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A REALIST'S APPROACH TO CLIMATE CHANGE

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It's an honour to be this year's David Davies orator and to follow in the distinguished, if sometimes diverging, footsteps of former lecturers such as George Brandis and Santo Santoro. The conservative side of politics doesn't sufficiently honour its faithful servants. Someone who can bring Queensland's Liberal factions together, even after his death, deserves to be both commemorated and emulated.

David Davies, it seems, had the gift of being able to take sides without alienating those he disagreed with. Who better, then, to commemorate with some remarks on the politics of climate change – an issue that could benefit from the decency and sense of fair play that David Davies seems to have brought to his political life.

The issue is not whether climate change happens (after all, grapes grew in Britain in Roman times; crops grew in Greenland in the middle ages; and the River Thames froze in winter during the 1600s) but how much of it is man-made and what can realistically be done to tackle it. A rational discussion should focus on facts which can be measured and then considered rather than on people's beliefs which can too often become a basis for heresy hunting. Every sensible person understands that we have to protect the environment because it's the only one we have. This is why the debate over climate change shouldn't be couched in morally loaded terms, such as believers versus deniers.

The scientists associated with the United Nations Intergovernmental Panel on Climate Change have concluded that man-made carbon dioxide emissions are probably responsible for climate change which, they think, is likely to result in up to one metre rises in sea levels over the next century, up to six degrees increases in temperatures and more extreme weather. A difficulty for this thesis is that man-made carbon dioxide emissions have been increasing substantially for at least a hundred years but significant global warming only seems to have occurred in the last quarter of the last century. There may even have been a slight decrease in global temperatures (the measurement data differs on this point) over the past decade despite continued large increases in emissions associated with the rapid economic growth of China and India.

While many scientists, perhaps even a strong numerical majority, think that carbon dioxide is the principal factor in variations in global climate, others question the significance of the role of a naturally occurring trace gas and attribute climate change mainly to variations in solar activity. Obviously, what is a scientific fact should not be determined by a majority vote, even of scientists. That just leads to experts shouting at each other. As the ABC's Chris Uhlmann has instructively remarked, if we can't predict the weather a week in advance and can't accurately forecast next year's budget deficit, how can we be so sure about climate and its economic consequences in 100 years time?

We can't conclusively say whether man-made carbon dioxide emissions are contributing to climate change. If they are, we don't know whether they are exacerbating or counteracting what might otherwise be happening to global climate. Even if they are adding to climatic extremes, humanity may be able to cope with only modest adjustments. Our ability to live well in cities as climatically different as Ottawa and Singapore and to produce an abundance of food in countries as environmentally diverse as Australia and Canada suggests that humans can adapt even to quite significant changes in global temperatures.

What we can say, though, is that we should try to make as little difference as possible to the natural world. As well, prudent people take reasonable precautions against foreseeable contingencies. It's the insurance principle. The premium we are prepared to pay, though, should relate to the extent of the risk and the magnitude of the possible loss. If carbon dioxide might be contributing to harmful climate change and emissions can effectively be reduced at reasonable cost, it certainly makes sense to do so. Of course, what we shouldn't do is embark on a cure that turns out to be worse than the disease.

The self-styled "skeptical environmentalist", Swedish author Bjorn Lomborg, who thinks that increased carbon dioxide is responsible for climate change, makes the point that it would be simpler and cheaper to adapt to it rather than to try to create a carbon-free economy. He thinks, for instance, that it would be better to re-settle the inhabitants of low lying islands than to try to reengineer the power industry.

The fossil fuel-fired power stations that are the engine of economic growth are also by far the biggest single contributors to global carbon dioxide emissions, followed by motor vehicles and flatulent cows. It's a little curious that the activists most concerned about climate change are often those most opposed to the one proven

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way to reduce almost to zero the emissions associated with electricity generation, namely nuclear power. Climate change might be one of the “great moral challenges” of our time but it hasn’t yet shaken many people’s theological opposition to nuclear power. Of course, the imposition of an additional price on carbon could so change the economics of nuclear power that many countries might eventually join France and Japan with most of their electricity coming from that source.

Because Australia produces just over one per cent of global carbon dioxide emissions and because global emissions are growing so rapidly largely thanks to economic growth and rising living standards in China and India, any go-it-alone emission reduction scheme could damage the Australian economy without materially helping the global environment. As a good global citizen and on the right issues, Australia should be prepared to take a lead but there are normally limits to unilateral action even in the best of causes.

Then there’s the question of the best mechanism for reducing emissions on which an international agreement might be reached. There is much to be said for an emissions trading scheme. It was, after all, the mechanism for emission reduction ultimately chosen by the Howard government. It enables an increasing market price to be set for carbon through capping volumes of emissions. The allocation of permits should mean that more carbon-efficient businesses have a surplus that can be sold to more carbon-intensive ones. At an international level, an emissions trading scheme could mean that rich, energy intensive countries have to buy permits from poor ones. This could be its great appeal for countries like China and India.

