

# ***“Emissions Trading – a Weapon of Mass Taxation.”***

A Submission from:

**The Carbon Sense Coalition**

**[www.carbon-sense.com](http://www.carbon-sense.com)**

to

the Garnaut Climate Change Review  
on its Issues Paper No 6

**“Emissions Trading Scheme.”**

18 April 2008

*(Submissions to be forwarded to the Greenhouse and Energy Reporting Taskforce by 18 April 2008 at:  
[contactus@garnautreview.org.au](mailto:contactus@garnautreview.org.au))*

***“If warming is either less pronounced than some current forecasts predict or if emissions reductions have limited effect in moderating future temperature rise . . . a severe global emissions-reduction policy through emissions trading could turn out to be the costliest public policy mistake in human history, with the costs vastly exceeding the benefits.”***

*Kenneth Green, Steven Hayward and Kevin Hassett:*

*“Climate Change: Caps vs Taxes”, American Enterprise Institute for Public Policy Research, Environmental Policy Outlook, 2007, Issue 2.*

## ***1. Where is the Cost Benefit Analysis?***

The introduction of a Carbon Emissions Trading Scheme (ETS) will cause huge costs and dislocations to the Australian economy and the Australian people. There is no question on this. Before any responsible expert could recommend the introduction of an ETS there must be a full independent due diligence followed by a complete cost-benefit analysis.

### ***COSTS***

Many definite costs can be readily identified and include:

- The large upfront and ongoing cost of enquiries, consultants, new departments, administrative, regulatory and compliance staff.
- The matching corporate costs of legal advice, compliance, collecting data, modifying computer models, preparing returns, recording emissions and credit inventories, auditing and obtaining and training new skills.

- The bureaucratic cost of dismantling the patchwork of taxes, subsidies, mandated markets and pigmy Emissions Trading schemes already erected by the states.
- Destruction of asset values as plants and facilities made unprofitable by the cost of emission permits or carbon taxes are prematurely scrapped or mothballed.
- Negotiation and disputes about compensation for assets destroyed by the effective introduction of this tax on emissions of carbon dioxide (CO<sub>2</sub>) - referred hereafter as “carbon taxes”.
- Misdirection of community savings via subsidies, taxes and mandatory market sharing into energy black holes such as ethanol and solar power.
- Environmental damage caused by expansion of land devoted to bio-diesel production, new transmission lines and invasive solar panels and wind towers.
- Increased costs to consumers of electricity, cement, transport and steel.
- Food shortages and crises as food crops and farm land are diverted to ethanol production or taken over by sterile plantations of woody weeds whose sole justification is “carbon credits”.
- Loss of international competitiveness as Australia is forced to rely on more costly energy sources.
- Losses and churning in the jobs market as jobs are lost, change, or move to different locations.
- Increased welfare payouts to politically powerful minority groups within Australia.
- International wealth transfers (via gifts of technology, payment for make-believe carbon offsets, exemptions from carbon taxes or direct foreign aid) which will penalise every Australian citizen and taxpayer.

The costs are tangible, definite and very large. Carbon Sense strongly recommends that, before any rash decisions are taken, the Productivity Commission is asked to quantify all of these costs.

### ***BENEFITS.***

The claimed benefits include:

- Reduction in man’s emissions of carbon dioxide.
- Reduced global warming.

There is no credible evidence, however, of any real benefits whatsoever. There is:

- No proof that significant reduction in man’s emissions is likely or possible without causing widespread hardship, hunger, poverty and political turmoil.
- No proof that CO<sub>2</sub> controls variations in world temperature. In fact there is significant emerging and long standing evidence that it does not.

- No proof that Cap and Trade schemes or carbon taxes will reduce the levels of CO2 in the atmosphere and no proof that any such reduction could have any measurable effect on future world temperature.
- No assurance that a uniform scheme will be adopted by the whole world. In fact there is significant evidence that it will not.
- No proof that there is any danger to life on earth from any feasible or likely increase in CO2 levels in the atmosphere.
- Significant evidence that increased CO2 in the atmosphere is a positive benefit to all life on earth and is likely to cause increased plant growth and greater ability of plants to withstand drought or extremes of temperature.

