

# Dreaming of a different kind of White Paper

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With a pre-Christmas White Paper, the Federal Government transformed the global warming debate's focus into the introduction of a comprehensive new carbon tax.

To neutralise the adverse public image of taxes, this has a fancy new name -- the emissions trading scheme (ETS).

Supporters of a new tax on carbon emissions have varied motives. They include Greens favouring Australia's de-industrialisation; energy businesses seeking government regulation to beat their rivals; and the finance sector keen to have a new product to trade.

Politicians and politicised scientists warn that if we do nothing the oceans will engulf us, rain will stop falling, the Great Barrier Reef will be destroyed and dengue fever will take its toll.

To examine the economic consequences of a tax, the Government commissioned many studies, including by its own Treasury.

On the basis of their assumptions, these studies concluded that carbon-based taxes on electricity and petrol will leave us little worse off and will encourage a swag of new beautiful industries.

However, Canberra is having doubts. Contrary to expert advice, it has decided to reduce the tax burden on export industries and not to tax petrol. It is also taking steps to ensure that the tax doesn't force coal-based power stations to close.

The Latrobe Valley's brown coal stations have been demonised because of their emissions of carbon dioxide.

Using terms like "notoriously polluting", some journalists echo green activists' Pol Pot-like descriptions of these electricity generators.

In fact the valley's power stations have allowed Victoria to benefit from electricity which is among the cheapest in the world and remains cheap. Low electricity charges have been a foundation stone for the state's economy.

If Canberra believed its own propaganda and the forecasts of its experts, it would welcome the closure of brown-coal-based electricity generators. This would be the fastest way to shift to a low-carbon economy.

And yet it is taking the opposite approach. It proposes a life-support scheme to provide some shelter to power stations from the ETS.

This is recognition that if the tax caused a failure of one of the big coal-based power stations, the price of electricity would skyrocket.

On condition the generators keep operating, Canberra therefore proposes to offer them tax credits to offset some of the costs an ETS would impose on them.

The White Paper estimates the ETS will cost the generators between \$4.5 billion and \$10.6 billion. But it is offering credits worth only \$3.5 billion -- the drip feed is intended to destroy the patient's profitability but keep it alive.

Politicians' soaring rhetoric about the need to save the planet has become an excuse for a new means of funding government.

The White Paper's proposed emission cuts forced by the ETS tax will provide a huge revenue stream with negligible environmental effects.

The Government's agenda has shifted to one designed to milk producers and users of carbon based energy.

Ethical issues aside, this strategy could seriously aggravate the current economic tailspin.

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