The problem with an emission trading system, though, is that it’s complex, difficult for non-experts to follow, and plagued with uncertainties. The quantum of permits to be offered, to which particular industries and to which businesses within them, is inevitably going to be the subject of fierce lobbying and, perhaps, political favour trading. Then there’s the premium that permits will attract over and above the issue price. As well, there are the issues inherent in the creation of any artificial market that will inevitably involve traders as well users.

These problems may not be insurmountable as the successful operation of emissions trading systems for some polluting gases in the United States demonstrates. Even so, these issues are not easy to resolve as shown by the extreme unhappiness of the Australian energy sector at the Rudd government’s proposed scheme. Before making investment decisions, businesses want to minimise uncertainty. The problem with emissions trading schemes is not just that they impose a price on carbon but that it is an uncertain price because it is subject to a market that government and speculators can manipulate.

It may be instructive to compare the proposed treatment of carbon emissions with the actual treatment of another harmful practice. Would any government decide that, in order to halve smoking within ten years, say, decreasing numbers of permits should be issued to smokers who could then trade those permits among themselves? If such a scheme were adopted, the government would have to decide how many permits each smoker would get and, almost certainly, would decide that it would be unfair not to give heavier smokers more.

Reformed smokers could make a killing by selling their permits to their still-addicted brethren. Potentially, those who had originally been the worst smokers could make the most from their self-destructive habit. Speculators could buy permits when they are relatively cheap to sell them at a much higher price during the policy-induced nicotine drought. They would have to be compensated for their loss of property-in-permits should the government subsequently decide to change the scheme or to abandon it altogether because, say, of public revulsion at a new artificially-created means to exploit people.

It’s highly unlikely that any government would choose to treat smoking this way. Deciding on permit entitlement, managing the disputes with people who thought that they had been unfairly treated, monitoring smoking levels and regulating the subsequent market would be far more trouble than it’s worth. Instead, governments impose heavy taxes on cigarettes to put a price on nicotine and to discourage consumption.

The parallel between smoking and carbon emissions is not perfect. For one thing, there is no doubt whatsoever that smoking is harmful. Still, why should a control system that would be almost laughable if proposed for smoking be almost unquestioned when proposed for emitting?

If Australia is greatly to reduce its carbon emissions, the price of carbon intensive products should rise. The Coalition has always been instinctively cautious about new or increased taxes. That’s one of the reasons why the former government opted for an emissions trading scheme over a straight-forward carbon tax. Still, a new tax would be the intelligent skeptic’s way to deal with minimising emissions because it would be much easier than a property right to reduce or to abolish should the justification for it change.

The former British chancellor of the exchequer, Nigel Lawson, has long been one of the most intellectually effective critics of what he sees as the “retreat from reason” involved in the “new religion of eco-fundamentalism”. Even Lawson, though, says that “if people are happy to pay a carbon tax, provided it is not at too high a level and the proceeds are used to cut income tax, that would not be a disaster”.

The fact that people don’t really understand what an emissions trading scheme entails is actually its key political benefit. Unlike a tax, which people would instinctively question, it’s easy to accept a trading scheme supported by businesses that see it as a money-making opportunity and environmentalists who assure people that it will help to save the planet. Forget the contested science and the dubious economics, an emissions trading scheme is brilliant, if hardly-honest politics because people have come to think that it’s a cost-less way to avoid climate catastrophe.

The Rudd government’s emissions trading scheme legislation is now before the parliament and the prime minister is ramping up the pressure on the Coalition to pass it. Supporting the legislation will be taken to indicate that the Coalition has no ideas of its own. Opposing it will be taken to indicate that the Coalition is oblivious to the potential dangers of climate change. Amending the legislation is unlikely to make a defective scheme wholly acceptable even if the government were to accept the amendments, which it won’t. The government, after all, is only *concerned* about climate change but it’s totally *committed* to its own political success. If the prime minister’s priorities were environmental rather than political, he would be negotiating with the opposition rather than sending tweets to his e-friends about the climate change countdown.

Opposing the legislation in the senate could ultimately make poor policy worse because, if needs be, the government could readily negotiate a deal with the Greens. Alternatively, after several months in which political debate focuses on climate change and opposition obstructionism, the government could call a double dissolution election on the issue of who’s fair dinkum about trying to save the planet.

As a general rule, oppositions should welcome elections but this would make it harder to keep the focus, instead, on the Rudd government’s addiction to borrowing and spending. As long as people are thinking about the possible dangers of climate change, they are unlikely to be worrying about the more imminent and more certain dangers of economic change. Oppositions, after all, can’t save the country from the wrong side of the parliament and can’t be expected to protect people from the consequences of changing the government.

Australia doesn’t need a carbon trading system that will almost certainly cost jobs here without making the slightest difference to global emissions but it needs a drawn out debate with, at this stage, a pre-ordained conclusion even less. Voters are unlikely to be argued into changing their minds. It will be the cost and complexity of emissions trading and the absence of anything much out of the ordinary about climate that will slowly engender second thoughts.

The final version of this speech was revised in the light of discussion with guests at the David Davies memorial dinner

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