#### **Unexpected Growth in Sahara Sahel.**

*"Ground surveys over time reveal that the quality of land in the Sahel has deteriorated during the last 50 years – fewer trees and shrubs and thinner, less productive soils.*

*But satellite data since 1982 show areas where vegetation – natural and cultivated – has increased more than expected from increases in rainfall.*

*This may be partly because rising levels of carbon dioxide in the air have promoted plant growth, which enhances the soil's ability to hold water, leading in turn to more growth."*

*National Geographic Magazine, April 2007*

- It is also clear that the whole world has benefited from the Global Warming that has taken place for the last 10,000 years and also clear that many people will benefit from resumption of this trend. As a cattleman in blizzard-wracked Colorado said recently:

*"One more year of this global warming and we will all freeze to death."*

And another:

*"The ground this morning is covered with white global warming."*

#### **RISKS.**

There are huge risks with an ETS. These include:

- The risks of unintended consequences. We have already seen this where *"The Ethanol Obsession"* has diverted food crops to motor fuel, thus causing a world crisis in food supply and prices. Similarly the *"Bolt to Bio-diesel"* has caused great destruction of native vegetation and added to the shortage of land available for food production.
- The significant risk that the IPCC computer models are totally wrong in their forecasts of accelerated Global Warming, and in fact the Global Cooling that started in 1998 and accelerated in 2007 will continue.

- This is not an idle speculation. See below:

*“Do we live in a special time in which the laws of physics and nature are suspended?”*

*“No, we do not.*

*“Can we expect relationships between the Sun's activity and climate, that we can see in data going back several hundred years, to continue for at least another 20 years?”*

*“With absolute certainty.*

*“In this presentation, I will demonstrate that the Sun drives climate, and use that demonstrated relationship to predict the Earth's climate to 2030.*

*“It is a prediction that differs from most in the public domain.*

*“It is a prediction of imminent cooling.”*

**David Archibald**

*Link to the full PDF text:*

<http://carbon-sense.com/wp-content/uploads/2008/04/solar-cycle-24-implications-for-the-united-states-archibald.pdf>

Additional cooling now would cause another large drop in food production and widespread power shortages. Should that happen, the priests of global warming will be stoned from their temples, and sun worshippers will take the stage. Orchardists will light fires under their stressed trees to ward off frost damage and provide them with more carbon dioxide plant food. Farmers in the cold countries will watch the monthly analyses of CO<sub>2</sub> content in the atmosphere as intently as Australian farmers now watch the SOI index. They will pray that the trend does not turn down, as reduced CO<sub>2</sub> will further stress their struggling and frosted crops.

- The risks that Australia and New Zealand (the bunny and the sheep), will be the only ones in our region to place huge handicaps on our industries.

As stated correctly in the Garnaut Review ETS discussion paper:

**“We (Australia) are a small emitter in absolute terms, and cannot solve the climate change problems on our own”.**

- The risks of extreme fluctuations or collapse in the value of the carbon credits, followed by the evaporation of all the artificial industry that Emissions Trading will create. (Once the science or the weather makes it obvious that man does not and cannot control the weather, this flimsy house of carbon credit cards will collapse. The reverberations will be far greater than when the South Sea Bubble or the sub-prime boom collapsed.
- The risks of foreign frauds if international carbon offsets are allowed.

- The risk of sudden loss of political support. Any industry whose only assets are bits of paper created by an Act of Parliament can disappear in one rowdy afternoon in a subsequent Parliament.

As “The Economist noted (15/3/07):

*“ Climate change is so wildly fashionable now that hardly anybody dares object to measures designed to combat it. But as the costs of such policies rise, that may not last. The more money governments spend on wasteful subsidies, the bigger the backlash is likely to be, and the smaller the chance of sustaining the political will needed to keep the world cool.”*

### **RECOMMENDATION.**

Carbon Sense thus recommends that before any CO2 emissions reduction scheme of any sort is introduced, the government should conduct due diligence and present a cost benefit analysis. These should be prepared by independent experts and with the credibility that ASIC would require of a corporation issuing a prospectus seeking billions of dollars from the public. This would comprise:

- A Royal Commission to report to the government on the Science of the cause and effects of increased CO2 in the atmosphere. This Inquiry should be conducted by two Commissioners of high-level scientific distinction who have not been connected with the IPCC process, plus an Independent Chairman. The Inquiry should have the power and funding to initiate wide ranging scientific inquiries into all aspects of present knowledge on climate and to take and consider evidence on climate change.

