

Competition and climate

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Hope for a competitive and climate-friendly Australia

Benjamin Parr

Australia, along with much of the rest of the world, faces the challenging task of balancing the need to reduce greenhouse gas (GHG) emissions, while at the same time nurturing a vibrant and sensibly competitive society and economy — this to and fro debate continues to dominate Australian federal politics even in 2018. In this chapter, I take the reader on a journey through the messy politics and key policies on these topics and argue that the reluctance of successive Australian federal governments to respond adequately to the climate challenge is due to the existence of a background ‘invisible’ discourse about protecting the international competitiveness of Australia’s fossil fuel industry.

While the foreground ‘visible’ activities of industry lobbies and certain media outlets and personalities have certainly played their part in diluting and derailing national climate policy, it is this persistent subterranean discourse about protecting Australia’s fossil fuel industry, a view shared by federal governments of different political persuasions and industry actors, that makes weaker Australian climate policies and international positions seem natural and necessary, while excluding stronger ones.

In my view there is a better chance of achieving the great policy transformations that climate change requires in this country if one better understands the history of Australia’s

competitiveness agenda as it relates to the fossil fuel industry. The final section of this chapter lays out why there is certainly cause for hope.

A brief history of industrial competitiveness in Australia

It is helpful to take a step back and look at how Australia's unwavering commitment to fossil-fuel-driven competitiveness has evolved. Australia's industrial competitiveness discourse can be viewed as developing over three key phases.¹

The first phase began in 1973 and ended in 1987 — those who are old enough will recall the passionate debates about tariffs. In this period of time the idea of competitiveness evolved. It began as a rhetorical device wielded by the Whitlam Labor government, predominantly the Labor Right faction (which included Whitlam), and was continued by the Fraser Liberal government, to justify tariff cuts and the reduction of government support for selected industries. The incoming Hawke Labor government of 1983 built on this agenda, further retreating from Labor's founding economic discourse about protectionism. Hawke's reforms were broadly supported by the Labor Right (which included Hawke), the Liberal Party (minus the Country Party component), Canberra's economic bureaucracies (i.e. Treasury), and the export-orientated mining sector. To varying degrees this coalition of actors argued for lower tariffs and a hands-off approach to industry. The opposing coalition consisted of the Labor Left and some manufacturing unions. This group argued that government must maintain tariff walls and continue to support selected struggling industries to protect jobs and prosperity. During this period, Australia's key allies, the United Kingdom and the United States, were also reforming their economies to make domestic industry more efficient, productive, and ultimately, internationally competitive. By 1987 competitiveness-based reforms (i.e. governments intervening in

the marketplace to foster company rivalry) had gained strong support from across the political spectrum. So, Australia had now joined the low tariff, internationally competitive world.

The second phase began in 1988 and ended in 1996. By 1988, the idea of industrial competitiveness had become a fully fledged and established discourse that incorporated its own values, worldviews and beliefs. This discourse served to structure Labor's field of decision making, which made the continuation of competitive-based reforms seem natural and necessary. In 1988 and 1991, the Hawke government undertook two rounds of tariff reductions. These reforms made the effective rate of protection on industry almost negligible, all but demolishing Labor's protectionist tradition.

However, Hawke's 'positive interventionist' approach to industry still courted Labor's earlier hands-on approach from the 1970s. By 1991, pursuing reforms that enhanced domestic rivalry between firms had become a commonsense view held by both major political parties and Canberra's economic elites. The consensus view was that continuing to roll back tariffs and workplace protections would make industry more efficient and productive, which would ultimately benefit the nation and Australian society.

In 1991, the incoming Keating Labor government pursued competitive-based reforms with considerable vigor. In comparison to his predecessor, Keating stressed the 'public interest' dimension of competitive-based reforms. This aspect would inform the 1993 Hilmer Review on national competition policy, and ultimately, the 1995 establishment of the Australian Consumer and Competition Council. Under Keating, the competitiveness discourse spilled over from the economic and political sphere to begin to rule the general conduct of social life in Australia.

