

ScoMo runs up the white flag on carbon

[Alan Moran](#)



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It was only at midday Friday The Spectator Australia asked [Will Australia face carbon tariffs under the Biden regime?](#) By that evening, the Prime Minister had pre-empted any trade war with an immediate surrender or, as his spin on the front page of The Weekend Australian put it, declaring that the “[Politics of carbon has ended](#)”.

The Biden Administration’s flurry of energy and carbon emission-related measures during its first day have had an immediate effect on Australian policy, with Scott Morrison declaring that political debate about reaching a carbon-neutral future is over.

Overturing Trump's policies, Biden has recommitted the United States to the Paris Climate Accord, rescinded approvals for leases to explore for oil and gas on public lands and for a major oil pipeline — with the loss of thousands of jobs in his own country and Canada — and reimplemented tight vehicle emission controls.

It would not have been lost on Australian bureaucrats that Biden has previously discussed a carbon tax and that he has selected as Treasury Secretary, Janet Yellen, who has been working with the bipartisan Climate Leadership Council on carbon emission policies.

Yellen's aim is for policies that would not leave US businesses vulnerable to competition from nations that are not incurring the costs of decarbonising their economies. Her proposal is for "carbon customs unions" that are to be deemed compliant with World Trade Organization rules. This is similar to EU thinking. The policy would impose punitive carbon tariffs on imports from countries judged to have inadequate emission reduction policies and perhaps offer exporters GST-type rebates on the emission-restraining costs they incur.

Yellen's approach is consistent with views of Obama officials that have been appointed to key positions in the Biden Administration. Among these is former Environment Protection Agency (EPA) head, Gina McCarthy as National Climate Adviser and John Kerry as the Special Presidential Envoy for Climate. Biden has also appointed other climate change warriors to head powerful agencies, including the new the EPA head, Michael Regan and Green New Deal proponent Deb Haaland as Secretary of the Interior.

Four years ago, in my book *Climate Change: Treaties and Policies in the Trump Era*, I noted President Trump's rejection of doom-laden climate prognoses and his determination to avoid measures that would place the US at a commercial disadvantage to other countries. That meant rejecting the Paris Climate Accord with its hefty decarbonisation costs. Fast-growing developing countries: China, India, Vietnam and Indonesia had also rejected emission restraints and once the US did so, this left only the EU almost alone among the major emitters. This would cause the Paris Accord to collapse, bringing a different end to the climate wars than the one now foreshadowed.

Trump's low-cost energy policies contributed to a resurgence of the US economy, where high growth was accompanied by record-low unemployment rates and the US becoming, for the first time in 60 years, a net exporter of oil and gas. In ploughing an alternative field, the Biden team, like the EU, realises that decarbonisation must be multilateral to ensure acceptable national economic harm.

Developing countries might obtain a respite from US (and EU) attempts to prevent an erosion of their competitiveness through tariffs. But this would be more difficult for Australia to achieve, notwithstanding that, in terms of actual decarbonisation costs incurred, Australia has spent twice as much per capita as the US and EU. Aside from the money wasted on high-cost wind and solar, the 20 per cent share of electricity supply that renewable energy subsidies have brought about has resulted in an unreliable supply. Indicative of this is that last year, because subsidised renewables supply energy when it is not needed, the electricity market actually saw negative prices for almost four per cent of the time. Such negative prices place further pressure on the economics of those electricity

suppliers that are dependent on commercial interactions for their revenues and brings a snowball effect in undermining reliability.

In seeking a way out of the impasse created by changed US policies, Morrison says he wants Australia to achieve carbon neutrality by adopting yet to be discovered technology innovations. In this, he finds himself in the camp of NSW Energy Minister Matt Kean, the standard-bearer for the anti-fossil fuel lobby, who has [announced](#) “hydrogen will power the future”.

The Prime Minister has previously [rebuked](#) Kean but the best path forward may be to proclaim Australia’s green credentials in having funded the destruction of its previously reliable electricity supply industry and to announce a 2050 net-zero commitment. Achieving that goal should be accompanied by gradually eliminating subsidies and be made contingent on the alchemy of turning hydrogen into energy or other unlikely breakthroughs.

Obtaining EU/US acceptance of such an approach as policy-compliant will be among the most important policy challenges Australia faces in navigating the shoals emerging from the Biden victory.

Alan Moran has authored chapters on Australian energy in five international compendiums as well as the energy chapter in the recently released “Keeping Australia Right”. His latest book is “Climate Change: Treaties and Policies in the Trump Era”.