



The politics of climate change and the role of environmental economics: Australia's case

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Frank Jotzo
Crawford School of Public Policy, ANU



Rich minerals resource endowment

Minerals & metals, gas

Coal for export and domestic electricity



Huge, accessible, cheap renewables

Solar PV, wind, storage

Renewables-based industries?



A large agricultural industry

Vulnerable to climate change



➤ Transition will happen

The politics of climate change policy: Australia's Prime Ministers (2007-2018)



**Kevin
Rudd**
Labor
Dec 2007 –
June 2010

**Julia
Gillard**
Labor
June 2010–
June 2013

**Kevin
Rudd**
Labor
June 2013–
Sep 2013

**Tony
Abbott**
Liberal
Sep 2013–
Sep 2015

**Malcolm
Turnbull**
Liberal
Sep 2015–
Aug 2018

**Scott
Morrison**
Liberal
Aug 2018–

ETS – failed
to introduce

Carbon
price
introduced

‘Saving the
furniture’

Carbon
price
abolished

National
Energy
Guarantee –
failed to
introduce

No climate
policy

(next election
2019)



Coal fired power in decline

10 stations closed (avg age at closure 40 years), 16 left (avg age 30)

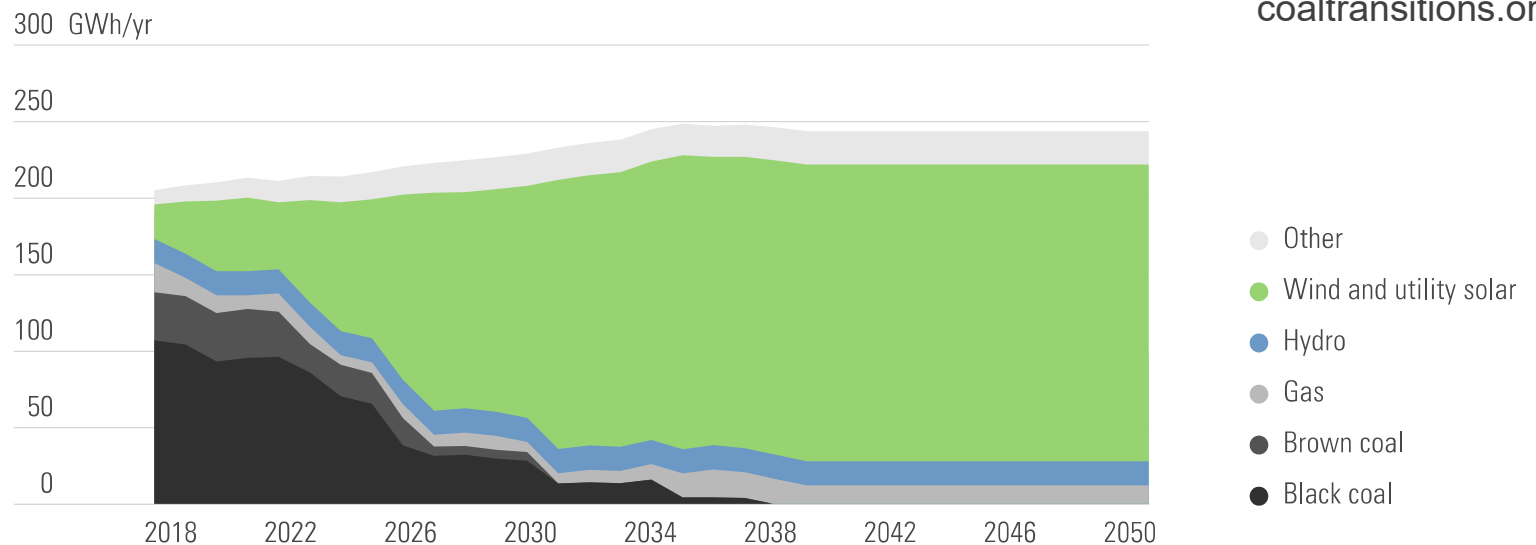
Prospect: rapid closures?