The third phase began in 1996 and remains ongoing to today. The incoming conservative Howard government pushed the industrial competitiveness discourse to its extreme by introducing radical workplace relations reforms and establishing multiple free trade agreements. The Howard government used Labor's reforms as a springboard for these competitive-based reforms. Australia's fossil fuel mining industry continued to benefit greatly, while manufacturing suffered. The Howard government won four consecutive elections, holding office from 1996 to 2007, which is a testimony to public acceptance of the competitiveness ideology.

The election victory of the Labor Party under Kevin Rudd in 2007 tamed Howard's extreme competitive-based policies. Rudd reinstated 'fairer' workplace relations and worked through multilateral forums rather than through bilateral agreements to liberalise the global economy. Despite these moderations, and proclaiming that market fundamentalism was 'dead' in the wake of the 2008 Global Financial Crisis, Rudd's policies still reinforced the competitiveness hegemony. The naturalisation of this discourse is problematic for Social Democratic governments because there is a strong incentive to repeal 'fairer' economic policies in search of competitiveness gains. The governments of Julia Gillard, Tony Abbott and Malcolm Turnbull have stuck to this bipartisan economic game plan.

So, in hindsight it is clear that between 1973 and 2018 Australian governments of both political persuasions were pursuing very similar economic agendas. Improving the international competitiveness of Australia's big fossil fuel mining companies, and through them the economy in general, was a bipartisan nation building agenda. The fossil fuel lobby's contemporary disproportionate presence in Australian politics was predominantly due to the sector they represent being

identified as the driving force behind delivering a more competitive and prosperous Australia. In this sense, Australia's fossil fuel sector was the focus of a transformational government agenda, not some external agitator manipulating government process to secure reforms, including on climate change, in their interests. Indeed, the issue of global warming only began to appear on international policymakers' radar in the late 1980s, midway through Australia's industrial competitiveness agenda.

A brief history of Australian climate policy and diplomacy

The Hawke Labor government was the first national government in Australia to be exposed to policymaking designed to mitigate 'the greenhouse effect'. Hawke himself was a keen supporter of the idea of doing something to deal with the issue. In that vein, his government established science working groups to investigate the problem (e.g. Greenhouse, 1988) and adopted the Interim Planning Target (IPT) in 1990, which aimed to reduce carbon dioxide emissions by 20% below 1988 levels by 2005. Hawke's approach to foreign affairs was highly aligned with Labor's internationalist tradition, which prioritises multilateral solutions to global problems. He applied this thinking to several environmental issues, including the protection of the Antarctic as well as climate change; indeed, the IPT was based on the 'Toronto Target', which was a key outcome of a meeting of scientists, politicians and policymakers in Canada in 1988 that helped galvanise support for the establishment of the Intergovernmental Panel on Climate Change (IPCC) that same year.

However, the IPT came with a crucial caveat that Environment Minister, Graham Richardson, announced to the Australian Senate in 1991: 'The Government will not proceed with measures which have net adverse economic impacts nationally or on Australia's trade competitiveness in the absence

of similar action by major greenhouse gas producing countries.’² Henceforth, the essence of this statement, by and large, has been adopted by Coalition and Labor governments when making decisions about national and international climate policy.

The Keating government’s centrepiece greenhouse policy was released in 1992 — the National Greenhouse Response Strategy (NGRS). As Hawke’s Treasurer, Keating argued strongly in the Cabinet for the government not to take any action on global warming that may compromise the competitiveness of Australia’s mining and minerals industry. This thinking was applied to the NGRS, by only committing Australia to GHG mitigation policies that delivered net benefits, or at least no net economic costs, to Australian industry involved in energy and minerals processing, production and use. Like his predecessor, Keating was a committed internationalist. For example, while his domestic response to climate policy was taking shape, Environment Minister Ros Kelly signed (and would later help Australia ratify) the United Nations Framework Convention on Climate Change (UNFCCC) of 1992. Keating lost the 1996 federal election to John Howard.

