

Australian political crisis deepens over pro-business carbon tax

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Just a week ago, the passage of the minority Gillard Labor government's deeply unpopular carbon tax legislation through the lower house of parliament was hailed by media commentators as a breakthrough for the increasingly unstable government. Gillard, it was claimed, had achieved what her ousted predecessor Kevin Rudd could not—the introduction of carbon pricing.

Events of the past week, however, have made clear that the vote in the House of Representatives has only intensified the crisis wracking the government, and the entire political establishment, over the imposition of a market-driven carbon credit scheme.

Opposition leader Tony Abbott escalated his efforts to bring down the government, calculating that he must do so before the tax takes effect next July 1. Abbott issued a “blood oath” that a Liberal-National government would repeal the bill and warned business not to buy future carbon credits “under a tax regime that will be closed down.”

Demagogically posturing as a champion of working people, Abbott declared that Gillard's breach of her 2010 pre-election promise not to introduce a carbon tax “should be the kiss of death for this government.”

While both Gillard and Abbott are cynically claiming to be concerned about the impact of the tax on the cost of living for ordinary people—with Gillard falsely claiming that 70 percent of households will be compensated—the two leaders are relying on the backing of rival factions of the corporate elite.

Abbott represents sections of big business, such as the mining sector and manufacturers, who face higher costs, and are demanding the scrapping or major modification of the scheme. He has come under intense fire, however, from other major corporate interests, notably finance houses and “green industry” investment funds, which stand to make super-profits from carbon trading markets and alternative energy enterprises.

The world's four major “climate change” investment groups, which control \$20 trillion in pensions funds and institutional investments, warned that Abbott's vow to abolish the tax represented a “political risk” that could hold back investment in infrastructure and electricity. Their report, released by the Investor Group on Climate Change, said Labor's carbon price and \$10 billion clean energy fund to subsidise investment in renewable energy “should provide investors with real confidence.”

Deutsche Bank analyst Tim Jordan told the *Weekend Australian* that ongoing uncertainty over the future of carbon pricing policy could continue an investment strike in new baseload electricity generating capacity. It would also complicate writing new long-term electricity supply contracts, by preventing generators from “hedging” their costs, which would further push up prices.

Similar fears were voiced by National Generators Forum executive director Malcolm Roberts who said forward contracts allowed the electricity industry to manage the risk of volatile spot prices. “As generators write post-2014 contracts, they will have to protect themselves against the risk of losses on any forward permits they hold,” he said.

These warnings triggered media commentaries urging Abbott to reconsider his “blood oath”. Dennis Shanahan, political editor of the *Australian*, declared that the Opposition leader was in danger of “creating long-term investment uncertainty.” The Coalition was “bleeding on this issue and quickly needs to better explain its policy position.” Fairfax Media columnist Michelle Grattan said Abbott's vow was threatening to cost business money. “Now he is such short odds to become PM, the implications of the tax's repeal are being closely scrutinised by businesses—and many are worried.”

Gillard and her senior ministers swiftly echoed these concerns. Climate Change Minister Greg Combet declared: “Business needs certainty over carbon pricing to

underpin investments in the clean energy sources of the future.”

The Greens, who are in a de facto coalition with Labor, blatantly appealed to business leaders to pull Abbott into line. “Business is fed up, they want certainty,” Greens deputy leader Christine Milne told ABC Radio. “I expect business to get much, much tougher on Tony Abbott in the coming months because the reality is directors have to maximise the profits for their corporation—that’s their job.”

These remarks of the Labor and Greens leaders highlight the essential fraud of the “Clean Energy Future” package. It has nothing to do with the environment. It is designed to provide windfall profits for bankers, financiers and “green” entrepreneurs, while developing new energy sources for Australian capitalism, which currently depends heavily on coal.

According to the government’s own estimates, carbon emissions will actually increase in Australia from 582 million tonnes to 621 million in 2020. Even if the government’s pledges to reduce emissions by 5 percent of their 2000 levels by 2020, and by 80 percent by 2050, were met, they would fall far short of 25-40 percent reduction by 2020 that is required to avert environmental disaster, as estimated by the UN Intergovernmental Panel on Climate Change.

The carbon tax is geared to impose the costs squarely on the backs of working people, via higher electricity and other prices. Gillard this week seized on new modelling by Canberra University’s NATSEM unit that showed nearly 70 percent of households would be better off under Labor’s carbon tax compensation package. These claims disguise the fact that when the tax is replaced by an emissions trading scheme (ETS) in 2015, electricity and fuel prices will inevitably soar as the “carbon price” is set by market forces.

Previous attempts to inflict such a scheme on the population collapsed, even with bipartisan Labor-Liberal backing. Before Abbott became Opposition leader at the end of 2009, former Prime Minister Rudd worked closely with Abbott’s predecessor Malcolm Turnbull to push an ETS through parliament. Their hope was to get the scheme introduced with as little public scrutiny as possible before the highly regressive and pro-corporate character of the ETS became apparent.

Those aspirations were dashed, however, by a combination of the global financial crisis, the breakdown of the Copenhagen climate change summit in late 2009 and the drive to slash business costs amid intensifying

corporate and great power rivalry. Reflecting sharp divisions between the various corporate interests represented within the Liberal Party, Turnbull was narrowly defeated by Abbott, who had come out against the ETS deal that Turnbull had struck with Rudd.

Calls are now being made for a return to such a bipartisan consensus through the fashioning of a modified package. Various business groups have insisted that the \$23 a tonne starting price for the carbon tax is too high, particularly with European Union permit prices tumbling to 36-month lows of around 10 euros because of market uncertainty about the future of the European economy.

Some major corporate backers of an ETS, notably the Business Council of Australia (BCA), representing the 100 largest Australian-based companies, and the Australian Industry Group, a manufacturers’ lobby, last week sent a joint letter to all 226 members of federal parliament demanding amendments to the Clean Energy Future Bill to protect locally-based business. The demands included a lower starting carbon price, assistance for “trade-exposed industries” and abandonment of the 2050 emissions target.

In a media statement, BCA chief executive Jennifer Westacott bluntly laid down the law. “Parliament must amend the legislation to include specific safeguards so Australia acts in tandem with other emitting nations over time and adjustments can be made to keep Australia competitive in case of economic shocks ... Without these safeguards the legislation is a risk to the Australian economy.”

Reflecting these concerns, Paul Kelly, the *Australian’s* editor-at-large last weekend urged Abbott to change tack, now that the carbon tax had “crippled Gillard’s standing as PM.” Canvassing various options to resolve the political impasse, including the return of Rudd to the prime ministership, Kelly observed: “Carbon pricing becomes viable only with a Labor-Coalition policy settlement.” He pointedly concluded: “Because the Coalition’s focus is only repeal it has no interest in devising a better carbon pricing scheme. That’s the tragedy.”



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