Renewables rising

Investment pipeline is almost exclusively renewables (wind, PV)

New PV, wind approaching operating costs of existing coal plants

Figure 15. Electricity generation in the Fast Scenario by generation type



coaltransitions.org

Note: We do not attempt to estimate the mix of wind and solar generation in this scenario which is focussed on coal transition. Renewables other than wind and solar may become commercial over the modelling horizon, and as such, the generation labelled wind and utility solar should be interpreted as a proxy for future renewables. "Other" includes rooftop solar PV.



IPCC

1.5 degrees report

SR1.5 to be released 8 October (if approved)

To achieve limiting warming to 1.5d:
Rapid, early reductions; negative emissions in 2nd half of the century

IPCC 6th Assessment report

- New emphasis: mitigation in the context of national strategies and policy framework
- To be released 2021



www.energy-transition-hub.org

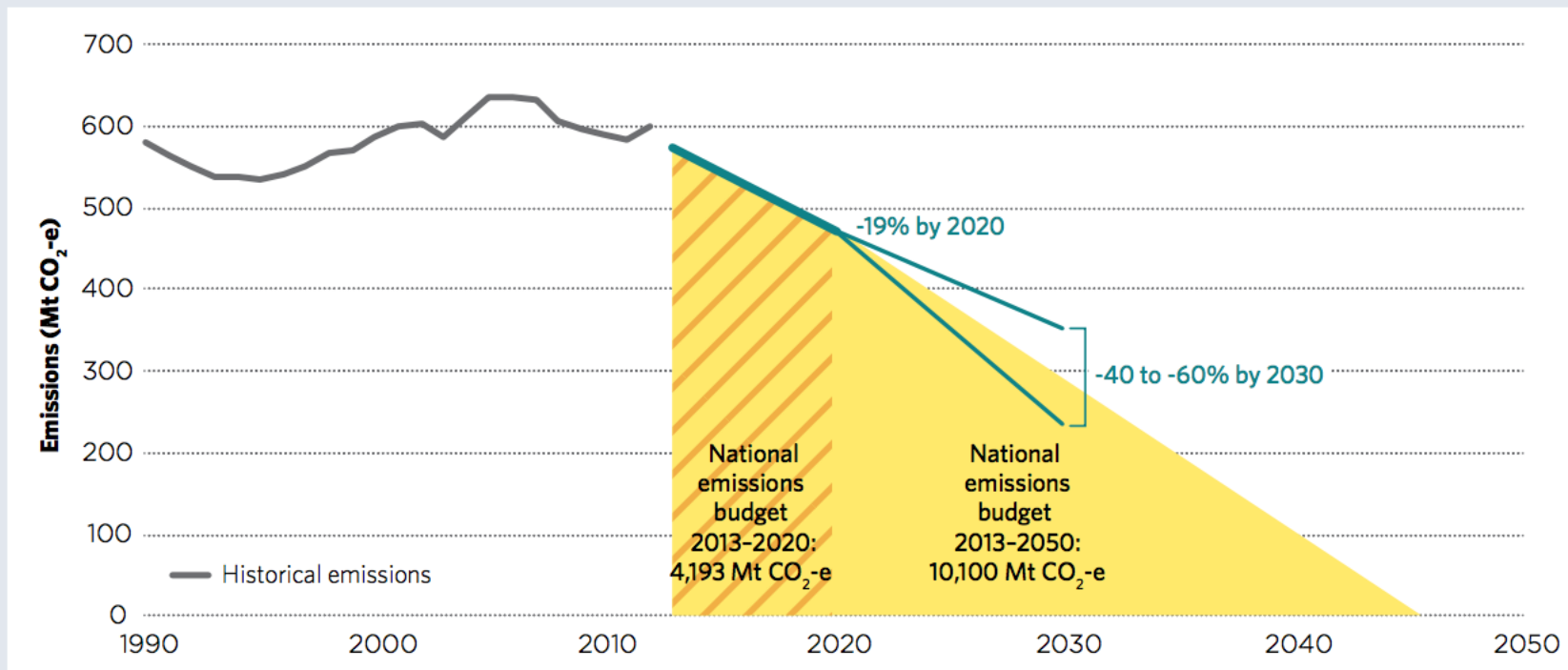


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A 2-degree compatible national emissions budget and trajectory: net zero by 2050