*It seems unbelievable that the Garnaut Review Discussion Paper seems to believe that no matter what the science may indicate in future, Australia will not modify its De-carbonisation proposals. This is what it says:*

*“Because Australian action alone will be of little consequence to climate change impacts, there seems no case for adjusting budgets and trajectories for new information and developments of an economic or scientific kind”.*

*In other words, even if the science says that reducing man’s emissions of CO2 will have no effect on future climate, AND even if the de-carbonisation program causes huge destruction in our economy, we will stay with the world pack.*

- An analysis and estimated quantification of all likely costs associated with any proposed emissions reduction proposal.
- An assessment of the risks associated with any proposed action.

For another view on this subject by a well informed Australian see Appendix 1.

## ***2. Minimising Harm – are there other Options?***

The Australian government faces three main options for CO2 emission control:

### **Option 1 – Do nothing.**

The costs of all de-carbonisation proposals are huge and certain, but there is no proof of any benefits for Australia or mankind in attempting to curb CO2 emissions. It is clear that CO2 does not drive global temperature, clear that CO2 is not a pollutant, and clear that man's emissions are, at best, a minor factor in determining CO2 in the atmosphere. Therefore the obvious solution is to do nothing. This is the option recommended by the Carbon Sense Coalition.

### **Option 2 – Introduce a carbon tax on CO2 emissions.**

This has the benefits of being simple, predictable, and measurable and immediately allows people to assess future investment proposals without the added risk in trying to forecast prices in a speculation-driven emissions permit market. It also provides a more stable income stream to governments allowing them to make more believable promises on what they will do with the loot. Conclusion: Option 2 is preferred to Option 3.

### **Option 3. – Bet the House and introduce a full Cap and Trade Scheme.**

This silly proposal would create a huge artificial “industry”, with make-believe paper assets and a parasitic speculative and regulatory empire draining savings and assets from taxpayers, shareholders, consumers and employees. This option is preferred by politicians because it is politically more acceptable, it is easier to disguise its real effects and it delivers them more power. It also allows the growth of a brotherhood of vested interests who will lobby for maintenance of the permit system right into the next Ice Age (and long after everyone except Al Gore has ceased believing that CO2 controls global temperature). Under the magic of emissions trading, governments sell bits of paper for real money, traders play profitable games trading these chips, and if the people complain about the rising cost of everything, the government can look innocent and blame “wicked speculators in the carbon market”.

The Carbon Sense Coalition is totally opposed to this Option, and thus is reluctant to give any advice on how to design one – we will not help weave a more comfortable hangman's noose. We will however provide more comments on topics requested which will provide even more reasons for abandoning this costly, unstable and un-necessary speculation with all of our futures.

### ***Recommendation:***

Carbon Sense recommends the “Do Nothing” option on all de-carbonisation proposals. In a ranking of all options being considered, the Carbon Sense Coalition would rank Cap and Trade last.

*(See also Appendix 2. Even the IMF has recognised the severe disadvantages of Emissions Trading and the cynical reasons that governments prefer them to a simple definite tax.*

*And Appendix 3 where even the ever-so-green Kiwi's are having second thoughts:*

***“The Chambers of Commerce has some straightforward advice for MPs considering the emissions trading scheme legislation: Throw it out.”***

### **3. Supporting Documents**

Carbon Sense has already made known its views on the lack of evidence or proof that man-made CO<sub>2</sub> has caused or will cause dangerous global warming, and the dangers of costly and perverse consequences of precipitate legislative action on de-carbonisation. These include:

- 1** A submission to the Garnaut Review, “The Sky is not Falling”, which recommends that no action be taken on any de-carbonisation proposals until a Royal Commission is held on the Science of Global Warming:  
<http://carbon-sense.com/wp-content/uploads/2008/01/garnaut-submission.pdf>
- 2** A specific proposal from a group of Australian and New Zealand organisations and scientists to set up such a Royal Commission (the ANZIG Enquiry):  
<http://carbon-sense.com/2008/02/05/time-for-an-australia-new-zealand-royal-commission-on-global-warming/>
- 3** A Submission to the Queensland Government, “Look before you Leap”, on their Proposed Energy and Climate Policies. In it, The Carbon Sense Coalition accuses the Queensland Government of proposing draconian policies which will have no effect whatsoever on global temperature, but will, if pursued, do tremendous damage to most Queenslanders:  
<http://carbon-sense.com/wp-content/uploads/2007/06/look.pdf>
- 4** A submission to The Garnaut Review, on reporting, “Keep it Simple, Stupid”, which recommends that if any reporting system is mandated, it should be the very simplest system.  
  
