

PM seeking 'certainty' on carbon

CHRISTIAN KERR, ANDREW BURRELL THE AUSTRALIAN SEPTEMBER 27, 2010 12:00AM

JULIA Gillard and Wayne Swan have appealed to the new parliament to let them put a price on carbon in this term to deliver certainty for business.

As politicians travel to Canberra ahead of the return of parliament tomorrow -- and as Alcoa warned that a \$3 billion alumina project was on hold pending a resolution of the carbon issue -- the Treasurer said yesterday he looked "forward to the new parliament adopting a more co-operative approach to tackling the key issues for our future".

This included "putting a price on carbon and delivering certainty for business", he said.

The Prime Minister invoked BHP chief executive Marius Kloppers's call for a price on carbon and the need for certainty, saying the government would "work constructively . . . to tackle climate change".

But not all resources chiefs were speaking with the same voice on carbon yesterday, raising the possibility of a showdown with business.

Former Queensland Labor treasurer and Macarthur Coal chairman Keith DeLacy said Mr Kloppers had a "pretty lonely opinion in the resources sector".

And Alcoa Australia chief executive Alan Cransberg warned that a decision on whether the company would restart its \$3bn Wagerup alumina refinery in Western Australia hinged on government action on a carbon price.

Treasury has cautioned in its Red Book advice brief for the new government, released on Friday, that delaying the introduction of a carbon price would make whatever climate scheme emerged more "costly and disruptive".

"There are . . . real and present costs associated with ongoing uncertainty around the climate change policy framework, particularly in the energy generation sector," Treasury wrote. "Interim policies should be consistent with a move to a future carbon price."

Ms Gillard had declared before the August poll "there will be no carbon tax under the government I lead".

But in an election-eve interview with The Australian, she did not rule out "the possibility of legislating a carbon pollution reduction scheme, a market-based mechanism".

Labor has since left the door open to introducing a carbon tax rather than an emissions trading scheme. Asked why she had shifted on a carbon tax, Ms Gillard told the Ten Network's Meet the Press yesterday "circumstances have changed" and said the government had to be realistic.

She noted Mr Kloppers's comments about the need for certainty. "We're putting together a committee that is open to representatives of all sides of politics who agree that climate change is real and we need to price carbon in order to reach the targets that we've set ourselves in 2020," she said. "Mr Abbott, if he wants to take a constructive approach, he could see his political party be part of those discussions."

The Treasurer and Prime Minister's comments were welcomed by the Greens, who are backing Labor in the lower house and will control the balance of power in the Senate from July 1 next year.

"The Greens' agreement to support a Labor government was clearly based on building a more collaborative approach to decision-making, and one of the key components was the establishment of a climate change committee to deliver a carbon price," said Greens deputy leader and climate change spokeswoman Christine Milne.

But resources chiefs have been more cautious.

Mr DeLacy told the ABC: "Most of us can't see why we would have a carbon tax in Australia in advance of the rest of the world.

"It would just impact on our competitiveness and it'd do nothing, absolutely nothing, for emissions."

Alcoa's Mr Cransberg warned of the importance of clarity in climate policy. Alcoa shelved the Wagerup alumina refinery in 2008 but the company was keen to kick-start development to take advantage of rising prices and growing Chinese demand.

"I don't think there's anybody in the world who's going to put billions of dollars into the ground without understanding what are the rules for an ETS or a carbon tax," Mr Cransberg said yesterday. "Getting clarity on that over time is very important."

Opposition climate change spokesman Greg Hunt told The Australian Mr Swan "appears to be operating on a different timetable to the Prime Minister. He wants electricity price rises before the parliamentary committee and the citizen's assembly, and she wants the price rises after".

Mr Hunt called on the pair to release Treasury modelling on the impact of a carbon tax on electricity prices. And the opposition spokesman takes a swipe at Mr Kloppers in an opinion piece published in The Australian today. "The Kloppers speech was wonderfully honest," Mr Hunt writes. "His argument was that BHP should be able to export an increasing and infinite amount of coal which should be exempted from any carbon price (until there is a global price), and that in the meantime Australian domestic consumers should pay a dramatically higher price for electricity.

"I happen to agree that a unilateral export tax of any form is destructive. I disagree, however, that dramatic rises in electricity prices are either good for Australia or the best way to directly reduce our emissions."

Mr Hunt goes on to defend the Coalition's direct action plan and abatement purchasing proposal, comparing it to the government's water buy-back policy. "Rather than taxing all 10 tonnes of a firm's emissions, simply to get them down to nine tonnes, the government will directly buy back just one tonne from a firm," he says. "But it will do it through a market to find the lowest cost reductions."

Victoria's Brumby Labor government has floated similar schemes to cut emissions from the state's brown-coal electricity generators as it attempts to maximise its green credentials before the November state poll.

Opposition finance spokesman Andrew Robb defended the Coalition's policy.

"I've seen no analysis by Treasury or any other part of the government for that matter which in any way demonstrates that direct action won't get us to 5 per cent by 2020," he told Sky News and The Australian's Australian Agenda. "Two lines in a document do not provide necessarily a convincing rebuttal of the program."