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The Claytons ETS

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As the Federal Government weighs plans to reintroduce the Emissions Trading Scheme (ETS) in three months it is opportune to recall one particularly memorable 1980s advertising slogan. "Claytons", that non-alcoholic drink you could have when you were not having a drink, should be a warning to our political leaders in Canberra.

With all the political jockeying of recent months around the shape of the ETS, it's the one outcome we need to avoid. And the recipe for a Clayton's ETS - the scheme you have when you're doing as little as possible about climate change - would read something like this.

First, take the vested interests of the carbon intensive sectors and make sure they're the dominant flavour in your mix. Separate out all the other interests, here and abroad, which may benefit from such things as reduced risk of heatwaves, droughts, bushfires, floods, rising sea level, severe storms and rising food costs. Discard.

Also clear away the paternalistic notion that Australian industries would ultimately benefit from taking leadership on the road to a low carbon global economy. Vision is not on the list of ingredients for a Claytons ETS.

Next, strain out as much price signalling as possible. Adding generous splashes of weak emission targets, price caps and unlimited carbon offsets will help. You may note that a Classic ETS relies on a price signal to push substitution towards low carbon goods and services and drive investment and innovation in low carbon technologies.

The essential aim of the Claytons ETS, however, is to appear to be doing something while actually avoiding change.

To further maintain the status quo, add dollops and dollops of compensation to the carbon intensive sectors. That way, you'll avoid opening up holes to allow, for example, renewable energy to develop and prosper. Also don't worry that the more compensation the carbon intensive sectors receive, the less money will be available from auction revenue for research and development programmes and to compensate lower income households.

Squeezing out the apparent pain of the recession is also a wondrous way to extract further compensation and concessions. Don't stop to think it is excessively pessimistic to imagine Australia will still be in a recession in over 3 ½ years time when the actual surrendering of emission permits by firms for the first year of scheme is currently timetabled.

Next, cut into little pieces the massive modelling work of the Treasury and its conclusion that economic growth will not be greatly affected by an ETS. Instead, only use the forecasts of total economic devastation made by the carbon lobby, which has a huge financial incentive to exaggerate the consequences of an ETS and so extract even more free permits for business. Don't be concerned that we've already seen this recipe in action in the first stage of Europe's ETS, resulting in billions of dollars of windfall profit for the electricity sector.

Similarly, while stirring, repeat the mantra 'Job losses, Job losses, Job losses' while ignoring all the potential jobs that may be created in the green sectors. Disregard simple facts; such as, wind power currently employs two-to-three times more workers per kilowatt hours than coal-fired power.

If your own commissioned study actually forecasts job growth in your sector under an ETS, there is still no need to stop the scare campaign. Just compare this increased employment level with the even greater employment in an unconstrained carbon environment and headline the differences as destructive 'job losses'.

Do not serve immediately. Try to make the start up of your Claytons ETS contingent of the actions of another carefully selected country. Obviously not one that has already put an ETS in place, or particularly a country like the UK which has already put its long run emission targets and mitigation plans into law.

Choose a country with a carbon lobby even more powerful and disruptive than your own, such as the United States. If you are lucky they will link their action to another country and that country to another one, and so on. A virtuous circle of complete inactivity may result.

But if served, do so indoors, away from heatwaves, coastal surges or any other signs that global warming may actually be occurring. A pinch of cognitive dissonance tends to spoil the flavour of the Claytons ETS.

So is the current CPRS Bill facing parliament a Claytons ETS? No. And on some aspects the Government has been fighting valiantly to avoid it. Nevertheless, there are a number of elements of the scheme that have a Claytons favour and there is continued pressure from certain parties to push it even further in that direction. While it may be possible to pull back some of the mistakes in the future, unlike the European ETS which insulated the first three years of its scheme, deficiencies implemented now may last for a long time.

So let's hope that further dilutions to the scheme are avoided and that the Claytons ETS is securely kept away in the cabinet.

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