<http://carbon-sense.com/2008/02/17/keep-it-simple-stupid/>
- 5** A submission to The Garnaut Review, on low emission options, “The Climate is Changing, naturally”, which concludes that there are no near term “low emissions” energy options (apart from politically in-correct nuclear power) to replace coal and oil for electricity and motor vehicles.  
  
<http://carbon-sense.com/2008/04/12/submission-to-garnaut-review-the-climate-is-changing-naturally/>

The above reports should be treated as part of and complementary to this submission.

### **4. The International Scene - more UN scams?**

The one-world master planners in the UN see the massive money and patronage power that would flow their way if they can convince the western world (mainly America) to be part of a world wide scheme for managing carbon emissions, trading emission rights and facilitating a massive transfer of western wealth via the UN to favoured third world dictatorships. We have already seen how “Oil for Food” was milked by the UN. Trading emission credits allows even greater scope for fraud on western taxpayers and consumers.

Moreover, the only international agreement with a chance of receiving support of the Asian giants and the third world is one based on equalising emissions of CO2 *per person*. This means *equalising living standards per person*. Such a policy will necessitate massive transfers of wealth from rich sparsely populated countries like Australia to heavily populated poor countries like Bangladesh. Is this what the Australian people and unions wish to happen?

### ***Recommendation.***

The Carbon Sense Coalition is totally opposed to all international linkages and carbon credits. Taxes collected in Australia should stay in Australia, and if we must buy permits, they too should be bought in Australia. Allowing foreign emissions offset credits is an open invitation to fraud and will merely result in massive transfer of western wealth to disappear into Swiss Bank accounts in the third world.

## ***5. Targets and Trajectories – “Aim Low”.***

The federal government has signalled that they aim to cut Australian CO2 emissions by 60% of year 2000 levels by 2050 ie to a level just 40% of emissions in the year 2000.

We need to look at what these fairyland figures mean.

Let's assume that the Australian population grows at 2% per year, and also assume that carbon emissions per person have not changed since 2000 ie assume we use the same carbon energy, food, transport, cement and steel now, per person, as we did in 2000. (In fact we use more, but let's not be accused of exaggeration.)

Assume that the index of Australia's total population and of Australia's total emissions were both 100 in the year 2000. Both would have risen (at 2% per year) to 117 by now, 2008.

Does anyone seriously believe we can or should try to cut emissions per person to 40 by 2050 – an absolute cut of 66% from current levels? Can anyone imagine we have the resources, the capital, the technology or the persistent death wish to close, park up or capture and bury all emissions from two out of every three cement plants, smelters, diesel trucks, trains, ships, planes, earth moving equipment and coal burning power stations in just forty years?

Moreover, the Australian population index will have risen to 269 by 2050 (from 100 in 2000). This means that emissions per person would need to fall from an index of 100 in 2008 to 15 in 2050 – ie a cut of 85% in emissions per person. Does anyone believe we have the technology, or the capital resources to eliminate or bury 85% of each person's CO2 emissions by 2050? (Even if that were sensible or desirable to do.)

***Carbon dioxide (CO2) comprises a tiny 0.0386% of the atmosphere.  
CO2 comprises a minute 3-4% of all greenhouse gases.  
Man's annual emissions total just 0.09% of the CO2 in the atmosphere.  
Therefore 100% of man's annual emissions of CO2  
would take the CO2 content from 0.0386% to 0.0389%.  
Does anyone seriously believe this tiny mass of a colourless gas  
can control radiation and temperature?***



CO2 emissions, perhaps more than any other index, measure economic growth and human welfare. To cut emissions by this massive amount cannot be achieved except by:

- A fall in living standards far more massive than we saw in the great depression (where emissions fell by about 30%), OR
- A reduction in population (no one yet talks about the Pol Pot formula), OR
- An unheard of revolution in technology, requiring scientific breakthroughs, engineering achievements and capital spending on a scale never before seen.

