

Australian Labor government stakes pro-business credentials on new carbon tax

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Labor Prime Minister Julia Gillard announced last Thursday that she will introduce a carbon tax before July 2012, repudiating an explicit promise during last year's election campaign that she would not. Gillard has stressed that a "carbon price" is a key component of her pro-business reform agenda—comparable to the "free market" restructuring measures implemented by the 1983-1996 Hawke-Keating Labor governments—and has staked her political credibility on pushing the tax through the hung parliament.

The proposed carbon tax is intended as an interim measure ahead of an emissions trading scheme (ETS), to be established between 2015 and 2017. The specific details of the tax are yet to be determined, though it is likely it will be set at between \$20 and \$30 for each tonne of carbon emitted. Unlike an ETS, a tax effectively involves corporations initially paying a levy on the energy they consume, whereas carbon trading encourages corporations to profit by buying and selling allocated carbon "credits".

Both an ETS and a carbon tax have the same effect on working people—each mechanism is highly regressive and will sharply raise living costs. Business will pass the impost onto consumers through higher prices. Treasury estimates suggest a tax of \$25 per tonne would add nearly \$1,000 a year in direct and indirect expenses for a family on average household income.

According to the *Sunday Age*, the Gillard government plans to provide compensation through tax and welfare measures, with 90 percent of "low income" households receiving more than they will pay as a result of the carbon tax, and about half of all "middle income" households being fully compensated. These figures, even if true, mask the fact that working people will still bear the burden of the tax. The *Australian Financial Review* estimated that a \$25 per tonne carbon tax would see the largest 200 sharemarket-listed companies pass on \$1.57 billion in costs to consumers. Moreover, once the carbon tax is phased out and replaced by an ETS, there is no limit to how high the international financial markets can spike the carbon price, and therefore the cost of basic necessities, such as electricity and

petrol.

Gillard has emphasised the need to deliver long-term certainty for financial markets and big business, especially in the energy sector. Multi-billion dollar investments in Australia's ageing and heavily polluting coal-based electricity sector have been held up by the lack of clarity on a carbon price. The Labor government has also stressed the need to boost the competitiveness of the Australian economy against rivals that are far less dependent on fossil fuel-based energy. Australia has received little investment in the lucrative renewable energy sector; moreover, as the highest per capita greenhouse gas polluter in the world, the country is vulnerable to potential "green" export tariffs, which are being discussed in European ruling circles as a way of punishing rival economies that refuse to match the European Union's carbon targets.

Just before the last election Gillard declared "there will be no carbon tax under the government I lead". Her about-turn followed an intervention at September by BHP-Billiton chief executive officer Marius Kloppers, who demanded the tax to ensure Australia was not at "a competitive disadvantage in a future where carbon is priced globally".

The Labor government's announcement has received the support of key sections of big business, including the mining companies and the banks. The response is consistent with a wider political shift in recent weeks, in which Gillard has won plaudits in financial and media circles for her moves to implement long demanded public spending austerity measures and attacks on welfare provisions, using the Queensland floods as the initial pretext ahead of the federal budget in May.

The *Australian Financial Review's* editorial on Friday castigated opposition leader Tony Abbott for rejecting the measure and for accusing Gillard of lying because of her election promise breach. It declared that "it is time to stop playing political games with this issue because the uncertainty over electricity development and its cost in what is a resource-rich country is too high".

Rupert Murdoch's *Australian* said Labor's proposal "makes sense," adding: "Broken promise or not, Ms Gillard is finally underway on a major reform." In a comment titled, "Iron lady finds her mettle in Canberra," the newspaper's editor-at-large, Paul Kelly, said the initiative was a welcome sign the government was changing former Prime Minister Kevin Rudd's "strategy of retreat" on pro-business reforms to a new "strategy of crashing through". Kelly continued: "Gillard is either hurtling to political suicide or recasting herself in a Thatcherite mantle to prevail against the odds... She can triumph against such obstacles only by redefining her political persona as an iron lady reminiscent of Margaret Thatcher's strength and conviction. Nothing else will suffice."

The Liberal-National Coalition remains wracked with bitter divisions over the carbon tax and ETS. Opposition leader Tony Abbott ousted his predecessor Malcolm Turnbull by just one vote in December 2009, after rallying opposition within the Liberal Party against Turnbull's agreement on Rudd's ETS legislation. Abbott represented sectional business interests that stood to lose out under the carbon trading scheme, including some of the mining companies and the electricity generators.

He is now attempting a phony populist campaign, promising a "people's revolt" against the new tax. Abbott's constituency remains the major fossil fuel-based industries, less competitive sections of manufacturing, and the small business lobby, which fears that the largest corporations will hit them with the cost of the carbon tax through the supply chain. The opposition leader's alternative proposal—handing over billions in public funds to coal-fired power generators to either shut down or switch to natural gas—has been pilloried in the media as being too expensive and not based on "market" mechanisms.

Turnbull, now shadow communications minister, has previously expressed support for a carbon tax. He responded to Gillard's announcement by stating that his "well-known views" on climate change policy "have not, in principle, changed," quibbling only over whether the Labor government could work out the detail in a "balanced or responsible" manner. With ruling circles concerned over Abbott's performance as opposition leader on a number of other key policy issues, Turnbull may soon be prompted to mount a challenge over the carbon tax, triggering another crisis within the Liberal Party.

In developing the carbon tax, Gillard has received major support from the Greens—underscoring once again their function as a critical prop for the minority Labor government and facilitator of its right-wing program.

The tax was unveiled under the auspices of the multi-party

climate change committee, which was formed as one of the conditions demanded by the Greens for their alliance with Labor in the federal parliament. The hand-picked body comprises Gillard, Treasurer Wayne Swan, climate change minister Greg Combet, Greens' leader and deputy leader, Bob Brown and Christine Milne, and the two Independent parliamentarians allied with the Gillard government, Tony Windsor and Rob Oakeshott.

The Greens and Independent members of the committee stood beside Gillard as she held the press conference outside parliament announcing the carbon tax. Greens' leader Brown was fulsome in his praise of both Gillard and Combet. Taking the credit for the idea, Brown declared that the tax was a "nation building" measure, while Milne added: "Both the Greens and the government recognise that it is critical there is investment certainty."

The Greens' stance exposes their posturing as defenders of the environment. The carbon tax, like an ETS, is incapable of resolving the climate change crisis. It will not reduce carbon pollution by anything like the extent deemed necessary by climate scientists. The "free market" measure ignores the cause of the problem—the totally irrational, profit-driven operations of the capitalist system. The Greens are ardent defenders of this system, which is why they are working so closely with the Gillard government, and the major banks and corporations, to introduce the measure.

The 2007 UN Intergovernmental Panel on Climate Change (IPCC) report concluded that every advanced economy had to reduce emissions by 25-40 percent by 2020. Several scientists have argued that the latest data indicate that substantially larger reductions are required. The Labor government's emissions target—a 5 percent reduction by 2020—bears no relationship whatsoever to the climate science, and there are no enforcement mechanisms to ensure that even this grossly inadequate target is met. The carbon tax will not obligate corporations to reduce emissions, and if their polluting activity proves profitable, they can ratchet them up and simply pass on the cost to consumers.



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