

# Australia: New Labor government changes tune on carbon tax after BHP chief intervenes

Patrick O'Connor  
22 September 2010

Within days of forming her minority Labor government, Prime Minister Julia Gillard has done a 180 degree policy about-turn on climate change, following a demand by Marius Kloppers, CEO of BHP-Billiton, Australia's largest corporation and the world's largest mining firm, for a carbon tax.

The Labor leader specifically ruled out such a tax during the recent election campaign. There was no mention, let alone public discussion, of the highly regressive effects of such a levy, which will sharply raise the cost of fuel, heating, and other basic necessities for working people. But now that a key corporate player has spoken, the Labor government has jumped to attention—backed by its de facto coalition partner, the Greens.

Kloppers issued his call for a carbon tax in a speech to the Australian British Chamber of Commerce last Thursday. His central argument was that despite the collapse of international negotiations, at Copenhagen last December, for a post-Kyoto climate change treaty, the various initiatives of national governments would be “eventually harmonised into unified global action”, and that “when it does Australia will need to have acted ahead of it to maintain its competitiveness”.

The CEO emphasised the potential risks associated with the Australian economy's dependence on heavily polluting coal-fired electricity plants. Only five countries—Bosnia Herzegovina, North Korea, Estonia, Mongolia and Poland—have a more emissions-intensive energy supply. “Australia will need to look beyond just coal towards the full spectrum of available energy solutions,” Kloppers concluded. “Failure to do so will place us at a competitive disadvantage in a future where carbon is priced globally.”

Just as throughout the official climate change “debate”, the latest call for a carbon tax has nothing to do with devising an effective policy aimed at averting the global warming crisis. This is because there is no solution within the framework of capitalism—the division of the world into rival nation states and the control exercised by giant corporations over public policy makes impossible the reorganisation of the global economy

required to reduce carbon emissions by the scientifically determined level. Discussion in financial, media, and political circles centres, instead, on how to best advance the interests of big business through climate policy, while making ordinary people pay the price for whatever ineffective measures are eventually put in place.

A carbon tax is essentially a tax placed on the consumption of energy sourced from fossil fuels. Working people and the poor would be hit the hardest, since they would have no choice but to pay for hiked petrol, heating, and home power charges, as well as higher costs of living in other areas as businesses pass on their additional costs to consumers. Companies in what are designated trade exposed industries would be entirely or nearly entirely compensated—unsurprisingly, Marius Kloppers was adamant on this point. BHP-Billiton will likely end up paying very little extra under a carbon tax.

It is now regarded as an inevitable necessity that corporate Australia as a whole would have to pay some degree of additional tax with the creation of a carbon price.

One reason is that the economy is already being bypassed by the burgeoning, multi-billion dollar alternative energy sector. As Giles Parkinson of the *Business Spectator* explained earlier this month: “The only two Australian-based [investment] funds that specialise in clean technology investments both eschew Australia—not because of its lack of R&D and innovation, but because the policies are not in place to support the right business models.” Nathan Fabian, CEO of the Investor Group on Climate Change, added: “Miners talk about carbon leakage, but there is just as great a risk of capital leakage—money moving offshore for low-carbon exposure, the money that will go to China, Europe or South America, where governments are setting policies in place.”

In addition, the economy's dependence on coal-fired electricity generation creates the danger that a costly economic restructuring may be imposed on Australia through a future global climate change treaty. Under the Kyoto Protocol, Australia was effectively permitted to continue polluting

unabated. But no-one expects this to remain the case the next time around. Moreover, even without a successor treaty, the European Union has threatened to impose trade barriers on goods and services sourced from countries that have not moved to restrict their greenhouse gas emissions.

Gillard eagerly seized on Kloppers' speech as a means of proving, after just days in office, her government's commitment to the interests of big business and finance capital.

The new PM had completely ruled out a carbon tax in the election campaign. Now that one of the leading miners has spoken, however, she has rapidly changed her tune. In any event, the election—having featured a series of blatant diversions and the suppression of virtually every serious issue—is now out of the way. Last Saturday Gillard contemptuously declared that she could no longer commit to any of her election promises. There was a “new environment” with the formation of a minority government, and “people are going to have to get used to it,” she said.

Gillard has gone on the offensive on the carbon tax because she calculates that opposition leader Tony Abbott is swimming against the tide of a business consensus. Abbott ousted former Liberal leader Malcolm Turnbull by just one caucus vote last December after Turnbull agreed to the government's proposed Emissions Trading Scheme. Abbott repudiated the deal, appealing to sections of the mining industry, the privately owned power generators, and less competitive sections of industry and agriculture that stood to lose out under an ETS.

Now Abbott's central argument, that no action should be taken on climate change before a post-Kyoto treaty is finalised has been rebuffed by the CEO of Australia's mining giant. And the deep divisions within the opposition on the issue have immediately resurfaced—Turnbull declared, via his Twitter account, that Kloppers was “one of the smartest business leaders around” and that his speech had been “very thoughtful”.

The Greens also hailed BHP's intervention. Party leader Bob Brown told ABC Radio: “We have noted this in the past—that business wants the certainty of a carbon price and [deputy Greens' leader] Christine Milne and I advocated that strongly in the run up to the election. You have to have a carbon price if you are going to give business certainty about investment into the future and so Mr Kloppers is more or less in the same area because it's commonsense.”

These remarks underscore the class basis of the Labor-Greens alliance. Both parties are determined to push through climate change legislation tailored to the needs of business and the financial sector. The formation of the Labor-Greens alliance

involved an agreement on the convening of a parliamentary committee to devise a means of imposing a carbon price. This initially provided Gillard with a convenient opportunity to dump her derided “citizen's assembly” proposal—but is now the focal point for the minority government's corporate-friendly climate agenda. As well as Labor, Greens, and rural independent MPs, selected experts will serve on the committee, potentially including Marius Kloppers, together with other chief executives.

Both Labor and the Greens have already issued guarantees to the mining giants that there will be no alteration to Gillard's rent tax on iron ore and copper. Legislation for the tax, which replaces former PM Kevin Rudd's Resource Super Profits Tax (RSPT), is being effectively drafted by the mining companies themselves. Moreover, Bob Brown has assured them that the Greens will not seek to return the tax rate to that of the RSPT (40 percent, against Gillard's 22.5 percent) as he suggested they would during the election campaign.

Gillard has insisted that there will be no alterations to the tax as part of her minority government's negotiations in the House of Representatives and the senate. Speaking at a press conference held the day after the BHP CEO's speech, she declared: “I've said consistently that I will deliver on the agreement that I entered into with Australia's biggest miners, including Mr Kloppers.”

The statement amounted to an open admission that the Labor government's tax policy has been determined on the basis of a deal aimed at preventing another corporate destabilisation campaign like that mounted against Rudd.



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