Politicians cannot force things up, except by sacrificing something else. Their only effective weapons are:

- **prohibition** (eg thou shalt not drive private cars more than 20km from your home without a permit),
- **confiscation and transfer** (eg taxes on bad guys and subsidies for good guys),
- **regulation** (eg your emissions shalt not exceed X per person per Greenhouse reporting month) AND/OR
- **delay** (eg you must get 42 separate permits and authorities from local, state, federal and aboriginal authorities and conduct extensive public consultations before you can proceed to disturb one sod of soil).

All of this says clearly, that unless we derail this global warming train, it will cause a blow-out in the cost of living for the older generation, reduce earnings and shrink nest eggs for their children and destroy job prospects for their grandchildren.

Benny Peiser likens the current climate change debate in the UK to a runaway train:

**"I personally think there's very little you can do about this kind of anxiety," he says. "I don't think you can stop the train. You can't even slow it down.**

**"But, just like in the movies, the train will eventually crash into the buffers. And then people will realise that perhaps we should go back to the drawing board and find a different approach."**

### ***Recommendation.***

Even if the Australian government craves another standing ovation on the IPCC stage, and thus announces drastic long term cuts, Carbon Sense recommends that the trajectory of future cuts is so very, very slow, that not too much harm is done before "Global Cooling" or "World Depression" becomes the new scare, and all this rot is quietly forgotten.

And we should stop referring to baseline dates far back in history (this silly practice of backdating start dates came about when the Germans and Russians scammed the rest of the Kyoto bunnies by choosing dates that they knew were high points and they could thus benefit

from falls in emissions that had already occurred in the economic collapses in East Germany after reunification and in Russia after the collapse of the Soviet Union.)

## ***6. Coverage- “One Gas, No Exceptions”***

Firstly, CO<sub>2</sub> is not a pollutant so it should not be classed as a pollutant or included with other noxious gases and chemicals such as nitrous oxide etc. These can be adequately and properly controlled via pollution controls – they have no place in carbon emission schemes.

Secondly, methane is also a totally natural gas and oxidises or burns quickly to the other greenhouse gases, CO<sub>2</sub> and water. Methane’s emissions should thus be equated to CO<sub>2</sub> on the basis of its carbon content. This is the simplest, cheapest option.

What about industry coverage and exemptions?

Governments love complex schemes with all sorts of exemptions and concessions. That increases their arbitrary power and allows them the greatest scope for dispensing secret patronage or vote buying.

But justice should be blind. Every de-carbonisation proposal should apply to all industries and activities that have net emissions of CO<sub>2</sub> and there should be no opportunities for overseas carbon credit scams – if we must do anything, it should be simple with no exemptions, and confined to Australia.

## ***7. Bribery, Compensation, Assistance, Payback and Retrospective Taxation.***

“Emissions control” will prove to be a fearsome Weapon of Mass Taxation. Whether it is a carbon tax, or the sale of emission permits, the potential flow of dollars from consumers and shareholders to the government will be massive, and like the Mississippi “it will just keep rolling along”.

This is like giving a hand grenade to a baby – nothing is more subversive to industry and innovation than a government with bags of money.

Firstly, far too much innovative energy in Australia will be devoted to submissions, suggestions and applications for a share in this cornucopia of conscripted wealth.

Secondly, what should the government do with it that minimises damage and waste, maximises future benefits and displays some justice?

Every discussion on the matter is prefaced with the compulsory mantra about “compensating the lower income people”. By definition, we will always have lower income people, and they will always be the most numerous group in the population. Therefore they, more than any other group in the community, have by their votes sanctioned the construction of the very taxation machine that will soon oppress them. If they want relief from carbon tax oppression, the solution is in their hands: eject every politician who voted for it. Compensating some consumers for cost increases caused by taxes they voted for is not good energy policy – it is vote buying or social engineering.

Many silly interventionist proposals are also rationalised by the so called need “to correct market failures.”

The whole aim of whatever emissions control mechanism is introduced is to induce people to use solar not coal, bicycles not cars, muscles not electricity, and mud bricks not cement. The market way is to tax carbon so that the price of all the prohibited items goes up, the market works and people buy less of them. So why on earth would you blunt the market signals by payments to consumers, thus preventing the market from working for a large segment of the population? If their welfare is the concern, do not introduce the tax in the first place and save on all the transfer fees on the tax/welfare merry-go-round.

