

Sustainability & Climate Change Reporter



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Australia Adopts Carbon Tax, Why Can't U.S.?

The Australia Senate's passage November 8 of the [Clean Energy Bill](#) legislative package containing a carbon tax marked a significant step by a major industrial nation to regulate greenhouse gas emissions. Yet, it received scant [attention](#) in the U.S. even though this was a major step the likes of which the U.S. has studiously avoided so far. Australia's path to regulating carbon has been every bit as controversial as in the U.S., indeed it cost two prime ministers their jobs and could imperil the current prime minister's as well. Nevertheless, after much debate and passion, Australia stands ready to tax carbon while the U.S. still can't or won't.

Australia's Program

The law has two major components -- a carbon tax starting July 2012 of AUS\$23 per ton, followed by a carbon trading program in 2015. Although the country's 500 largest polluters will be covered, the package of laws also provides for compensation to soften the blow. For example, for the first three years almost all carbon permits will be free to high-emissions exporters, such as aluminum and steel, while subsidies will be provided to the coal and steel industries to reduce their emissions. Furthermore, businesses and consumers will receive compensation if electricity prices rise and workers will get a small tax cut. Renewable energy also gets help in the form of a Clean Energy Finance Corporation to promote private investment along with a federal-level renewable energy agency that will provide R&D grants.

Why Not Here?

Australia's carbon tax debate was every bit as heated as that in the U.S., if not more so. In the 2010 federal election campaign, candidate Julia Gillard [said](#) there would be no carbon tax under any government she led. But the elections resulted in an even split with Liberals, leaving Gillard needing to partner with the Green Party to form a

coalition government. In February 2011, she reversed course and [proposed](#) the carbon program. The subsequent debate not only featured the standard job-killing-what-about-the-rest-of-the-world rhetoric, for example by the Australia Trade and Industry [Alliance](#) but also characterizations of Gillard as JuLIAR and death threats against [members](#) of parliament and climate [scientists](#).

Here in the U.S., the legislative efforts to regulate carbon emissions reached their height with the [Waxman-Markley](#) bill passing the U.S. House in 2009, but failing to clear the Senate due to the unique filibuster-cloture rules that virtually require 60 votes to move any meaningful legislation. Having spent a significant amount of political capital on health care reform and facing the prospect of a double-dip recession, President Obama has been unlikely to press for any climate legislation that includes cap-and-trade. Furthermore, with a presidential election now underway and the Republicans uniformly disavowing climate change as real, let alone something they would tackle, a move like Australia's won't be matched in the U.S. anytime soon.

Challenges Ahead

Even so, Australia's carbon tax is not a sure thing. For one, Prime Minister Gillard's government has a slim one-vote majority that could topple anytime before 2013 elections. The opposition party leader, Tony Abbott, has [vowed](#), "I am giving you the most definite commitment any politician can give that this tax will go. This is a pledge in blood this tax will go." Polls taken the same week as the carbon tax passage showed Gillard's party trailing 47 percent to 53 percent.

In addition, there are concerns that the program won't have any meaningful effect due to the rebates, subsidies and compensation to offset the costs of carbon permits. Even one of the [supporters](#) likened it to a government trying to tax cigarettes by giving most of the tax dollars back to smokers, compensating the handful of tobacco companies who were required to pay the tax and not requiring many other tobacco companies to pay anything. However, because this represents a significant change from the status quo, some form of transition is necessary.

Finally, there is some question about the AUS\$23 per ton price for carbon, which is significantly higher than the European Union's US\$12.60 per ton, now at a 33-month low. If Australia's price is nearly double the EU's, that could put Australia at a competitive disadvantage, but talks are underway to [link](#) Australia's carbon market with the EU and New Zealand and conceivably by 2015 the price of carbon may increase to the levels set in the Australian measures.

Meanwhile, President Obama visits Australia this week and the opposition [Liberal Party](#) and some [commentators](#) think Prime Minister Gillard should extract a promise from the President that the U.S. will adopt a carbon tax or cap-and-trade by 2016. Otherwise, they say, the cost of Australia's carbon tax will go up. The two leaders' agenda won't be set by the opposition or commentators, but if nothing else Australia's carbon tax could position it to take a higher profile in the upcoming UN

Convention on Climate Change talks in Durban, South Africa, and eventually lead to a global agreement.

Seattle

1420 Fifth Avenue
Suite 4100
Seattle, WA 98101-2339
Phone: 206.223.7000
Fax: 206.223.7107

Portland

601 SW Second Avenue
Suite 2100
Portland, OR 97204-3158
Phone: 503.778.2100
Fax: 503.778.2200

Olympia

111 Market Street NE
Suite 360
Olympia, WA 98501
Phone: 360.754.6001
Fax: 360.754.1605

Anchorage

301 West Northern Lights Blvd.
Suite 301
Anchorage, AK 99503
Phone: 907.277.9511
Fax: 907.276.2631

London

Office 2.24
148 Leadenhall Street
London, EC3V 4QT, England
Phone: 020.7645.8240
Fax: 020.7645.8241