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'Flawed' Direct Action climate plan should go, says Senate committee

The federal government's climate change plan is "fundamentally flawed" and should be ditched in favour of a floating price on carbon, a Senate committee report has found.

The committee report recommended the government "immediately adopt" the emissions reduction targets put forward by the independent Climate Change Authority, which the Coalition has vowed to disband.

This would deepen the cut in emissions by 2020 – from the present target of 5% – to 15% below levels in 2000. The cut would become 19% if Australia's Kyoto Protocol commitments were factored in.

The committee also recommended the clean energy package introduced by the previous Labor government should not be repealed, including the retention of the Clean Energy Finance Corporation, which the government again moved to abolish on Thursday.

A floating carbon price should be introduced in place of the proposed Emissions Reduction Fund, which is the centrepiece of the Coalition's Direct Action climate plan, the committee recommended.

The fund, which will pay out \$2.55bn over the next four years, is designed to help lower emissions by paying businesses and farmers to undertake projects which cut CO2 output or store carbon in soil and plants.

But the committee said the fund was "fundamentally flawed" in a number of ways.

The report states the plan does not have enough money to fund the abatement required for Australia to meet its 5% emissions cut, that there is no legislated limit on Australia's emissions, no access to international emissions credits and no proper system around how to work out a business' baseline emissions.

However, the committee was split along party lines, with Coalition senators John Williams and Anne Ruston dissenting from almost all the report's findings.

The two senators said Direct Action had to replace the carbon tax due to the high cost of the current policy in return for a questionable emissions cut.

"The government believes there is a better way to tackle climate change than by imposing a \$7.6bn, economy-wide tax that hinders business and does nothing for the environment," Williams and Ruston said in a statement.

"The Direct Action plan with the Emissions Reduction Fund as its centrepiece will provide incentives rather than penalties to reduce emissions: incentives for businesses to innovate and invest in new technologies, incentives to improve the efficiency and productivity of businesses' operations and incentives to encourage farmers and landholders to store carbon on the land."

The federal environment minister, Greg Hunt, has dismissed the findings of the report, noting that four of the six committee members are Labor or Greens senators.

"This was written by Labor and Greens senators – of course they're going to be running a whitewash of their own policy," he told ABC Radio.

Several independent studies of the Direct Action plan have raised doubts over whether it can meet the 5% reduction target without more funding, something the government has ruled out.

The Climate Institute has run an analysis that is critical of the Direct Action plan, but said that both Labor and the Coalition needed to increase their ambition over emissions cuts.

"Neither party can claim any climate credibility for their policies if they remain fixated on the minimum reduction effort required and not what is Australia's fair share in avoiding the internationally agreed climate goal of avoiding two-degrees warming," said John Connor, the chief executive of the Climate Institute.

"As one of the countries most exposed to climate risks it is in our national interest to establish credible targets."

Mark Butler, Labor's environment spokesman, said expert advice heard by the committee showed that the Direct Action plan was deficient.

"After four years, three Senate inquiry hearings and two Senate estimates hearings, no one, not least the government or the Environment Department, can describe how Direct Action is going to achieve its goals," he said.

"Direct Action is nothing more than a dressed-up slush fund with a pretty name."

The Greens leader, Christine Milne, said: "The inquiry has made it crystal clear that Direct Action is not a viable replacement for carbon pricing and is vastly inferior to the existing law."

"Direct Action is just a slogan. There was not a single economist in written submissions or testimony who supported Direct Action over the existing emissions trading scheme. Not Ross Garnaut, not Bernie Fraser, no one."