

# Australian government announces ETS and end to carbon tax

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Prime Minister Kevin Rudd yesterday stated that the Labor government would implement an carbon emissions trading scheme (ETS) a year earlier than scheduled, ending former Prime Minister Julia Gillard's "fixed price" carbon tax. Rudd is attempting to deflect widespread hostility towards the carbon tax, while at the same time securing the support of the banks and financial institutions that are poised to reap enormous profits through an ETS.

After returning to office last month, Rudd is preparing for an election later this year. Gillard announced the carbon tax in the immediate aftermath of the 2010 federal election, as part of her minority government's deal with the Greens, despite earlier ruling out such a tax. The broken promise helped fuel opposition to Gillard, coming just months after she had collaborated with Labor and trade union factional powerbrokers to remove Rudd in an antidemocratic inner party coup. Anger over the carbon tax grew as it contributed to a rise in average household electricity bills of about 80 percent over the past decade, after inflation.

Millions of ordinary people correctly sensed that the entire scheme was a massive con. Especially since greenhouse gas emissions in Australia were forecast to *increase* under the new tax regime.

Rudd's policy is no less of a fraud. It involves integrating an Australian ETS into the European ETS, the largest trading scheme in the world, from July next year. This will immediately result in the price of carbon plunging by about 75 percent, from its current fixed rate of \$23 per tonne of carbon dioxide to the European ETS value of around \$6.

"The government is moving in this direction because a floating price takes cost of living pressures off Australian families, and still protects the environment and acts on climate change," Rudd declared yesterday.

Every part of this statement is a lie. Far from alleviating

cost of living pressures, there is no requirement for the privately-owned electricity retailers to pass on the lower carbon price to households. Moreover, the carbon tax comprises only a small component of the annual price hikes under Australia's deregulated and semi-privatised power industry.

As for the environment, Rudd's ETS involves exactly the same emissions targets as Gillard's carbon tax, with a nominal 5 to 15 percent reduction below 2000 levels by 2020. These targets can be achieved without actually reducing any emissions within Australia. Instead dubious carbon "credits", which supposedly represent emissions-reducing schemes in other countries, can be exploited on the global market.

The Labor government's targets are, in any case, grossly inadequate. The last UN Intergovernmental Panel on Climate Change estimated that advanced industrial countries needed to cut their emissions by 25 to 40 percent by 2020. More recent scientific studies suggest even this is a significant underestimation of the minimum required.

Rudd's climate change policies have never had anything to do with protecting the environment. On the contrary, they are aimed at augmenting the profits of sections of Australian business and finance capital.

Under the former government of Prime Minister John Howard, Australia was the only advanced country other than the US that refused to ratify the Kyoto Protocol. In 2007, when he first became prime minister, Rudd made a direct appeal to popular anger over Howard's failure to take action on climate change. But the real goal of his proposed ETS was to win the support of those sections of corporate Australia that regarded Howard's opposition to Kyoto as a costly blunder. Rudd quickly ratified the Kyoto agreement. This did not require any further carbon emissions reductions, but it did, for the first time, open up the lucrative European ETS to Australian banks and

financial institutions.

The European ETS, established in 2006, created a new commodity, carbon, and a new multi-billion dollar carbon investment and speculation industry. In the first three years of its operation, governments around the world hoped carbon markets would rapidly expand in other regions. Some analysts even predicted that carbon would shortly surpass oil as the world's most lucrative commodity. Rudd's ETS legislation was aimed at ensuring Australia's banks and finance houses could secure their share of the projected windfall, including by positioning Sydney as the hub for a future Asian-wide ETS.

In December 2009, however, Rudd's perspective was derailed by the Copenhagen climate summit debacle, which broke up amid bitter divisions between the major powers, and the failure of world leaders to reach agreement on the terms of a post-Kyoto climate treaty. Without any effective legal framework for future international emissions trading schemes, the carbon price in Europe plunged, while banks around the world lost much of their previous enthusiasm for carbon markets. In April 2010, two months before he was removed from office, Rudd suddenly announced he was postponing the implementation of the ETS for two years.

He has now returned to the policy, aiming to win big business backing. Corporate chiefs and their media mouthpieces have generally welcomed his announcement, having complained that Gillard's carbon price was set too high—nearly four times higher than the European price.

Rudd is also appealing to those within ruling circles critical of the opposition Coalition's so-called "direct action" plan. Opposition leader Tony Abbott has placed populist denunciations of the carbon tax and its regressive impact on ordinary people at the centre of his election campaign. His alternative proposal involves more stringent emissions reductions targets within Australia, to be met by various government programs such as tree planting, and large subsidies to agribusinesses and privately owned coal-generated power stations. The plan involves significant new public spending, opposed by the financial press, and delivers nothing for the banks and financial institutions. Abbott's proposals are even opposed by sections of his targeted corporate constituency, the fossil fuel lobby, since the Labor government's multi-billion dollar "compensation" payments have left them better off under the carbon price.

The opposition remains wracked by bitter divisions and could soon confront another leadership crisis. It was on

the very eve of the Copenhagen summit that Abbott became opposition leader, after he defeated his predecessor Malcolm Turnbull by just one vote. Turnbull, a former investment banker, had worked closely with Rudd in designing the ETS legislation. He remains an open supporter of an ETS and makes little effort to mask his contempt for Abbott's "direct action" policy.

Labor's minority government partners, the Greens, have denounced Rudd's new ETS agenda. Their carbon policies, however, like those of both Labor and the opposition coalition do nothing to seriously address climate change. They are also directed towards business interests—specifically the burgeoning renewable energy sector and related "green" industries.

Greens leader Christine Milne has complained that such businesses are set to lose various subsidies if Gillard's policy is dumped. "What about all of those companies and businesses that have invested in the clean economy?" she declared yesterday. "Out of the carbon price money now, we have got the low carbon communities program and biodiversity fund and the clean technology fund ... I have been to other factories where this money is being used to transform the economy. Are all those things going to go?"

Rudd's early shift to an ETS has significantly altered the government's budget projections, with an anticipated revenue shortfall of around \$4 billion. This week the prime minister will announce equivalent cuts in spending. Both Rudd and Treasurer Chris Bowen have pledged to maintain the tax and welfare "compensation" mechanisms under the carbon tax, suggesting that the cuts will target various industry subsidy schemes, such as the Clean Technology Investment Program referred to by Milne, which pays manufacturers to invest in low emissions technologies.

More broadly, Rudd's \$4 billion spending cut will mark the first tranche in a series of austerity measures that will target the working class as soon as the election is over.



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