

Australian Labor government unveils carbon tax

Patrick O'Connor
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Announcing the details yesterday of the minority Labor government's proposed carbon tax, Prime Minister Julia Gillard boasted that she had finally delivered a pathway to the long-demanded emissions trading scheme (ETS) that had previously "ran into a brick wall." She declared: "I've knocked the brick wall down—this is going through, this is done, full stop." While she presented the policy as a means of addressing widespread concerns about climate change, Gillard's speech was primarily directed toward the corporate and business elite who will reap the benefits from the market-based scheme.

The so-called Clean Energy Future policy—announced together with Gillard's prime-time television "address to the nation"—involves the establishment of a national ETS in 2015. This is to be preceded by a three-year period from 2012 in which 500 large corporations will pay a carbon tax of \$23 per tonne of emitted carbon dioxide. Business will immediately pass on these costs, with the working class made to pay.

Gillard has promoted the carbon price as a key pro-business economic reform, staking her political credibility on passing the legislation through parliament.

For more than five years there has been a consensus in leading corporate and finance circles that an ETS is required. During the 2007 election campaign, both the Labor and Liberal parties argued they would implement the measure. At that time the major banks and financial firms hoped to position Australia as the regional hub for a potentially lucrative Asian-wide trade in carbon credits. In 2009, the collapse of international negotiations for a post-Kyoto emissions treaty in Copenhagen, dented these expectations and led to the collapse of the ETS deal that had been worked out behind closed doors between then Prime Minister Kevin Rudd and Liberal leader Malcolm Turnbull.

Despite this, business continued to demand a "free market" approach to carbon emissions. Australia has the highest per capita emissions of any advanced economy and is the most dependent on coal-generated electricity. BHP Billiton CEO Marius Kloppers called for the imposition of a carbon tax in a major speech shortly after last year's federal election, warning that Australian capitalism's international competitiveness was at risk. Other business figures warned of the danger of the European Union

placing "green" tariffs on Australia's exports.

Gillard's declaration earlier this year that she would "price" carbon—repudiating a pre-election pledge not to introduce a carbon tax—directly followed Kloppers' intervention. She is now calculating that once the measure is in place, the Australian bourgeoisie will exert enormous pressure on the Liberal-National coalition to abandon its opposition. Gillard's strategy was spelled out by the *Sydney Morning Herald* editorial which commented: "Ever since the first carbon pollution reduction scheme was in the offing, business has been waiting for clarity about tax arrangements so that investment decisions can be made with some certainty... The Coalition will have to think carefully before it throws this whole issue back into the melting pot."

Since replacing Turnbull as opposition leader in 2009 on the basis of opposing an ETS, Tony Abbott has appealed to sectional business interests—fossil fuel industries, including the coal miners and coal-generated power plants, and less competitive sections of manufacturing. But the opposition leader has failed to win business and media backing for an early election, amid deep concern in ruling circles about the potential costs of his so-called direct action policy on reducing emissions, and also over the ability of the deeply divided Liberal Party to deliver the kind of austerity measures implemented in Europe and the US and now being demanded in Australia.

The Labor government has depicted its "carbon price" as an environmentally beneficial policy that also benefits low-income earners, welfare recipients and the elderly. Yet on every level this is an utter fraud.

Gillard declared that she was acting in line with the latest climate science, but the government's emissions targets bear no relationship whatsoever to the advice of leading climate scientists. Labor's target is to reduce Australia's emissions by 5 percent of their 2000 levels by 2020, and 80 percent by 2050. The latter target, projected four decades into the future, is meaningless, while the former—5 percent by 2020—is grossly inadequate. A major report issued by UN Intergovernmental Panel on Climate Change (IPCC) in 2007 advised that advanced economies needed to reduce emissions by 25-40 percent by 2020, and some leading climate scientists now think that even greater emissions cuts are required.

