

# Cost of Kyoto is still rising

[Food & Environment](#) | [Alan Moran](#)

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Last Tuesday, as the Victorian Government was launching its Greenhouse Challenge for Energy, the Economic Adviser to Russian President Putin was delivering addresses on the issue in Melbourne. Dr Illarionov minced no words in decrying the Kyoto greenhouse agreement, even though Russia recently agreed to it.

The Kyoto agreement seeks to limit countries emissions of carbon dioxide and other greenhouse gases to their 1990 levels (though Australia was allowed to exceed its 1990 levels by 8 per cent). The agreement will cover only 25 per cent of global emissions because the US and developing countries like China as well as Australia have not agreed to it. Although being claimed as a success it will have a negligible effect.

According to Dr Illarionov, Russia decided to accept the treaty for three reasons. First, because the post-Communist economic collapse brought a 30 per cent drop in its actual greenhouse emissions, leaving Russia with no near term problem in meeting the target.

Secondly, Kyoto allows countries which find it difficult to meet their targets to buy credits from countries accepting the treaty which have surpluses. Europe and Japan may be willing to pay Russia for these. Some estimates were that Russia might make \$10 billion per year from this.

Thirdly, European countries blackmailed Russia into signing-on by making this conditional on their agreement to it joining the World Trade Organisation.

So Russia got on board for a number of highly cynical self-interested reasons.

For its part, Australia in reporting its emission levels has engaged in some fancy footwork. We redefined the way emissions are calculated so that what would have been 28 per cent above our 1990 levels became 11 per cent above. This allowed the Commonwealth Minister for the Environment, Ian Campbell, earlier this week to claim that we are "right on the mark" in meeting our international agreed target. That's like agreeing to run a hundred metres in 10 seconds then shortening the distance to 85 metres and claiming success!

Australian taxpayers and consumers are unwittingly paying an increasing amount---\$670 million per year by 2010---for Kyoto policies at a federal and State level (though Victoria has spent less than other states). The latest Victorian Greenhouse Challenge for Energy statement is full of lofty phrases but actually, and wisely, imposes no further costs. However, playing to a green gallery with continual Jeremiah like re-assertion of claims that unless something is done we're all doomed creates its own problems. It brings expectations of future actions. In Victoria's case, with its invaluable brown coal resources, any such actions will hit the household consumer and businesses in price hikes. It will also imperil the state's competitiveness, thereby threatening employment levels.

Moreover, a toll is being taken by attacks on coal based electricity generators' carbon dioxide emissions. Both Minister Theophanous and the ALP appointed President of the Civil and Administrative Tribunal have put road blocks to Hazelwood Power's coal licence extension. Such measures are putting out the "not welcome" mat for future investment in generation. The upshot of this is the sort of power blackouts that used to characterize Victorian electricity when it was run by the Government.

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