

Emissions trading is a tax, no matter the name

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THE first and most important thing to note about Kevin Rudd's emissions trading scheme is that it is a tax.

It's not called a tax, but if it waddles like one, quacks like one, and most pointedly raises money like one, it's a tax. And not just any old tax — it's a huge and continually growing tax.

It starts out in 2012-13 raising about a quarter as much as the GST. The budget in May put a number on it for the first time. Almost \$12 billion in its first full year, 2012-13.

It is the equivalent of increasing the GST from 10 per cent to 12.5 per cent in that year. And in its impact on people it won't be all that different from doing exactly that.

In year one, that is, which if we actually get the ETS should be retitled Year Zero, because it will be the beginning of the end of Australia as we know it.

Crucially and very ominously, there is no, if you'll pardon the pun, cap on this insidious version of a GST. The effective rate could double or triple, the amount of money raised could skyrocket. Indeed, it is intended to do exactly that, with no referral back to parliament for endorsement.

Imagine the uproar if the government had proposed raising the GST to 12.5 per cent. That's 12.5 per cent, in year one, with it able to go to 15-20 per cent or higher, as events, not parliament, then took it. The uproar would have been loudest from the Labor Party.

Hey, but it's not a tax, it's a scheme. Indeed, the ETS was specifically chosen in rejection of a carbon tax. That's a tax.

Oh, for the benefit of hindsight. If only John Howard and Peter Costello had called it their GSTS, they would not have heard a peep out of media or opposition. It's

not a tax, it's the Goods and Services Trading Scheme.

Simple. Instead of adding a tax of 10 per cent to the price of (almost) everything, you bought permits to allow you to sell goods and services, for what just happened to equal 10 per cent of the price you wanted to charge.

They and their GSTS would have had a charmed run — I don't think.

On one level the ETS title is of a piece with the fundamental dishonesty of the government's overall so-called carbon pollution reduction scheme.

It has nothing to do with carbon as carbon, far less pollution, but with emissions of pure carbon dioxide — without which there would be no life on earth.

It's not quite as dishonest, as it is after all about trading permits to emit — although humans won't require such a permit to breathe out. At least, to be fair, not initially.

The ETS — the Americans are calling their proposed version cap and trade — sets an overall target each year for (non-human) CO₂ emissions, and the government sells the permits to emit.

The tax is a tax is a tax. You can buy and sell the permits — the very secondary trading in cap and trade. The alternative carbon tax would simply have applied a direct tax on emitting carbon dioxide — I doubt you can emit carbon.

Once you get through all the fiddling at the start, the result is exactly the same: it becomes increasingly expensive to emit carbon dioxide.

The permits do it through the market, as they gradually reduce in line with the emission reduction target. It's like the old game of musical chairs — each year the government snatches away some of the permits. The direct tax

would have become increasingly punitive.

Each has its own big loophole in terms of end-CO₂ reductions.

Under the ETS, emitters could buy permits from overseas, while under the direct tax, if consumers were prepared to pay the price you could just keep emitting. But nothing, so to speak, can save Australians from an increasingly punitive tax. Whether it's called a carbon tax or just a scheme.

Now the government has committed to handing back all the money raised — the budget described it as using "every cent it receives from the sale of Australian emission units to help households and businesses adjust and move Australia to a low-pollution economy".

Now how come the government establishing what is in effect a gigantic slush fund — indeed, the mother of all slush funds — doesn't make me cry, "Well that's all right then"?

Who couldn't be happy with the government taking \$12 billion every year in a new tax on the explicit promise to hand it back. Oh, I'm sorry, not back, but to those it thinks need it, or where it will do the most good.

Especially when it delivers the promise with almost childishly silly language. Every cent?

Reducing emissions of (non-breathing) CO₂ is only one part of the CPRS. By making carbon-based energy more expensive and gradually strangling the amount that can be produced, we will be market-directed into non-carbon or low-carbon energy sources.

These other forms of energy are not even remotely competitive with coal-fired power generation. We make them "competitive" by forcing up the price of coal-fired power, but we also help them even further by directly subsidising them.

And just to make sure, we will force consumers to buy their high-priced power by mandating that power companies source 20 per cent of their power from "alternative sources" by 2020 — mandating either at state level or nationally, and in fact both.

Where will this power come from? We can play around, in somewhat different ways, with gas and solar, but in the main there is only one answer: wind.

Except there's one problem with wind — it's useless.

In a brief but utterly devastating analysis, Andrew Miskelly and Tom Quirk tracked the power output of all the now quite substantial wind farms in South Australia, Victoria, NSW and Tasmania for every minute of June. The simply devastating conclusion: when the wind don't blow, it don't blow everywhere at the same time.

This utterly shreds the claim that if you build enough wind farms nationally the wind will be blowing somewhere. You have to keep fully equivalent coal power up and running, not just when the wind is not blowing, but all the time. So, we have a government that is proposing a massive new tax. It then proposes to waste most, if not all, of the money from it. Either by compensating people for higher costs, or by pouring it into "alternative" energy production that can't work.

All this, of course, is to absolutely no purpose. Even cutting our CO₂ emissions to zero would make zero difference to global emissions.

Anyone who votes for the ETS next week — or indeed any week — is betraying both common sense and their basic duty to the national interest and every Australian.