Australian government makes bogus pledge on household compensation for carbon tax

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The Labor government’s minister for climate change, Greg Combet, used an address to the National Press Club on Thursday to announce that more than 50 percent of all revenue collected through its proposed carbon tax will be returned as compensation to low- and middle-income households. Combet and Prime Minister Julia Gillard have claimed that, as a result, “millions” of Australians will be “better off” once the carbon tax is introduced.

The announcement is a desperate move to counter the well-founded concerns of working people that the tax will produce major hikes in energy bills and petrol prices.

In late 2009, former prime minister Kevin Rudd attempted to avoid any scrutiny of the regressive impact of his proposed emissions trading scheme (the so-called Carbon Pollution Reduction Scheme, CPRS) by striking a deal with then opposition leader Malcolm Turnbull to quickly ram the legislation through parliament. Now Turnbull’s replacement, opposition leader Tony Abbott, is conducting a phony populist campaign against the carbon tax, pointing to its highly regressive impact on household budgets. In response, Gillard has felt obliged to promise “generous” compensation—while failing to release any of the basic details of how the new tax will operate.

The government’s claim that “millions” of ordinary people will be better off under the tax is a complete fraud.

In the first place, the major private electricity retailers have already hiked prices in recent years, on the pretext that they need to invest in new technologies and prepare for a low-emissions future. While in New South Wales, energy bills are forecast to escalate by an average of 18 percent in the next year, there has been no discussion, by either the state or federal governments of compensating the millions of people already struggling to pay exorbitant electricity charges.

Moreover, the Gillard government’s claims fly in the face of its commitment to implement austerity measures, similar to those in the US and Europe. Governments around the world are attempting to make the working class pay for the financial crash by slashing public sector jobs and wages, undermining conditions, and gutting public spending. Labor has promised big business that next month’s budget will inflict “pain” on ordinary people—reducing funding for basic social services and infrastructure, and plunging those dependent on welfare payments further into poverty.

To the extent that some form of household compensation for the carbon tax is implemented—and this is by no means certain, given the Gillard government’s political instability and the precarious state of the Australian and world economies—the allocated funds will likely be cut from other parts of the budget. Geoff Carmody, co-founder of Access Economics and former Treasury senior officer, wrote in the *Australian Financial Review* on Thursday: “‘Compensation’ won’t be cheap ... and it will collide with the government’s policy to return the budget to surplus by 2012-13. We’ll need more budget cuts, above those already needed.”

Whatever the final arrangements made by the Gillard government, once the carbon tax is modified into an emissions trading scheme, scheduled between 2015 and 2017, there will be no limit as to how high financial markets can push the carbon price. There is therefore no limit to potential increases in energy and other costs. Greg Combet told the National Press Club that household compensation would be “permanent”—but it will not be indexed to the carbon price.

The discussion on potential compensation points to the bizarre character of every aspect of the official debate on climate change. The carbon tax, like Rudd’s proposed emissions trading scheme, is incapable of ensuring the level of carbon emission cuts recommended by climate scientists. Moreover, Gillard’s emissions targets bear no relationship whatsoever to climate science. The Labor government's approach is predicated on the assumption that international action to reduce carbon pollution will, in the best case scenario, produce a mere 50-50 chance that dangerous global warming of more than 2? Celsius can be avoided.

Like emissions trading schemes, the carbon tax is a "free market" measure aimed at resolving a crisis created by the destructive operations of the capitalist market itself. Combet acknowledged that the 50 largest corporate polluters accounted for more than half of the country's total carbon pollution. Yet these polluters are encouraged to carry on their activities, so long as they remain profitable. As Combet put it, the government would "leave it in the hands of the decision-makers in the marketplace" to find ways to cut greenhouse gas emissions.

The real purpose of the carbon tax is not to counter climate change but to boost the international competitiveness of Australian capitalism. The Labor government aims to unlock billions of dollars in energy investments that have stalled due to uncertainty over a carbon price, and to promote lucrative new investments in renewable and natural gas energies. Gillard is also aware of the danger that European and other governments may move to impose "green" tariffs against Australia's exports unless steps are taken to reduce carbon emissions.

In his National Press Club speech, Combet emphasised: "Just as the 1980s reforms laid down the bedrock of our current prosperity, pricing carbon will ensure that the Australian economy of the 21st century remains globally competitive."

A group of 21 corporations this week issued a joint statement backing the carbon tax. The group—headed by GE Australia and includes BP, Pacific Hydro, Linfox—said the measure was "critical to providing business certainty" and that "the costs of action are outweighed by the costs of delay." Gillard made a point of thanking the CEOs for their support in a press conference on Wednesday.

In seeking to advance the long-term interests of the Australian ruling elite, the Labor government is facing opposition from certain sectional corporate interests hostile to the tax. The mining and metal industries, the liquid natural gas (LNG) sector, and the coal-fired electricity generators are demanding massive public funding payouts. They are being backed by the Australian Workers Union. AWU chief Paul Howes, one of the Labor Party coup plotters who helped install Gillard as prime minister last year, is now insisting the government hand over more money to these corporations, under the bogus guise of "saving jobs."

Combet's announcement that household compensation would comprise more than half of the carbon tax revenue intake was met with dismay from the fossil fuel sector, which wants the lion's share of the revenue for itself. Minerals Council of Australia chief executive Mitch Hooke responded to Combet's speech by warning "you can't compensate for a loss of jobs."

Industry executives also expressed outrage at the climate change minister's suggestion that a carbon tax would have minimal impact on their profits. Combet noted that with a carbon tax set at $20 per tonne of emissions, the price of a tonne of steel, after corporate compensation, would rise by just $2.60 from $800, and the price of a tonne of aluminium would increase by around $18.70 over the current price of $2,500. Australian Aluminium Council chief Miles Prosser declared that the minister's analysis was "designed to trivialise reasonable industry concern."

The figures that Combet cited point to the reality that while the working class will be hit by the carbon tax, almost every sector of Australian big business is set to benefit, with only a small number of companies suffering any negative effect at all on their record profits. *Business Spectator* has noted that several major financial firms, including JPMorgan, Deutsche Bank, and Macquarie, have modelled the likely impact of the carbon tax, concluding there will be no impact on mining and resources investment.

Some corporations have nevertheless threatened a public campaign against the tax unless their demands are met. LNG exporter Woodside, which made a net profit of $1.6 billion last year, is already factoring in a potential carbon price to all its investment decisions. "Assuming it does not mean liking it, however," an article in the *Australian Financial Review* (AFR) noted. The AFR noted that Woodside and other LNG companies' "concerns about the carbon tax are shaped by their experiences of the resource super profits tax" and that "the lesson is that companies are prepared for just as big a brawl if that is what it takes to be heard on carbon."