Prime Minister Howard served as blocker-in-chief over Australia’s domestic and international response to climate change for more than a decade. Domestically, he was a strident critic of putting a price on carbon pollution on the basis, principally, that it would make Australia’s mining and minerals industry uncompetitive compared to foreign countries. Howard masterfully delivered this narrative, describing any overtures to establish national price on carbon (by the Labor Party or elsewhere) as an affront to workers, families, communities, and the nation. Rather, for Howard, and most of his Party, solving climate change, if that’s what we wanted to do — Howard himself was unsure — would need to involve building nuclear

power plants across the country and retrofitting coal-fired power plants with carbon capture and storage. In this way, he believed, our industrial competitiveness — something that ‘we have been blessed by providence’ with³ — would be preserved.

In the Liberal tradition set forth by post-World War II liberals, Howard was largely disinterested in working with or through the UN itself; and for Howard, this was particularly so when it came to climate policymaking. Rather, he worked hard to derail the UN Kyoto Protocol process, believing that the Protocol was a European scheme that served European interests, not Australia’s or that of any other mineral exporting and importing countries, particularly those in Asia. Thus, Howard and his ministers set up a range of interest-based multi-nation schemes outside the UN process such as the AP6 and Sydney Declaration, via APEC among others. But Howard’s diplomatic weapon of choice on climate was to establish energy-based bilateral alliances. For example, Howard sold Australian gas/LNG and uranium to foreign countries on the basis that it was good for climate change mitigation efforts. Energy-based alliances, Howard argued, would avoid disadvantaging our industries and export miners.

By 2007 (Howard’s last year in office) domestic and international momentum had built for developing countries to price carbon. At this time, Australia had been in severe drought for almost a decade, the UK government released the Stern Report, the IPCC published its 2007 assessment, and Al Gore’s film was released; and to top it off, Labor’s new media savvy opposition leader, Kevin Rudd, was popping up all over the country claiming that ‘climate change was the greatest moral challenge of a generation’. Tapping in to this sentiment, which was amplified because 2007 was an election year, Howard established the Prime Minister’s Task Group on Emissions Trading, which would later become Australia’s Emissions Trading Scheme. So, Howard did

support an ETS, but it was far too little far too late. Kevin Rudd convincingly defeated John Howard at the federal election.

Prime Minister Kevin Rudd's centrepiece climate policy was the Carbon Pollution Reduction Scheme (CPRS). Rudd came to office as the antithesis of Howard. Not only was he comparatively young and hip — never shying away from a selfie — but he reflected the views of accepted climate science. From a Howard decade of climate science and policy obfuscation to Rudd's great moral challenge was quite a leap. Rudd started well. He assigned Ross Garnaut the task of evaluating the economics of Australia's climate problem. He established the CPRS policymaking process. And he reengaged with the UNFCCC policy process.

But the mining and minerals lobby rallied, as did the Coalition Party — especially the conservative faction. From 2007 to 2009, domestic climate policy was gradually watered down from a strong-ish CPRS Green Paper, to a weaker White Paper, to a weaker and weaker package as the government offered more and more concessions to the fossil fuel industry during two rounds of negotiations with the Coalition in the Senate. The CPRS was eventually shelved in 2010, the government not wanting to go a double dissolution election over the policy, despite the trigger being available. The trouble was that Rudd gradually marginalised Garnaut's reports and rejected advances by the Greens to negotiate a stronger CPRS, in favour of protecting the mining and minerals sector from any competitive disadvantages (perceived or real) by negotiating with the Coalition in the Parliament.

Rudd's domestic negotiations to protect the competitiveness of the mining sector was linked to his international strategy and advocacy at the UNFCCC. As a first order of business, in 2007, Rudd courted Indonesia and PNG in an effort to establishing carbon offsetting scheme in each country. As these schemes

materialised, the CPRS would gradually permit polluting entities under the CPRS to purchase more and more cheap carbon credits to offset their domestic emissions (serving to reduce the incentive to change their production processes and protect their internationally competitive).