One powerful lobby who will fight to get their snouts into the tax trough will be the alternative energy people with all sorts of free energy or perpetual motion schemes that just require an odd million dollars or two for research and development. If the idea is that good, why does it need corporate welfare support?

Every non-carbon method of producing energy or goods will get a relative subsidy via the carbon tax. That should be the end of the subsidies. That is the market solution, and we may be surprised what discoveries will emerge once people realise that no government money is available and they will have to use their own assets, brains and ingenuity.

The same argument applies to government research. Allow full tax deductions for all private sector research, and release all the people and facilities now coasting comfortably in well manicured government hi-tech parks in every capital city. Decentralise research and you may be surprised how ingenious Australians really are.

The final claimants for a share in carbon tax revenue are those people whose assets and business will be destroyed by the tax.

Unless the government allows power companies to pass on most of the carbon tax by raising electricity prices (an unlikely event) every coal fired power station will immediately decline in value once carbon taxes are introduced. The very marginal or old ones may close very quickly. Others will have the working lives of their assets reduced (unless the alarmists are thrown out of parliament soon). Unless these people are compensated for these dramatic losses, where is the capital coming from to build new power stations or retrofit old ones?

Moreover, to achieve the massive cuts in emissions required from our vehicle fleet will require a massive and unbelievable revolution from diesel and petrol to nuclear powered electric or hydrogen vehicles. Should this unlikely event happen, who pays for all the trains, road vehicles and other engines made obsolete by a politician’s pen? And who provides the capital for the new fleet of sailing clippers and hydrogen powered air ships? Or finds a new way to make cement and steel?

How to compensate? The simplest solution is to not destroy perfectly good assets in the first place.

The next solution is to totally exempt all current assets and operations from this carbon asset confiscation ie all new power stations, cement plants, steel mills, bulk carriers, diesel trains and air-liners will need a permit or pay the tax, but there will be no retrospective carbon taxation on existing assets.

The next solution is to pay cash compensation to those who have suffered loss in asset value. This is a Pandora's Box which if opened, will lead to special deals, haggling, legal challenges, disputes over valuations and models, fraud, corruption and the chance for politicians to indulge their propensity to discriminate on the basis of their value judgments, prejudices or political interests.

This box should be left closed.

## **8. *The Carbon Bank.***

In all of this stuff, a couple of things are certain.

Firstly, carbon emissions control will have no beneficial effect on climate but will bring huge costs.

This means, they will inevitably be repealed. This also means that the value of Emissions Permits, Carbon Credits and all the hot air businesses erected upon them will one day collapse and all value will disappear like CO2 into a clear blue sky.

Therefore, taxpayers (via the government) should not be forced to bet more of the future on this Bubble.

If we are so silly as to proceed on this risky and costly path, governments must define Emission Permits and Carbon Credits, record who holds them, and somehow minimise the blatant fraud that will arise from creation and trade in them. They should have nothing to do with setting up or controlling markets, prices, exchanges or banks, apart from prosecuting fraud, deception and misleading conduct. They must run the emissions share registry, but not the emissions commodity exchange or the emission credits bank.

### **The green push has gone mad**

ONLY George Orwell could have invented — and named — the British Government's Renewable Transport Fuel Obligation (RTFO) that came into operation yesterday. It is the latest in a long line of measures intended to ease the conscience of the rich while keeping the poor miserable, in this case spectacularly so.

It says enough that one car tank of bio-petrol needs as much grain as it takes to feed an African for a year, or that a reported one-third of American grain production is now subsidised for conversion into bio-fuel. United Nations food expert Jean Ziegler screamed for it to stop: "Children are dying ... It is a crime."

Simon Jenkins, "The Guardian"  
April 17, 2008

## **9. Conclusions – the Great Schism.**

There is developing a great schism in the Global Warming Debate.

On the one hand, the science and the weather trends are indicating that CO2 is not driving global temperature and that CO2 is a valuable plant fertiliser, not a pollutant.

In addition, economic trends and analyses are indicating the huge cost and unintended consequences that will arise from introduction of cap and trade or carbon tax schemes.

But on the other hand, most politicians and vested interests are becoming increasingly shrill in their demands that the western world should rush into totally unproven schemes that will:

- Create shortages and soaring prices for food, electricity, transport, steel and manufactured products,
- Trigger international political turmoil,
- Crystallize immediate capital losses for many shareholders AND
- Cause job losses for employees in many productive enterprises.