FIGURE 1: RECOMMENDED EMISSIONS REDUCTION GOALS



Source: Climate Change Authority

1980s: consideration of carbon tax

1997-2001: Kyoto Protocol signed; planning national emissions trading scheme

2002-06: no national level plans; State initiative for ETS but no implementation; National ETS blueprint “Shergold report”

2007-09: Rudd govt: Kyoto Protocol ratified, Garnaut Review, planned ETS (Carbon Pollution Reduction Scheme) abandoned in Parliament in Dec 2009; Renewable Energy Target (RPS) extended

2011: Gillard govt / Multi Party Committee on Climate Change: new climate policy framework; carbon pricing mechanism, CEFC, CCA etc legislated

2012: carbon price comes into effect; also various institutions eg CC Authority, Clean Energy Finance Corporation

2013-14: Abbott govt: repeal of carbon pricing mechanism, dismantling of other (but not all) aspects of climate policy and institutions

2015: Turnbull government – RET reduced

2016-18: Attempts for a quasi-carbon price in electricity supply fail within government; hopes of some bipartisanship dashed

2018: Morrison government – no carbon policy pursued (election in 2019)



Our Pledge

“We’ll immediately legislate to scrap the Carbon Tax.”

www.theguardian.com/world/2014/oct/13/tony-abbott-says-coal-is-good-for-humanity-while-opening-mine
UK world sport football opinion culture economy lifestyle fashion environment t
home > world > australia africa middle east europe US americas asia

Tony Abbott

Tony Abbott says 'coal is good for humanity' while opening mine

'Coal is vital for the future energy needs of the world, so let's have no demonisation of coal' says PM

Gabrielle Chan

@gabriellechan

Monday 13 October 2014
05.39 BST



< Shares 32k
Comments 797



Australia's Carbon Pricing Mechanism

- Sophisticated design from economic perspective
- Tailored for economic efficiency, distributional impacts and political acceptability
- But political rhetoric against “carbon tax” won out
- “if you don’t understand it, don’t vote for it”
“great big tax on everything”



Pillars of Australia's climate policy ("Clean Energy Future"), mid-2012 to mid-2014

Carbon pricing

- Fixed price permit scheme ('carbon tax') for three years
- Transition to market-based emissions trading
- Revenue for assistance for households, industries