Second, at the UN climate negotiations, and in Washington, Beijing, Europe and elsewhere, Rudd was advocating for a ‘grand bargain’ to be struck between the global south and north — basically, between China and the United States — at the Copenhagen negotiations set for December 2009. Were this to occur it would centralise the UNFCCC in global climate change management, and was only achievable, according to Rudd, if carbon offsetting activities in PNG and Indonesia (‘REDD activities’) were included under the Clean Development Mechanism, which would permit developed countries to import cheap offsets to minimise economic and industrial disruption to their countries. As suggested, the CPRS was designed in such a way as to allow the unlimited flow of official Kyoto units to offset the cost burden on Australia’s liable polluting industries. Thus, like Howard’s climate diplomacy, Rudd’s too would principally serve to protect Australia’s fossil fuel interests.

But in the end, similarly to the domestic climate policy, the Copenhagen talks delivered little. Almost immediately, Rudd picked another fight with the mining industry with the Minerals Resource Rent Tax. The Gillard government eventually closed this deal with reports that the big miners actually helped write the policy, subsequently delivering little for government coffers. Rudd’s standing in the polls dived soon after and by mid-2010 Australia had a new Prime Minister — his Deputy, Julia Gillard.

The incumbent Gillard government’s critical climate policy moment came prior to the federal election in 2013. To form government, Gillard’s Labor would need the support of

Independents and the Greens. To secure the support of the Greens, and form a minority government, Gillard would need to establish a carbon pricing scheme, a 'carbon tax' in this instance. The policy itself set a price on carbon emissions, commencing in July 2012, but would then move into a fully flexible Emissions Trading Scheme in July 2015. The starting price would be \$23 per tonne; \$24.15 per tonne in 2013; and \$25.40 in 2014. So, the government would incrementally make it more expensive to put carbon pollution into the atmosphere over a three year period. Australia's top 500 emitters would be required to purchase permits from the government at the fixed price for each tonne of pollution they release into the atmosphere. Theoretically, if an industry is required to incrementally pay a higher price for the carbon it produces, it may try to avoid these costs by innovating and investing in low carbon technology. However, this is not guaranteed; indeed, the richest firms could pollute indefinitely — if they could afford it. The carbon tax was a good scheme, and another highpoint in Australian climate policy. However, it wasn't to last.

According to key Independent during this period, Tony Windsor, the Prime Minister's critical misstep was not to state on national television that 'there will be no carbon tax under the government I lead', but to explain her change of mind in tricky ways rather than just saying to the Australian public: 'listen, to form government, I had to change my mind'.⁴ This misstep produced a toxic backlash by those opposed to pricing carbon: some routinely referring to the Prime Minister as 'Juliar'. The opposition leader Tony Abbott wielded the 'Axe the Tax' — one of his more thoughtful three-word slogans — to great effect.

Foreign policy was messy at this time. Gillard was an internationalist, but her Foreign Minister, the deposed Kevin Rudd, was understandably irritated with how he was treated. At the

UN climate talks in Doha in 2012, Australia signed up to the Kyoto mark II — the post-2012 period. This move legally bound Australia to its intended target of cutting greenhouse emissions by at least 5% by 2020 (the CPRS target) as well as ensured that Australia would continue to have access to cheap carbon offsets from developing countries.

At home, Abbott's unrelenting sloganeering was wearing Gillard down. Kevin Rudd challenged Gillard for the Labor leadership and won — regaining the Prime Ministership three months before the federal election. Rudd announced almost immediately his intention to bring forward the ETS start date — thinking this would neutralise Abbott's attacks. But it was too little too late. Abbott defeated Kevin Rudd in the federal election and soon after repealed the tax — Australia becoming the first country in the world to repeal a carbon pricing mechanism.

It is difficult to know where do begin when one is assessing the Abbott government's domestic and international response to climate change. *Battlelines*, Abbott's oft-quoted imprimatur, which also serves as a clarion call to hard-line conservatives across Australia, presents four pages of misunderstandings about climate change science and policy. In the book, for example, the former Prime Minister disagrees that: (1) humans are the principal cause of current warming of the climate system, (2) warming is dangerous (if it is warming), (3) it makes good economic sense to reduce emissions sooner rather than later. The IPCC — the central UN body responsible for reporting on the science of climate change — have repeatedly found the complete opposite on all three propositions.

