

# The alternative that dare not speak its name

[Food & Environment](#), [Energy](#) and [Climate Change](#) | [Alan Moran](#)  
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Ross Garnaut issued his interim report on climate change in February and is due to issue a draft report next month. Conspicuously absent from the February report is the N-word. Nuclear power is not even canvassed in passing or dismissed as being high cost, politically unpalatable or dangerous. Contrast this with Kevin Rudd's model, or British New Labour's building program to increase the proportion of electricity produced by nuclear power from the present 20 per cent to 50 per cent.

Garnaut does get a lot of things right. He is right to say that Australia needs to reduce its emissions by 80 per cent to 90 per cent based on the logic of the global emissions target said to be required if human-induced global temperature levels are to be stabilised. This would mean Australian emission levels falling to three tonnes per capita from the present 16 tonnes. But, although he recognises this will be costly, Garnaut does not explore what it may mean in terms of the nation's energy and economic framework.

Garnaut is also correct in emphasising the importance of a global agreement: not for him the flim-flam of Australian leadership as a beacon for the rest of the world to follow.

But he does seem to think, contrary to his free-market credentials, that the Government can nurture a new infant industry in global financial swaps of emission rights and so wants some encouragement in this aspect.

He is also right to say that we cannot, as Competition Policy and Consumer Affairs Minister Chris Bowen suggested, quarantine petrol from the price increases consequent on emission taxes.

This would make reaching the aggregate emission reduction target arithmetically impossible, even after all the coal and gas-fired power stations had been closed.

However, for some reason Garnaut thinks that the energy intensive activities can be insulated from the price increases associated with taxes necessary to choke off carbon dioxide emissions. Excluding these activities would pose the same arithmetical impossibilities of achieving the target as excluding petrol.

He is also correct in stating that whether the route to emission reductions is a tax or a tradeable right to emit makes virtually no difference in the price effects. As long as the rights were fully tradeable, their market price would boost the energy cost by an amount similar to that which would stem from an equivalent tax.

Garnaut favours taxes rather than conferring tradeable rights, which he thinks would invite rent-seeking. But he goes on to advocate a fund for compensating those harmed by the greenhouse tax. The money available even at a tax as low as the European Union's \$30 a tonne carbon price would be \$7 billion a year. This would provide grace and favour funding of unparalleled magnitudes, perhaps sufficient to maintain the present Government in power for generations, until it collapsed under the weight of the inefficiencies its interventionary policies created.

Garnaut's suggestion that a tax will affect only the asset values of coal-based power stations is superficial. The level of tax or tradeable right necessary to reduce emission levels would reduce the \$12 billion value of the Victorian brown coal power stations to virtually zero.

It would have to do so to foster the decreased demand and increased incentive for commissioning

less efficient facilities that the policy requires. As recognised by NSW Treasurer Michael Costa, the Garnaut tax would revise down the value of the NSW black coal power stations by at least \$10 billion. This would make the weekend's state ALP debate irrelevant.

The tax involved does not simply wipe out asset values but it also, as intended, prevents the production of electricity from fossil fuels. And, although idealistic greens would have us believe in solar energy, it is just impossible to run an economy on sunshine. This brings us back to the N-word. Running a carbon-free economy is not remotely possible unless we build nuclear power stations to replace those using fossil fuels. Gas, though lower in CO<sub>2</sub> than coal, can be only a partial and stopgap solution.

Now there's a rich irony. ALP ministers, many of whom have spent their lives demonising nuclear power, may soon have to start promoting it. Actually, that's a U-turn not without precedent, as nuclear power was once strongly advocated by the ALP: in the mid-1970s, the Dunstan government in South Australia even claimed that a nuclear industry in the state would create 500,000 jobs.

This is only one illustration of the surreal nature of the debate.

It is as if the politicians, both Liberal and Labor, responsible for formulating options in response to climate change are totally divorced from those formulating economic policy options. Posturing is taking place at the same time as increasingly ornate and detailed procedures are devised that will require a reduction in living standards experienced only by the defeated nations in the two world wars.

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