



Have your say on investing in cheaper, cleaner energy and the net zero transformation

Section 1. About you and/or your organisation

Contact information

1. Rod Mitchell

2. [REDACTED]

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5. May we contact you about your response?

- Yes

6. How would you prefer we contact you?

- Email or Phone

Attribution

7. Whose views does your response represent? (Please include the full names of applicable individuals, groups or organisations).

Citizens' Climate Lobby Australia

8. Do any of the attributed parties identify as Aboriginal or Torres Strait Islander/are any identified organisations an Aboriginal and/or Torres Strait Islander organisation?

- No

Consent

9. Do the attributed parties consent to the PC publishing your response on our website and referring to it in our reports?

- Yes, with attribution

10. Guidelines and policies agreement

- I have read and agree to the above guidelines and policies.

1. What could be done to improve the cost-effectiveness and alignment of policies to reduce emissions across the industrial, electricity and transport sectors?

We believe your premise that broad-based mechanisms are best is correct (your 5 Year Productivity Inquiry shows how very inefficient various ‘indirect carbon prices’ are) – but governments are taking a piecemeal incremental approach and have consequently made far too little progress.

We recommend the [Australian Pollution Price](#), levied on the pollutants embedded in fossil fuels, that returns the revenue to households as a dividend, or “climate income”. Pricing the root cause of almost 80% of Australia’s emissions is logically the most efficient and fairest means to bring our emissions towards zero. Fairest because every stakeholder right down the supply chain gets to pay for the enormous damage caused by fossil fuel externalities, while the dividend ensures that most stakeholders are given the means and the incentive to transition to low or non-polluting alternatives and energy efficiency. Setting the price reasonably low but rising predictably every year makes it even fairer as all stakeholders and consumers can plan how to adapt to the rising price.

While not getting a financial benefit, fossil fuel producers get the benefit of a clear price signal and an equitable off-ramp that enables them to phase down and reinvest in zero carbon activities. It will encourage the massive value-adding effect of producing zero-emissions exports, as outlined by *The Superpower Institute*. It will also encourage a range of polluting industries that use fossil fuels as feedstock to transition to low- or non-polluting forms of production. Plastics, chemicals and fertilisers are good examples of highly-polluting, environment-damaging and productivity-damaging industries that will benefit from a price on pollution.

The dividend ensures that [over 70% of ultimate consumers](#) can afford any extra costs that flow from the transition as only the wealthy will be out of pocket. Only the wealthy will pay for the transition, but they and the whole economy will benefit from the slowing of global heating and the reducing costs of adaptation.

When coupled with a CBAM, the pollution price encourages other countries to similarly price pollution and enable the emergence of a global carbon price, which will be essential for reversing the planetary heating that is almost certainly the biggest threat to productivity in our economy.

Reducing costs to Government

This policy will effectively end all government subsidies to fossil fuels and will boost private investment in low and zero carbon alternatives - and reduce the burden on government to fund the transition. Reducing damage to human health and wellbeing, biodiversity and infrastructure damage will also reduce government costs.

And importantly, business investment in the transition and consumer spending of the dividend will significantly increase tax revenues. Returning the revenue to households will also capture the revenues being lost due to uneven and inadequate royalties and taxes levied on fossil fuels, particularly gas.

Policy Resilience

We understand the need for policy to be ‘enduring’ given the powerful impact of the repeal of the Clean Energy Act in 2014. The dividend is critical in ensuring the resilience of the pollution price. A price of only \$50 per tonne is modelled to deliver a dividend of over \$2000pa for the average family, making it difficult to repeal resistant to populist attack. This is well below the actual social cost of carbon so as the price rises predictably each year for a decade or more, making it even more resilient.

Inequality and social cohesion

A hidden and barely acknowledged cost of climate and energy policy derives from their contributions to inequality. Government subsidies to fossil fuels, including the implicit subsidies that flow from unpriced externalities (over \$70bn/year according to the IMF) are contributing to the dangerously rising intergenerational and wealth inequalities that are threatening social cohesion, and ultimately our democracy.

These are huge costs that would not normally be considered by governments and their advisory bodies but the growing consequences of inequality can be seen in the growing authoritarian trends in many nations and the related rise in geopolitical tensions. These are serious threats to the democratic institutions that are critical to maintaining productivity in an inclusive economy.

Fortunately, returning the revenue from the pollution price as a climate dividend to households will slow down, and may even reverse the '[wealth pump](#)' that is driving up inequality and dividing our society.

Tough Love

Producers, governments and consumers all [need the 'tough love' of a pollution price](#) to break our society's chronic addiction to fossil fuels and its many derivative, polluting and productivity-damaging products. Importantly it will provide the price signal that will enable producers to phase down smoothly and reinvest in the future economy.

The parliament needs the advice of respected advisory bodies to overcome the damage caused by the culture wars and the weaponisation of carbon pricing. Advice from the Productivity Commission to return to whole-of-economy pricing would be a useful counter to any future efforts to weaponise the issue.

2. Are there gaps in the emissions-reduction policies in the industrial, electricity and transport sectors which should be addressed?

The sectoral approach inevitably leaves gaps and ensures that some sectors are doing more than others – currently the electricity sector is doing nearly all the work while transport emissions are still increasing. A direct price on fossil fuels will quickly equalise the burden across these two sectors.

It is clearly difficult for government to address transport emissions as they are central to many economic activities and mobility is a 'good' that citizens value highly. Returning the revenue to households as a dividend would enable citizens to maintain their desired levels of mobility while following the price signal towards low- and zero-emission alternatives, including active transport options. Some will choose to travel less and save their dividend for other purposes.

The industrial sector is partially covered by the safeguard mechanism. A price on fossil fuel emissions would smooth out some gaps in the safeguard and would reach the many firms too small to fit the safeguard. And by pricing the pollutants in fossil fuels before they reach emitters, firms in the safeguard will be able to focus on eliminating their non-fossil emissions. And pricing pollution at source all but eliminates the problematic use of carbon offsets to delay actual emission reductions and preserves all forms of sequestration for the vital purpose of removing historical emissions.

I apologise for missing the deadline for submitting this response. The question is a vital one and I hope that you find some way to incorporate our analysis and recommendations into your recommendations to the Treasurer.

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