Other scientific misunderstandings abound in Abbott's book. In terms of policy, dinner-table concerns about 'higher power prices' and 'big changes in lifestyles' drive the former Prime Minister's foreground aversion to policies that seek to reduce

national GHG emissions. Both of these assumptions have proven wildly inaccurate. But concerns about an Australian emissions reduction scheme serving to undermine Australia's internationally competitive industries operates in the background. So, it is perhaps no wonder then that the Abbott government's signature climate policy entitled 'Direct Action' (tree planting, efficient cars, water recycling, among other things other than pricing carbon emissions) has led to national emissions increases. Direct measures, Abbott's book explains, 'don't do the damage to export industries that is inherent in an unreciprocated emissions trading scheme'.⁵

Eminent economist, Dr Chris Hope (apt name for the title of this book!), from the University of Cambridge describes a direct-action scheme compared to a tax on carbon pollution in the following way:

It's a system effectively of giving subsidies to people not to emit pollution. It's a very bad system. The last thing you want to be doing is subsidising people who are doing bad things. What you want to do is use the polluter-pays principle, make sure that anybody who is emitting pollution pays for the damage that that pollution is causing. And the best estimate that we have for the damage that's being caused by carbon dioxide emissions is about \$100 worth of damage for every tonne of carbon dioxide that goes into the atmosphere. That's the carbon price you should be setting and it should be set ideally as a carbon tax which is charged on every tonne of emissions and increases over time.⁶

In foreign policy, like his conservative forbears Menzies and Howard, Abbott believed Australia's identity in Asia was as a muscular British outpost. His devotion to this world view, and the Monarchy itself, played a key part in his downfall as prime minister as well as helped to shape his 'engagement' with the UNFCCC process. Australia did not send a minister to the Warsaw climate talks in 2013 (the first time since 1997), and at

the Lima talks in 2014, Trade Minister Andrew Robb, who was reportedly unconvinced about the veracity of accepted climate science, accompanied the Foreign Minister, Julie Bishop, to reportedly avoid her committing Australia to a process or deal that may have had negative domestic economic consequences.

Fast forward to now and the Turnbull government's National Energy Guarantee (NEG), its flagship climate policy, which falls considerably short of anything useful. First, it only covers emissions from electricity generation, which is roughly one third of Australia's total emissions profile (the land sector and transport are the other big emitters). Second, it assumes that Australia's nationwide target of 26–28% below 2005 levels by 2030 under the Paris Agreement (which we are currently overshooting) will be achieved by a reduction in emissions from only the electricity sector. Third, as Environment Minister, Josh Frydenberg, recently put it: 'our point about coal is that it actually has its best chance under the National Energy Guarantee'.⁷

Under Turnbull, Australia did sign, and later ratify the Paris Agreement, but with targets well below what Australia should be committing to in order to play its proportionate part as a developed country in the global effort to achieve the Paris Agreement temperature goals of 1.5°C and 2°C.

Having journeyed the bumpy road of Australian climate politics, I now discuss why when I look ahead I see cause for hope.

Hope: International action, techno fixes, and you

Hope resides in a number of places. The Paris Agreement is a real game changer. To date, 195 countries have signed the Agreement, and 176 have ratified. Ratification commits the particular country to the goals of keeping global warming below 1.5°C and the outer target of 2°C, and net zero emissions globally post-2050. Countries have put forward their own

nationally determined targets; however, at present, a substantial gap exists between these collective commitments and the Agreement's goals — estimates suggest warming would reach between 2.7°C and 3.7°C under the current commitments. This means that countries will need to ratchet up their emission reduction ambitions over time. Fortunately, a process is currently underway in the UNFCCC called the Facilitative Dialogue to help countries with this task.

