



Waiting For Garnaut

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Topic: [Environment/Sustainability](#)

The Australian reports that "experts" are tipping that the Rudd government will announce an [emission reduction target of 13 to 15%](#) by 2020 after the long awaited Garnaut report is released.

CLIMATE experts predict Kevin Rudd will opt later this year for a greenhouse gas reduction target of 13-15 per cent by 2020 after he reviews modelling from the Treasury and the report by Ross Garnaut. The Andromeda Group, a climate change consulting business, said a target of this scale - 13-15 per cent below the 1990 emission levels - would set the right balance between limiting harm to the economy and stimulating changes in energy use across industry.

However, Andromeda's chief executive Robert Clarke said Australia was already about 8 per cent over the 1990 emission levels, in line with its generous Kyoto target. And this meant total emission cuts from current levels of more than 20 per cent by 2020, or 2 per cent a year.

Mr Clarke warned that about 90 per cent of Australian companies were still under-prepared to manage the commercial risks associated with future cuts in greenhouse emissions. He said Australian negotiators who brokered the generous Kyoto target of 108 per cent on 1990 levels might not have done Australia any favours, because they only delayed the scale of the reforms required.

While most focus to date has been on Professor Garnaut's Australian version of the Stern Report on the cost and effects of climate change on the economy, industry sources have indicated detailed Treasury modelling on the costs of different targets is expected to be more significant in determining the final goal. A 2020 emissions target will be crucial in setting the cost of greenhouse permits under an emissions trading scheme expected to begin about 2011.

Crikey's Clive Hamilton has a [completely different take on the Garnaut report](#), arguing that it will aim for no intermediate target before the 60% reduction targetted for 2060.

Many of Australia's leading academic economists cut their teeth on trade liberalisation. If there is one thing a trade economist loathes, it's rent-seeking, that is, the manipulation by businesses of the regulatory environment to give them an advantage over competitors. In the climate change policy debate, the greenhouse mafia has for years kept out low-carbon competitors by stopping measures that would allow them to

compete on equal terms.

Ross Garnaut, who will report in June to the Rudd Government on its emissions trading system, is a former trade economist now spending a lot of time thinking about how to prevent powerful industries undermining the Government's plans.

Today's AFR reports Gaunaut's musings on how it might be done. He is worried that by setting a series of 10-year interim targets in order to achieve the goal of cutting Australia's total emissions by 60 per cent or more by 2050, this will create a number of pressure points during which big polluters will prevail on the government to ease up. So he has come up with a radical solution. Let's have one target, a carbon budget aimed at a 60 per cent cut by 2050, locked in and shored up by various devices, and let the market sort out how and when it will cut emissions to get there.

A "carbon central bank", independent of government and therefore not subject to political pressure, would issue permits following an announced trajectory over time, but polluters could bank unused permits for later, or (much more controversially) borrow future permits from the bank if they get caught out. (How the price of future permits would be set Garnaut has not said.)

The theory is good, but what would it mean in practice? We now know that we must begin sharp emissions cuts in the next 5-10 years. Australian industry is now primed for this; even the carbon-intensive industries accept that they soon must change how they do business.

Garnaut's scheme would immediately take the pressure off. Australian business is notoriously myopic – economists write papers trying to understand why – so the temptation to put off doing what must be done would be irresistible if there were no firm interim 2020 target.

Ironically, it fell to the electricity industry, Australia's biggest greenhouse polluter, to remind Professor Garnaut that businesses want certainty. If businesses can put their carbon obligations on the never-never, and the public, now fired up for action, sees that Australia's emissions continue to rise, no government would be safe.

The Prime Minister would be on television soothing us: "I know that, contrary to my promises, Australia's emissions have continued to rise, but don't worry. Businesses know they are going to have to cut their emissions by much more in a decade or so. Trust us."

The idea of a carbon central bank has probably come from Warwick McKibbin whispering in Garnaut's ear. The bank could withdraw or buy back permits if the science shows cuts must be more stringent. So in response to this crisis it will not be our political leaders responding to the demands of the citizenry, but a handful of experts at the bank who will be trusted with the very future of the country.

Climate change is as much an ethical issue as an economic or scientific one, and it would be the ethical judgements of a handful of central bankers that would prevail. Managing the stability of the money economy is a doddle compared to managing the Earth's climate. ...

Global warming politics are also on display in [Sweden](#), with WorldChanging's Alan Atkisson reporting that the government is backsliding on its "fossil fuel free by 2020" target.

For those of you who are still thinking of Sweden as the country planning to become "Fossil Fuel Free" by 2020, today's announcements from Brussels -- where the European Commission has just released its proposed new compromise policy for climate change action, to grumbles from both the greens and browns -- should puncture any illusions, and remind you that a new government is in charge in this Nordic land.

Sweden had been asked by the EU to increase the share of its electricity produced from renewable energy sources from today's 40% to 55% by the year 2020. This was to be Sweden's contribution to the new EU goal of 20% renewable by 2020. But Sweden, formerly always the "good student" when it comes to environment, protested. The center-right coalition made headlines not for its leadership in pushing the EU to more ambitious goals, as it used to do, but for bargaining its way down to 49% -- still a substantial improvement, but nothing like the far more ambitious goals (in relative terms) being set by Germany, for example. Currently producing 12% of its electricity from renewable sources, Germany is volunteering to hit 40% by 2020.

And what was the Swedish government's explanation for negotiating its goal downward? I have just finished watching a live interview on Swedish television with prime minister Fredrik Reinfeldt, and I could not believe my ears. Sweden, he said, had already done much more than any other EU country. And if we took on this more ambitious goal, then other countries would be partly let off the hook. In effect, he said, "Why should we push ourselves to do more? It just encourages others to do less." That is not a direct quote, but it is a very fair paraphrase. ...

The truth in Reinfeldt's argument is that many EU countries are not doing very much at all. Even the UK, despite being a very visible and vocal actor on the world's climate stage, currently only produces 2% of its energy from renewable sources, tied with Belgium and Italy for the low ranks. They will all have to increase to 15% by 2020, under this new EU initiative.

And Sweden does face challenges in continuing its march toward renewables. The interview with Reinfeldt was followed by a news story on windparks in northern Sweden's forests. Why the forests and not the coasts, where there is much more wind? Because Sweden also has problems with "NIMBY" syndrome ("Not In My Back Yard"), and by placing the new windparks in the least populated areas, protests are avoided. Indeed residents welcome these new clean energy and economic engines with open arms.

If you'd like more global warming news than you could read in a day, check out the [weekly roundup](#) at "A Few Things Ill Considered".



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