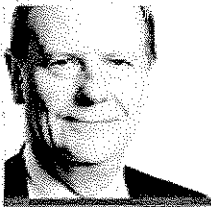


To set our emissions targets now is nonsense



PETER COSTELLO

Are you getting sick of all the argument about an emissions trading scheme? Don't. It's hardly started.

The scheme is not due to begin until 2011. The Government will have targets for reducing emissions by 2020 and 2050, when people will still be arguing about this.

There will be an exchange (like a stock exchange) to buy and sell permits and a derivatives market to allow investors to hedge. There will be a daily carbon price. And price movements in this new commodity will govern electricity prices and reach into daily life much more than oil and petrol rises.

The Government first looked at a scheme in 2003. I know because I took a proposal to cabinet. Rightly, it was referred off for more consideration. Then there was the Shergold scheme of 2007, the Garnaut scheme of last year, a green paper, a white paper, the government model and changes since.

So all of these proposals were to the same effect, right? Not a bit. Some proposals would have a minor effect on jobs and prices, some would have a catastrophic effect.

It's not what you call it that counts (Labor calls it a carbon pollution reduction scheme); in the case of an ETS, "oils ain't oils". What matters is the detail and, I am afraid, that is mind-

numbingly boring.

Like tax, the most important details are the base and the rate: what emissions are covered and the rate of the cuts required. It's the same at the international level. What counts is the countries that join any scheme and the targets they set. If the big countries (including developing countries) don't agree to reduce emissions then nothing Australia does will have the slightest impact on global emissions. The only thing affected will be Australian jobs (which will go overseas) and prices (which will go up).

That's why it's plain silly to say Australia must finalise the design of its scheme before the negotiations in Copenhagen. The shape of our scheme will not affect what happens there. Copenhagen will determine the shape of our scheme.

Let's get a sense of perspective. The cock crows because the sun rises. The sun does not rise because the cock crows. The Government will set the 2020 target after the outcome of Copenhagen is known. So the major design feature will have to wait. And other features of the design will change. It will change over and over between 2009 and 2020, let alone 2050. If we still have such a scheme.

Anything done now is purely interim. The idea we can fix things for the long or even medium term, before we know the shape of any international agreement, is nonsense.

Any government minister who would like to enter into a wager with me is invited to do so. I say the legislation of 2020, or to make it more interesting, the legislation of 2012, will be different to that which is now in the Parliament. Any minister who says the

scheme is so well designed it will need no legislative amendment between now and 2012 can take me on. Bet the Commonwealth debt if you like.

This process started at least six years ago and has another 40, 50 or maybe 100 years to run. Like the regulation of sharemarkets and corporations law, it will be subject to constant revision and legislative amendment. There is no reason to finalise this legislation next month. That is dodgy policy and fevered political spin.

A little history. In the 2007 election campaign Peter Garrett suggested on ABC radio that developed countries should agree to emission targets even if the developing world did not. John Howard rang the radio station to capitalise on the error. Later that day Kevin Rudd forced Garrett to recant.

Garrett issued a statement saying developing country commitments were "an essential prerequisite" for Australia to support any post-Kyoto international agreement. Garrett's blunder cost him dearly. After the election he was stripped of responsibility for climate change and the ETS.

It was a blunder then to say we would enter an agreement without commitments from the developing world. It is a blunder now to say we can finalise our ETS without knowing the commitments of the developing world. We will have that information in December. That will set our target. It will inform our decisions about the design changes that need to be legislated into any ETS. And there will be many changes. There is a couple of hundred billion to say I am wrong.