Complementary policies

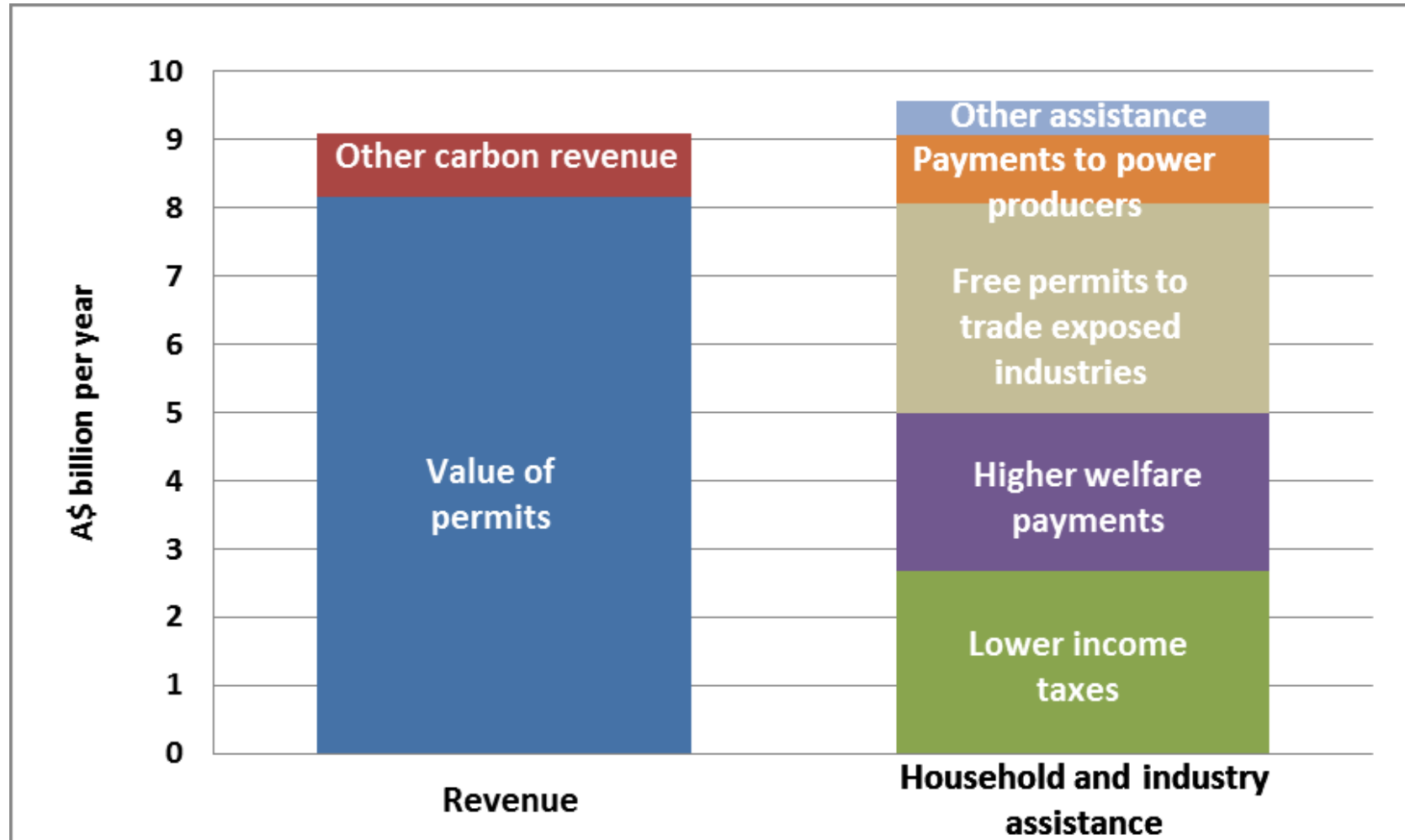
- Renewable energy support, esp Clean Energy Finance Corporation
- energy efficiency policies
- land-based measures, including Carbon Farming Initiative