There is no urgency to commit economic suicide. The Carbon Sense Coalition urges the Garnaut Review to recommend a full scientific and economic assessment of the risks, costs and benefits before forcing Australians down this dark alley.

The Carbon Sense Coalition is happy to appear before the review or answer questions on the questions posed by this Submission or the Issues paper.

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*This submission was prepared by individual members of the Carbon Sense Coalition on their own initiative with no encouragement or financial support from any other groups or individuals.*

***"There are some ideas that are so wrong that only a very intelligent person could believe them."***

George Orwell.

## *Appendix.1 –*

# Warming theories not carved in stone

<http://www.theaustralian.news.com.au/story/0,25197,23545661-5013479,00.html>

Des Moore | *April 16, 2008*

(Article, The Australian, 16 April 2008 - square brackets show original draft)

*If the 2020 Summit wants new ideas on climate change, it needs to question the international panel's science, writes **Des Moore***

The 2020 summit is supposedly designed to allow consideration of views not previously examined by government policy makers. With climate change on the agenda, this should provide an opportunity to question the alleged scientific consensus claiming that increased emissions of greenhouse gases emanating from increased human activity have caused global warming.

The touting of the science consensus claim underpins the advocacy of large reductions in CO<sub>2</sub> emissions to prevent temperatures increasing above a further 2 degrees and the assertion of many adverse consequences if that happened.

However, since the last report by the International Panel on Climate Change, many qualified scientists have begun to question its basic science, and even those accepting the science differ widely on emission reduction policies.

While the Stern review advocates early and strong action, well-regarded environmental economist William Nordhaus argues for only modest emission reductions initially, followed by sharper reductions later.

And Australia's Productivity Commission notes that uncertainty continues to pervade the science, geopolitics and economics, describing the Stern review as much an exercise in advocacy as an economic analysis of climate change.

Yet without holding any public inquiry into the science, the federal government aims for a 60 per cent reduction of CO<sub>2</sub> emissions by 2050, starting with an emission trading scheme in 2010 that implies some reduction target then regardless of other countries' policies.

And although economist Ross Garnaut has been commissioned to report on emissions trading by September, he basically accepts the IPCC's science and his interim report foreshadows a reduction target for 2020. By contrast, internationally recognised emissions trading expert and Australian academic Warwick McKibbin rightly criticises Garnaut for failing to incorporate into the policy response that most experts in the climate change area acknowledge the science is still uncertain on what the precise target for greenhouse emissions should be.

Given the vast structural changes any emission reduction policy would cause, and the enormous increase in government power, the summit should surely call for more than a report on

emissions trading. It is difficult to think of a more important issue facing Australia and the Government.

Account needs to be taken of the many expert analyses post-IPCC, including 400 who signed the minority US Senate report disputing the IPCC view. Also pertinent is the recent major report by the Nongovernmental International Panel on Climate Change (NIPCC) concluding that natural causes are very likely to be the dominant cause of global warming, signed by 23 experts, including two highly qualified Australian scientists.

Even a cursory consideration suggests it is timely to re-examine the situation at the summit, particularly:

- Global warming has occurred in past periods when human activity involving industrial type CO<sub>2</sub> emissions did not occur and temperature levels were almost certainly higher. Experts, including scientists, have a history of unrealised doom and gloom predictions;
- Since the last IPCC report, new authoritative research shows about half the temperature increase since 1980 reflects normal heating effects from urban areas. Also, the absence of any increase since 2001, and the fall of 0.6C between January 2007 and January 2008, raises further doubts about the claimed correlation between increases in temperatures and CO<sub>2</sub> emissions;
- Indeed, scientific analysis acknowledged in successive IPCC reports shows that incremental warming effects from increased CO<sub>2</sub> concentration in the atmosphere diminish progressively with concentration. So, why did the IPCC fail also to acknowledge that this analysis suggests even a doubling of CO<sub>2</sub> concentrations in the 21st century would increase temperatures over the rest of the century by only 0.3C?
- Scientific analysis of IPCC modelling used to project temperature increases is seriously deficient in [failing to take] taking proper account of the strong increase in surface evaporation occurring when surface temperatures rise. That surface evaporation includes an offsetting process that acts to limit such temperature rises. Why did the IPCC fail to recognise that larger CO<sub>2</sub> concentrations will result in much smaller surface temperature rises than the models produce?
- If there are substantive qualifications to IPCC views, the need for governments to intervene to limit CO<sub>2</sub> emissions is much diminished or disappears. Humans readily adapt themselves to different climates (as they do now) and for the present it would be best to rely on adaptation;
- Any adoption of an emissions reduction policy by Australia should only be in the context of an effective, comprehensive global agreement.

