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Crafting a carbon tax - Richard Curchin

On July 10, the Australian Prime Minister Julia Gillard announced that agreement had been reached between the Australian Labor Party, the Australian Green Party and independent Australian Federal MPs to legislate the introduction of a carbon tax in Australia from July 1, 2012.

Back in 2010, the Labor government tried to pass an act to introduce a carbon pollution reduction scheme based on an emissions trading scheme. This act was defeated as it was opposed by both the conservative opposition and the Greens.

The opposition, led by climate change skeptic Tony Abbott, said a carbon pollution reduction scheme (CPRS) would hurt the Australian economy and was unnecessary. The Greens also opposed it—because they considered the proposed CPRS set targets too low for carbon reduction to be useful.

Following the Labor government's failure to pass CPRS laws, the Labor party decided to drop climate change from their proposed legislative agenda. This led to Prime Minister Kevin Rudd's drop in popularity and subsequent loss of his position to Julia Gillard.

Rudd was elected to government in 2007, promising to introduce an emissions trading scheme (ETS). One of his first acts was to ratify the Kyoto Protocol. Up until that time, Australia was one of only two countries not to ratify Kyoto. The previous conservative government had maintained it was not in the interests of the Australian economy.

Julia Gillard went to the 2010 general election saying that, although she was in favour of a carbon pollution reduction scheme, she would not introduce a carbon tax. However, six months after narrowly winning the election with the help of the Greens and the independents, she put the carbon tax back on the agenda.

Early this year, by announcing her intention to introduce a carbon tax—without giving details of the tax rate, by whom it would be paid, what compensation would be given to the polluters, other businesses and households—Gillard gave her political opponents a field day to run a rumour-based, fear campaign saying that a carbon tax was nothing more than a socialist tax-grab to destroy industry, lower standards of living and redistribute wealth. Gillard's popularity sank to an all time low with only 25% of Australians preferring her as prime minister.

Now, with the announcement of the details of the carbon tax scheme, at least some of the fear-mongering can be laid to rest (for the details, read related article, opposite page). Recently, when asked by a journalist how she could revive her popularity she advised the media, 'Don't write crap. It can't be that hard. And when you have written complete crap, I think you should correct it.'

The basic carbon tax will start at \$23 per tonne of carbon dioxide on July 1, 2012. This will be levied on the 500 largest polluters in Australia and is projected to rise by 2.5% per annum. The carbon tax is expected to raise the cost of living by 0.9% in 2012. Two thirds of households will be compensated by income tax cuts and increased pensions so that they will benefit from the carbon tax.

The government will set targets to reduce carbon emissions by 2020 to 20% less than levels in the year 2000, and to reduce carbon emissions by 80% in 2050. This all looks like wishful thinking more than planning, but at least the intention is there.

The Australian Greens, although not getting all the things they wanted, have this time accepted that Labor's carbon tax is a good place to start.

A great number of Australians do not believe climate change has been proven to be caused by human activity.

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They also believe that reducing carbon emissions will damage the Australian economy, reduce their standard of living and be completely useless because the rest of the world is doing nothing to reduce their emissions. The conservative opposition have been promoting these beliefs for their own political gain.

Australia can now expect bitter political wrangling based on the proposed tax. Three points on which the opposition will attack the government:

1. Before the last election, Julia Gillard said she would not introduce a carbon tax. Julia faced hecklers bearing banners stating 'JuLiar'. The opposition is demanding the carbon tax is taken to an election.

2. The conservative opposition say this is a government run by the Green Party. There are a lot of redneck voters in Australia who think Green supporters are tree-hugging subversives who want to take over their farms.

3. A sizeable amount of the emissions reduction is planned to come from the offshore purchase of foreign carbon credits rather than reduction of Australian emissions. ☺

See also an in-depth report on the proposed Australian carbon tax, page 2.