly misleading—according to some forecasts, between half to three-quarters of the stated reduction in greenhouse gases will be met through the purchase of carbon credits on the world market rather than actual reductions in Australian emissions. Whether such a sleight of hand will be possible under Abbott's policy remains unclear. Even if it is, without an ETS the government, not corporations, will be purchasing the credits—potentially blowing out the budget deficit even further.

Macquarie Bank is one of several Australian financial institutions that have made significant investments in the carbon trading sector. Its economist Aimee Kaye has written a research note questioning Abbot's rejection of the ETS: "It is uncertain what options are available, especially given increasingly global shifts towards carbon trading. Indeed, given recent moves by the Chinese government, it is likely that six of Australia's top 10 trading partners, totalling over 50 percent of Australia's export value, will have emissions trading schemes in the foreseeable future."

The *Australian* stressed in its editorial today that the Liberals could not simply reject the government's position. Failure to advance a credible policy alternative for reducing emissions would raise the spectre of Australia's major trading partners imposing trade sanctions. The US carbon trading legislation that passed through the House of Representatives in June—known as the Waxman-Markey bill—contained a clause requiring tariffs to be imposed, from the year 2020, on imports from countries that had not adequately limited their greenhouse gas pollution. Senior European politicians, including French President Nicolas Sarkozy and German Chancellor Angela Merkel, have called for similar measures.

Barnaby Joyce—National Party senate leader and long-time opponent of the Australian ETS—was asked about this threat to Australian exports on the ABC's "Lateline" program last night. "I suppose in Australia we would have to put up protection mechanisms as well," he replied. "Similar carbon tariffs, so we don't get imports from China and South East Asia. What goes around comes around. If we want to start setting up trade barriers, let's go."

This extraordinary outburst from Joyce—soon to be appointed to the shadow front bench—will no doubt heighten big business anxieties about the direction of the Liberal-National coalition under the leadership of Tony Abbott. Dependent on backing from the faction led by prominent climate change sceptic and opposition senate leader Nick Minchin, Abbott has done little to disprove his predecessor's warning about the Liberals becoming a "fringe party of the far right". Even 67-year-old arch right-winger Bronwyn Bishop has now been touted as a possible front bench member. Regarded for many years as something of an embarrassment, she was facing pressure, under Turnbull, to relinquish her seat and retire at the next election.

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