# Go easy on regulation in carbon fight

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Australian spending and regulatory measures for greenhouse mitigation fall under two categories: subsidies by governments for carbon dioxide reductions and direct regulations.

In the budget, the $8000 subsidy for solar panels, costing $150 million a year for a very expensive electricity supply, was one of the most obvious money wasters. It comprises part of commonwealth annual spending earmarked for greenhouse mitigation estimated at $500 million, up from $184 million last year. With the Green Buildings. Greenhouse Gas Accounting and other programs, commonwealth spending would certainly exceed $650 million a year.

In addition, the states favour active industry policies promoting renewables. As well as parading a moral superiority, these are designed to capture a share of the world market in energy efficiency, like winner-picking policies of the past. NSW is spending $200 million and Victoria $106 million over five years. Queensland has set aside $300 million from the sale of its electricity retailers. Hence total state spending may add a further $100 million a year in real money.

The second category of expenditures is direct regulations. These include requirements on consumers to source electricity from high-cost exotic renewables. The commonwealth's mandatory renewable energy target obligates consumers to use 9500 gigawatt hours of this electricity in 2010 (around 4.5 per cent of supply) at an annual cost of $380 million. Queensland, Victoria and NSW have additional requirements. Together, at maturity the four schemes will cost $843 million a year.

Other regulations include energyefficiency requirements for domestic appliances. Dominating these is the five-star energy saving requirement for housing. This is over and above measures for solar power and adds between $7000 and $14,000 per new house, or $1 billion to $2 billion a year in aggregate. The measure has the political merit of avoiding a voter backlash, since it falls only on the new-house buyer.

In total, the estimable expenditures and regulatory measures amount to $2.5 billion to $3.5 billion a year. That is already equivalent to a greenhouse tax on stationary energy sources of perhaps $9 to $12 a tonne of C02 - a far cry from the tax requirements of $120 a tonne estimated by the Stern report, but in line with some estimates of what is needed to meet Kyoto targets.

But the pressure for more will follow the report of the Prime Minister's task group on emissions trading later this month. This will pave the way for a greenhouse emissions cap-and-trade policy or a new greenhouse tax.

Although such "economic" measures are preferable to the present hodge-podge of taxes, subsidies and regulations, their merit is lost if, as politicians seem to want, they supplement rather than replace those inefficient interventions.

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