The summit should call for a detailed public inquiry on both the science and economics of global warming, such inquiry to include experts not directly involved in the IPCC reports.

Des Moore is director, Institute for Private Enterprise and a former Treasury deputy secretary.

## ***Appendix 2.***

Carbon Tax or Emissions Trading Scheme?

A comment by political analyst, Richard Farmer from:

<http://www.politicalowl.com/owl%20daily%20emails/200804april/040408.htm>

“A fascinating study by the International Monetary Fund on the economic costs of global warming has just been published and it actually comes close to explaining why it is that we are about to have an elaborate market for carbon emissions rather than a tax that would achieve the same purpose of reducing emissions.

“The chief reason, says the IMF in its report "Climate Change and the Global Economy“, is that taxes "may be politically difficult to implement." This despite the fact that there are many reasons why taxes would work better. "Carbon taxes," argues the IMF, "have an important advantage over cap-and-trade systems in that they result in a stable price for emissions (cap-and-trade policies seek to stabilize the quantity of emissions, but allow prices to fluctuate). Stable prices for emissions are critical for firms making long-term decisions about investment and innovation in low-emission technologies. Carbon taxes also provide for greater flexibility in the face of changing economic conditions, allowing firms to reduce emissions more during periods of slow demand growth and less during periods of high demand growth, when the cost of doing so would be higher.

In contrast, cap-and-trade systems could give rise to volatile emission pricing when demand conditions change. Carbon taxes also generate revenues that can be used to enhance efficiency (by lowering other taxes) or equity (by compensating groups disadvantaged by the policy)."

Arguments like that, however, are as nothing compared to the desire of politicians to blame some vague thing called the market rather than themselves for the decisions which will force up prices.

***The IMF report ("Climate Change and the Global Economy") can be found here:***

<http://www.imf.org/external/pubs/ft/weo/2008/01/pdf/c4.pdf>

***See also a report by prominent Queensland Barrister, David Russell:***

[http://www.wentworthchambers.com.au/pdf/Dubai\\_Paper.pdf](http://www.wentworthchambers.com.au/pdf/Dubai_Paper.pdf)



### ***Appendix 3.***

#### ***Don't bother with emissions trading law, business lobby tells MPs***

***5:00AM Thursday April 17, 2008***

***By [Brian Fallow](#)***

[http://www.nzherald.co.nz/feature/story.cfm?c\\_id=26&objectid=10504541](http://www.nzherald.co.nz/feature/story.cfm?c_id=26&objectid=10504541)

#### **Climate Change**

- [Melting mountains 'time bomb' for water shortages](#)
- [Carbon charge is plain silly](#)

The Chambers of Commerce has some straightforward advice for MPs considering the emissions trading scheme legislation: Throw it out.

"We are rushing to implement a world-leading scheme covering all sectors and all gases when we don't know what the world regime [after 2012] will be," Charles Finny, a former diplomat and trade negotiator, said yesterday, appearing before the finance select committee for the New Zealand Chambers of Commerce.

"We know a little about what Australia intends but Canada is back-peddalling and who knows about the United States? It is most unlikely China, India and Brazil will adopt our kind of policies any time soon."

Rather than risk putting in place a scheme which could end up, counter-productively, as a horrible example to the rest of the world of the costs of getting it wrong, New Zealand would do better to concentrate on trying to ensure the international regime was the best possible.

"Because it is a global problem we are talking about."

The legislation did not deal adequately with leakage, Finny said. Leakage is jargon for what happens if costs imposed by climate change policies in one country cause emissions-intensive industries to migrate to other countries which do not impose those costs; the first country suffers an economic loss but the planet is no better off.

"World Trade Organisation rules as they stand stop us doing anything about it by way of a border tax adjustment," Finny said.

A border tax adjustment would impose a tariff on imports from countries which imposed no carbon cost on their producers, and would give a subsidy to exporters facing competition in offshore markets from such countries.

"We need to take time out and negotiate a variance with the WTO. It won't be easy," he said.