Trading and institutions

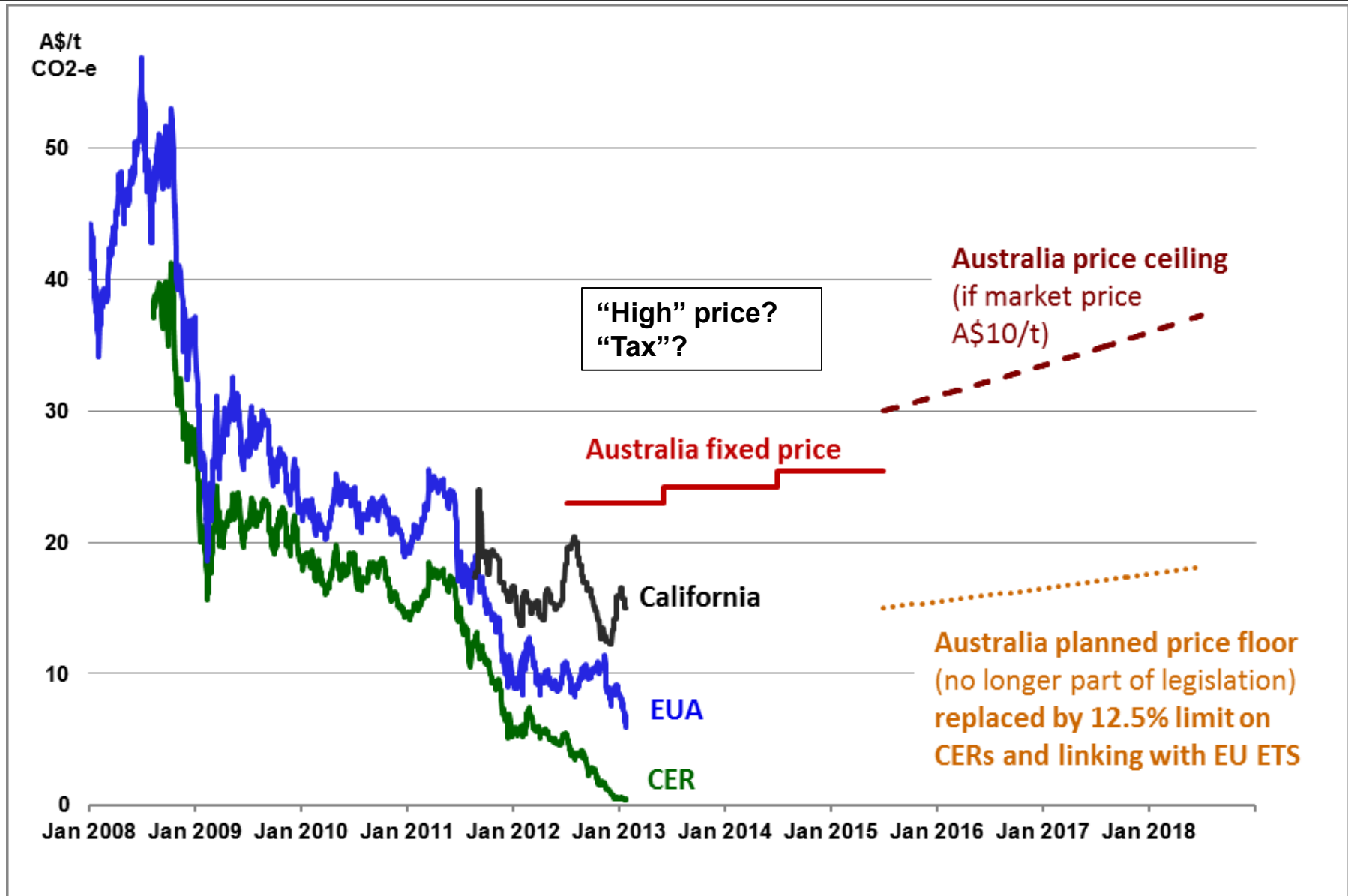
- International trading of emissions offsets
- EU ETS linking from 2015/18
- Governance – strong role for independent institutions, esp Climate Change Authority



Australia's carbon revenue recycling



Australia's carbon price in comparison



How to approach economic research and advice on climate policy, when politics dominates?

High-brow

- Determine first best and tell policy about it
- Investigate distributional effects
- Awareness of political economy

Mid-brow

- Investigate compromises that may be 2nd best
- Include actual political economy in analysis
- Allow for some policy overlap and contradictions

Low-brow

- Investigate approaches that may work politically, incl “3rd best”
- Design for evolution to better policy over time
- Consider communication of policy





Domestic coal use

Sudden exit of power plants - worry for energy security, prices, regional economies and communities

Coal exports

Coming decline not yet a topic of discussion

Rather, debate about opening a new very large mine – Carmichael, Galilee Basin



New mines?



