Australian “Direct Action” climate plan to reward corporate polluters

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Some of Australia’s major corporate carbon emitters stand to gain millions of dollars from the Abbott government’s so-called Direct Action plan on climate change, which is expected to be law by the end of the year. The Senate narrowly approved the government’s bill at the end of last month, with the support of mining baron Clive Palmer’s Palmer United Party.

The scheme is even more of a travesty than the previous Labor government’s carbon tax and emissions trading regime, which also sought to boost business profits while doing nothing to cut greenhouse gas emissions. Whereas Labor’s plan enhanced the prospects of alternative energy and other “green industry” companies, as well as financial firms involved in carbon trading, the main beneficiaries of the Abbott government’s scheme will be the coal giants and operators of the country’s coal-fired power stations, which produce 74 percent of Australia’s electricity supply.

The Liberal-National government’s plan, like Labor’s scheme, sets a totally inadequate target of a 5 percent reduction in carbon emissions from the 2000 levels, by the year 2020. This is a rejection of even the paltry reduction target of the 1997 international Kyoto Protocol—a five percent reduction from 1990 levels by 2012.

The government proposes a $2.55 billion Emission Reduction Fund (ERF) to finance corporate, community and local government initiatives to cut carbon dioxide (CO_2) emissions. In practice, this will mostly reward efforts by businesses that see a profit benefit in reducing emissions.

The proposed projects will be evaluated by a Clean Energy Regulator and assigned credits for their potential to cut carbon outputs. These credits will be later purchased by the regulator, based on a competitive “reverse auction process”—the lowest cost and highest reduction projects will get priority. Environment Minister Greg Hunt said this may particularly benefit coal-fired power generators, whose plants emit large volumes of CO_2, if they seek to marginally reduce their emissions.

The carbon credits can also be exchanged in a voluntary emissions trading scheme (ETS), though no process for such exchanges has yet been established. Participation in the ERF program is entirely voluntary for energy, transportation or manufacturing firms, which emit more that 70 percent of the country’s carbon dioxide.

The policy has glaring deficiencies. The latest Intergovernmental Panel on Climate Change (IPCC) report, released this month, warned that unless substantial cuts are made in greenhouse gas emissions without delay, there could be a rise as high as 4°C in the global average surface temperature by 2100. “Impacts of climate change will be severe, widespread and irreversible,” the report stated.

Without drastic changes to the energy production system, there would be a 2°C increase by 2030, the IPCC said, producing serious risks such as extreme weather events. To keep the temperature rise below 2°C would require reducing cumulative global anthropogenic greenhouse emissions by 40-70 percent by 2050. This reduction is roughly 10 times the Australian 5 percent target.

One Australian think-tank, the Climate Institute, said the $2.55 billion ERF would be grossly inadequate to achieve the 5 percent target. The government’s plan does not specify how this reduction will be reached. No sector-based reduction targets are mentioned, just vague references to “safeguard mechanisms” to be introduced in late 2015 or 2016. Palmer himself previously stated: “It’s clear Direct Action won’t give us the 5 percent reduction.”

Labor’s Climate Change Authority, previously set to be dissolved, will continue for 18 months, but solely to prepare a “non-binding” report on global ETS systems.

The Labor government’s carbon tax, which was meant to be a transition toward an ETS, was itself an entirely pro-business policy without any clear scientific basis to reduce CO2 emissions. In fact, its official estimates showed a rise in Australian emissions.

During the 2007 federal election campaign, there was a consensus within the political establishment, including the Greens, for such a “market based approach” of putting a price on carbon emissions. This was intended to create a platform for “green businesses” and in the long run make Australia a pan-Asian trading hub for international carbon credits.

Two decades following the Kyoto protocol saw various efforts globally to create financial commodities based on carbon emission exchanges and trade them in open market. This prospect attracted various layers of the financial elites, but failed to gain the expected traction at a global scale, outside the EU region.

The collapse of the 2009 UN Copenhagen climate change conference dashed the hopes of cashing in on carbon credit trading, and contributed to a policy shift in the Liberal Party. Tony Abbott became leader, vowing to oppose any ETS as a “carbon tax.” Following the 2010 election, Prime Minister Julia Gillard’s 2010 minority Labor government, which was propped up by the Greens, established a “fixed price” carbon tax, with a view to extending it to an ETS by 2015.

While doing nothing to reduce the emissions, this tax contributed to already skyrocketing household energy bills, imposing another burden on the working class. This made the tax justifiably deeply unpopular, and allowed Abbot to demagogically pledge its repeal.

In the wake of the 2008 global financial crisis, followed by the Copenhagen climate conference debacle, governments worldwide have taken increasingly nationalist stances to protect “their” industries at the expense of its rivals. The Direct Action plan is an example.

With the global downturn driving down coal and iron ore prices, the mining giants have responded by slashing costs and boosting production levels in order to lift profits. This also means demands for unrestricted plundering of mineral resources and emission of pollutants.

As the largest exporter of coal in the world, the Australian ruling class wants to remove any impediments that may even slightly complicate the profitability of the fossil fuel industry. This found expression in a recent declaration by Abbott, while opening a coal mine, that “coal is good for humanity, coal is good for prosperity, coal is an essential part of our economic future, here in Australia, and right around the world.”

More than half a billion tonnes of coal is mined in Australia each year, and it is the country’s second largest export commodity. Coal exports were worth about $49 billion in 2011–12 and have grown by 50 percent in the past 10 years.

Clive Palmer hopes that his planned mine in Queensland’s Galilee Basin will produce 40 million tonnes of coal a year during the next three decades. His part in securing the passage of the Direct Action legislation not only suits his immediate corporate interests in coal mining, however. It underscores his pivotal role in trying to hold together the extremely unstable political system, in which the Abbott government depends on the votes of Palmer’s party and other “cross bench” senators to enact legislation. That role was given recognition by former US presidential candidate Al Gore in June when he conducted a joint media conference with Palmer, endorsing aspects of Palmer’s climate change policy.

The emergence of openly anti-environmental policies such as the Direct Action bill demonstrates that, amid the deepening global crisis of capitalism, the ruling elites will stop at nothing to try to boost profits and protect their narrow national interests. True emission reductions can be achieved only through a massive global scale shift to renewable energy development. This is intrinsically bound with the urgent political task of the international working class to free the means of production from the clutches of corporate ownership and the nation-state system.