Under the carbon tax-ETS, emissions are set to further increase. The government's own figures forecast an increase in national emissions from 582 million tonnes of carbon now, to 621 million tonnes in 2020. The nominal 5 percent reduction is to be delivered via the purchase of "carbon credits" generated through various dubious projects internationally, as well as by supposedly emissions-reducing changes in Australian agricultural industries.

The Labor government's policy is explicitly premised on the assumption that there is not going to be an international agreement on reducing carbon emissions that prevents global warming greater than the dangerous threshold of 2° Celsius. This situation underscores the impossibility of resolving the climate change crisis under the profit system.

The Greens, who provide parliamentary support to the Labor government, are playing the key political role in providing Gillard's fraudulent policy with a "green" veneer. The Greens participated in the government's climate change committee that drafted the policy, and have pledged to support it in parliament. The minor party's leader, Bob Brown, declared Gillard's announcement a "great green action day."

Gillard and Treasurer Wayne Swan unveiled various changes to the tax system together with the new carbon tax-ETS. In the guise of compensation for higher costs of living, income tax is to apply only to those earning more than \$18,200, up from \$6,000 at present. Various changes to family payments and pensions were also announced.

Dressed up as a benefit for those on low incomes, the main purpose of the tax cut is help swell the pool of cheap, temporary and part-time labour for business by making low-paid work more attractive. This very modest "carrot" complements the various "sticks" in last May's budget—punitive programs aimed at forcing welfare recipients, single mothers and others into whatever jobs are available.

The *Australian Financial Review's* editorial today noted that Gillard "has used the carbon tax to make an overdue change to the tax system to encourage a shift from welfare to work and this change should not be overshadowed." The *Australian* also welcomed the regressive policy, commenting that "the reforms edge us closer to the flatter tax regime the *Australian* has long advocated."

Gillard declared that people would be better off under the carbon tax due to the so-called compensation mechanisms—but this is false and absurd. According to government and treasury figures, average electricity bills will rise by 10 percent and gas bills by 9 percent, though the consumer price index is forecast to increase by just 0.7 percent. Even on the basis of these forecasts, one-third of all households will be worse off.

Moreover, the real impact on inflation is likely to be

significantly higher. There are no mechanisms to prevent business profiteering with the introduction of the carbon tax, and supermarket spokesmen have already indicated that prices will rise by more than forecast. In addition, once the ETS commences operations in 2015, the carbon price is set by the market—i.e., by corporate operators and financial speculators—and there is no mechanism to index welfare and tax compensation to any ensuing hike in energy costs.

The Labor government ensured that various sections of business will receive enormous handouts of public funds. The coal mining giants are to get \$1.3 billion—even more than the windfall included in Rudd's failed ETS—and the steel producers \$300 million. Owners of Australia's coal-fired power stations are set to rake in an estimated \$5.5 billion up until 2016-17. Other energy intensive and trade-exposed industries will enjoy sweeping exemptions from the carbon tax.

The renewable energy corporate sector is set to benefit from other aspects of the government's package. A Clean Energy Finance Corporation has been allocated \$10 billion for cheap loans and subsidies for renewable energy projects and to switch some coal-fired power plants to gas. A new Australian Renewable Energy Agency (ARENA) has been allocated \$3.2 billion over nine years to make federal renewable schemes more efficient.

Gillard's announcement was broadly welcomed by business, and the Murdoch press. An editorial in the *Australian* declared: "Julia Gillard has succeeded where her predecessor failed, in a remarkable display of determination and pragmatism. It has brought out the best in a leader whose negotiating skills are proving to be her strongest asset. The prime minister has settled on a plan that attempts to put economic credibility ahead of gesture politics to deliver low-impact incentives to drive innovation ... this package carries the hallmark of an economically rational, reforming Labor government."

The editorial drew a direct parallel with the pro-market restructuring carried out from 1983 to 1996 by the Hawke and Keating Labor governments that resulted in a massive redistribution of wealth from working people to the corporate and financial elites. The Gillard government's carbon tax serves precisely the same class interests.



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