

Carbon emissions tax will choke economy

[Economics & Deregulation](#), [Governance & Service Provision](#), [Energy](#) and [Climate Change](#) | [Alan Moran](#)



The Herald Sun 14th November, 2009

Greenhouse issues are dominating the economic debate.

Most people want to protect the environment and have been told that the tax from the Emissions Trading Scheme will only have minor consequences.

In fact, the ETS tax designed to choke-off carbon emissions will have a devastating effect on the economy, especially here in Victoria.

The average household's electricity bill, according to Climate Change Minister Penny Wong, will rise by only \$75 in the first year when the ETS tax is set at \$10 per tonne of CO₂.

On Treasury's tax estimate of \$40 a tonne, it will have risen to \$300 per household by the end of this decade.

The Government says it will compensate poorer households out of these revenues.

But the costs it predicts are only the tip of the iceberg.

For a start they don't recognise the existing hidden taxes on carbon fuels. Including new requirements to use renewable energy and subsidies to expensive renewables, these amount to more than \$2.8 billion a year and add a further one-third to users' costs.

In addition, the Government's cost estimates grossly understate the tax level necessary to force the carbon emissions reductions they seek. Nor do they recognise the business costs and their knock-on effects to households.

All of this is in the context of an Australian ETS tax that will be ineffective in reducing global emissions of carbon dioxide which the Government says is causing the world's climate to warm.

That's because key overseas competitors will not implement carbon taxes and even if they did the climatic effect would be negligible.

So, the Australian tax will raise considerable revenues for the Government to spend on vote-buying, while firms that pay this tax lose their competitiveness and start closing down.

Some say the effects of the carbon tax can be overstated. They would argue that even though Australia is dependent on carboniferous fuels, energy is only 5 per cent of national spending. How can a tax directed at such a small share of spending have such serious consequences?

But much the same can be raised with regard to food. This comprises only 12 per cent of GDP and most of that share is in distribution and value-added features rather than nutrition.

Yet everybody agrees that a tax introduced to stop us using most food products would have a calamitous effect.

The Prime Minister says the ETS is vital to "our children's fate - and our grandchildren's fate".

He is surely right but this is because the ETS tax would slowly strangle the economy and dramatically reduce future living standards and opportunities for productive employment.

Many proponents of the ETS tax consider its effects would be softened by new owners taking over bankrupted coal-fired power stations and tax concessions to specific new gas generation facilities.

There are proposals to extend regulatory controls over gas pipelines, which may foreshadow such approaches.

But it is impossible to meet the Government's goals without closing the Latrobe Valley power stations.

And micro-managing the energy industry and new regulations over supply means unwinding the reforms and privatisations which in Victoria created a world-beating electricity industry.

[Back to news page](#)



[Become a member of IPA today](#)



Archived news

[2014](#)

- > [August](#)
- > [July](#)
- > [June](#)
- > [May](#)
- > [April](#)
- > [March](#)
- > [February](#)
- > [January](#)

[2013](#)

- > [December](#)
- > [November](#)
- > [October](#)
- > [September](#)
- > [August](#)
- > [July](#)
- > [June](#)
- > [May](#)
- > [April](#)
- > [March](#)
- > [February](#)
- > [January](#)

[2012](#)

- > [December](#)
- > [November](#)
- > [October](#)
- > [September](#)
- > [August](#)
- > [July](#)
- > [June](#)
- > [May](#)
- > [April](#)

- > [March](#)
- > [February](#)
- > [January](#)

[2011](#)
[2010](#)
[2009](#)
[2008](#)
[2007](#)
[2006](#)
[2005](#)
[2004](#)
[2003](#)
[2002](#)
[2001](#)
[2000](#)
[1999](#)
[1998](#)
[1997](#)
[1996](#)

[IPA](#)

[Home](#)
[About](#)
[Key Sectors](#)
[News](#)
[Events](#)
[Publications](#)
[IPA People](#)
[Contact us](#)
[Site Help](#)
[Payment](#)

[News](#)

Useful links

[Top of page](#):: [Site help](#)
:: [Site map](#)
:: [Privacy](#)
:: [Copyright](#)
:: [Subscribe to IPA email updates](#)
:: [Unsubscribe](#)