While the United States' announcement to withdraw from the Agreement was an immediate blow to global momentum, the Agreement is such that formal withdrawal will only take effect four years after 4 November 2016, which is one day after the next US Presidential election. Further, Michael Bloomberg, the UN special envoy on climate and former Mayor of New York City, has expressed confidence that US 'mayors, governors, and business leaders ... will reach the emission reduction goals the US made in Paris in 2015'. In addition, major US corporations such as Apple, Walmart, Coca Cola, DuPont and Goldman Sachs are among 1,100 American businesses that urged the United States to remain in the Agreement on the basis of the economic and job creation opportunities that a low pollution economy brings.⁸

Regardless of the US's position, other countries are continuing to implement policies to achieve their Paris commitments. Canada now has a national carbon pricing mechanism; India is seeking to craft a new 'modern' identity, which involves low-pollution cities, transport and electricity systems; China is transitioning to what it calls an 'ecological civilisation' (away from a heavy polluting 'industrial civilisation'); and France, Germany, and the United Kingdom are urging stronger action. In addition, efforts outside of nation states are also becoming increasingly prominent. For example, as suggested, cities and states/provincial governments are beginning to implement their

own emissions reduction plans and collaborate internationally — the California-led Under2 MOU provides a good example.

Technological advances in the energy sector provide another source of hope. Australia is the world's largest coal exporter, and these export markets help prop up the competitive discourse. But coal is in terminal decline globally. The IEA's World Energy Outlook Report of 2016⁹ predicts that coal's share in China's and India's power mix over the period 2017–2040 will fall from 75% to 45%, and 75% to 55% respectively; while coal demand in the European Union and the United States (which together account for around one-sixth of today's global coal use) will fall by over 60% and 40% respectively over the same period. Indeed, coal use globally falls back to levels last seen in the mid-1980s, at under 3,000 million tonnes of coal equivalent per year. In sum, the IEA explain: 'there is no global upturn in demand in sight for coal'. By contrast, the Report continues, 'globally, renewable energy sees by far the fastest growth' out to 2040.

Finally, perhaps part of the solution to climate change is to start to embrace that other deep-seated human instinct: cooperation. As Charles Darwin pointed out, we humans are indeed great competitors; but as his lesser known contemporary Alfred Wallace highlighted, we are also great cooperators. Selfishness, self-aggrandising and mean-spiritedness are the lifeblood of our competitive instincts. Empathy, compassion, and a charitable spirit, by contrast, is the stuff of great cooperators. Nurturing these cooperative impulses — which in policy terms may mean committing to domestic policies and international positions that show greater empathy for those less fortunate than ourselves in Australia and overseas, who will be the hardest hit by unmitigated climate change, and for those yet to be born — may just nudge us toward being prepared to make the short-term sacrifices required to ensure we all reap the immense long-term benefits that solving the current climate crisis will bring.

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My ambition in this chapter was to show that federal governments of both political persuasions and the fossil fuel lobby share a common discourse that prescribes that the national climate policy must not sacrifice Australia's industrial competitiveness. However, I have also attempted to show that enhanced international climate action, cheaper and more readily available low-pollution energy technologies, and hopefully, a more cooperative spirit, may spell the end of industrial competition's half-century reign as the dominant force shaping and constraining Australian climate policy. Australia should not wait for this moment of discursive collapse; instead, we should preempt it and transition quickly to a low-pollution economy, or risk being left behind globally.

Endnotes

- 1 For an extended discussion see Ben Parr, *Australian Climate Policy and Diplomacy: The Transition Years, John Howard to Kevin Rudd*, PhD Thesis, University of Melbourne, October 2014, pp. 59–89.
- 2 Graham Richardson, Senate Hansard, 4 September 1991. See also Clive Hamilton, *Running from the Storm: The Development of Climate Change Policy in Australia*. Sydney: UNSW Press, 2001, p. 33.
- 3 John Howard, 'Address to Liberal Party West Australian Division State Conference', Hyatt Hotel, Perth, 29 July 2006.
- 4 Tony Windsor, *Windsor's Way*. Carlton: Melbourne University Press, 2015, p. 121.
- 5 Tony Abbott, *Battlelines*. Carlton: Melbourne University Press, 2013, p. 172.
- 6 Chris Hope, Interview with Emma Alberici, *Lateline*, ABC TV, 29 July 2013.
- 7 Josh Frydenberg, interview with Barrie Cassidy, *Insiders*, ABC TV, 8 April 2018.
- 8 See Don Henry and Ben Parr, 'Trump's Political Climate', *Pursuit*, 5 June 2017.
- 9 See 'World Energy Outlook, 2016: Executive Summary', International Energy Agency, 2016, pp. 2–7.