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Decoupling

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There can now be no doubt that climate change is a real threat. For years the scientific community debated and researched the issue, and finally now our governments and people have come to accept their overwhelming conclusion: man-made emissions are contributing significantly to climate change. This leaves us with the somewhat more complex question of where to go now. The Federal Government's green paper on emissions trading is one option, accounting for a cost that has long been hidden by business and governments. But a look at other carbon trading schemes shows the potential for failure. The option of decoupling the incentive for producers to provide more power, rather than less, to their consumers, is one that has not been explored. It has the ability to radically reduce household consumption of energy in the easiest ways, but also provides an opportunity to redistribute wealth to the most needy, who will be hardest hit by climate change.

The major problem addressed by decoupling (a term borrowed from a Californian scheme similar in outcome) is that energy suppliers have a vested interest in supplying households with greater amounts of power. This results in no incentive for suppliers to cut their user's consumption of electricity, and due to such low electricity prices, most consumers lack the need to do so. This is tackled by distorting the market mechanism, which has provided none of the answers some economists have argued it would. The solution is to legislate so as government pays suppliers for their production of electricity; however, this payment is based on a per head supplied basis

and set by government; for example, a company supplying a household of four people at a price of $50 will receive $200 for providing the service. In this way, producers are forced, in order to stay competitive, to continually encourage their consumers to use less electricity, in order to widen their profit margins and be able to supply more households. The price per head will need to be fixed at an initially fairly high price; this will ensure existing companies are not discouraged from continuing involvement in the market, and additionally bring in more competitors and hopefully encourage efficiency between companies. The price should then be lowered, steadily, so as to further drive competition.

But where does this leave those outside the power companies? From where will their urge to reform come? The above measure would leave ordinary people without an electricity bill. Leaving the TV on would come back in and star ratings would become irrelevant. This is why the Government must start charging consumers, becoming a middleman of sorts. As has already occurred in Victoria with water, energy should be paid for progressively much as income is taxed, but once again on a per head basis. Due to the one-off costs households face, this will encourage more people per dwelling and further boost efficiency. The Government can freely raise the price, slowly and steadily, so as to give real impetus for households to become more efficient. Thus households will pay for their energy in more or less the same way they had previously, retaining the ability to lessen spending by lowering consumption. This scheme, unlike the carbon-trading scheme, will avoid a sharp price spike that could damage many businesses and households severely, instead allowing an easy, smooth transition into a responsible environmental policy. Incentive to use renewables by power companies could be added here — those consumers using a producer supplying x% of its power through carbon-free methods might receive a y% discount on the tax for the service. The rise in prices, having regressive effects, could be easily compensated through a means-tested payment based entirely on income and not energy usage. This would once again maintain the encouragement for households to lower usage and avoid a worsening of circumstances for fragile households and at the same time create greater income equality between all Australians. Not all will agree, however, on the need for such a scheme.

There is no doubt that if limiting carbon emissions were not integral to the issue of climate change, it would be preferable to avoid such a scheme. However, tackling greenhouse emissions is currently the only way we have to halt and eventually reverse the current damage to the earth's climatic systems. Critics argue that as Australia is only responsible for 1.4% of global emissions, our possible impact on fighting global warming will, at best, be minor. Indeed, this scheme only addresses the area of household energy usage, not the major source of emissions in Australia. However, these critics neglect to mention that Australia's emissions per capita are higher than anywhere else in the world — to compare Chinese and Australian emissions on a gross basis is fallacious. Developed nations have a responsibility to cut their greenhouse-gas emissions as a sign of good faith to emerging economies, to ensure they do not disadvantage themselves; after all, developed economies have been for centuries, and still are, emitting far more CO_2 than those countries still developing. In addition, successful policies implemented in Western nations can be 'exported' to areas where slowing emissions growth is critical — China, Brazil and India spring to mind.

This is our international obligation as citizens of Earth — we must show leadership on climate change. By implementing ideas such as this that benefit our nation, indeed, our world, we can save our planet.

Daniel Florrimell wrote this in 2008 when he was in Year 12 at St Leonard's College in Victoria.