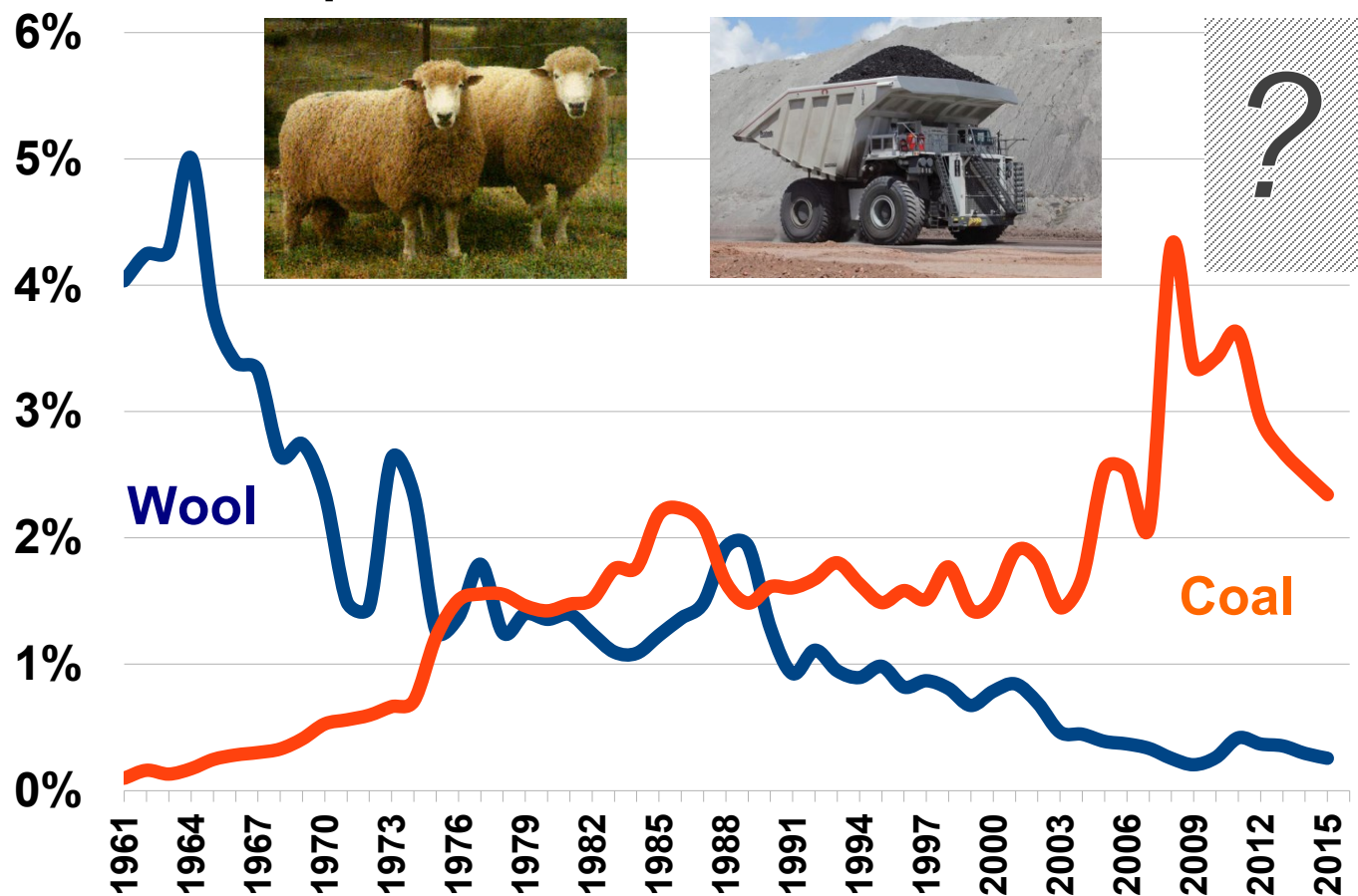
- Proposed Carmichael mine, in Galilee Basin,
- Would produce >2 billion tonnes of thermal coal over 60 years
- Most approvals given
- Financing??





Energy transition: suitable policy frameworks needed

Exports as share of GDP, Australia





Coal transitions in Australia

*Preparing for the looming domestic coal phase-out
and falling export demand*

2018

Authors

Frank Jotzo, Salim Mazouz, John Wiseman

Separate slide deck



Centre for Climate Economics and Policy
Crawford School of Public Policy
Australian National University, Canberra
frank.jotzo@anu.edu.au [@frankjotzo](https://www.instagram.com/frankjotzo)



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