

Carbon cut apocalypse: cost of ALP energy plan

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Labor's 45 per cent emissions-reduction target would push electricity prices 50 per cent higher, cost workers up to \$9000 a year in lower wages and wipe \$472 billion from the economy over the next decade, according to the first independent modelling of the energy policies of both the government and opposition.

The Coalition's commitment to meeting a 26-28 per cent reduction under the Paris Agreement would also come at a cost, with \$70bn in cumulative economic losses by 2030 and a 2 per cent hit to real wage growth.

The research, which is currently under peer review in the US, has been authored by Brian Fisher, the former head of the Australian Bureau of Agriculture and Resource Economics, who served under the Hawke, Keating and Howard governments as a chief adviser on climate policy.

The comprehensive modelling of the economy-wide impacts of both parties' climate change policies has exposed claims by Labor and the Coalition about the costs of their commitments. It suggests that Labor's policy would result in 336,000 fewer jobs in 2030 than there otherwise would have been while the Coalition's commitment would result in 78,000 fewer jobs as the economy adjusted to transitional shock.

Dr Fisher, who has also been a lead author on three reports of the UN's Intergovernmental Panel on Climate Change, accuses both sides of politics of engaging in a dishonest debate.

“Having also been involved in climate policy research since 1992, I still get frustrated about how deficient and even outright dishonest the climate debate continues to be ... regardless of the approach Australia adopts to reduce emissions, there is an inevitable cost to our economy as more emissions-intensive activities make way for less intensive industries,” Dr Fisher told *The Australian*.

The findings of the ongoing independent study, conducted through modelling firm BAEconomics, show that Labor's plans would result in cumulative economic losses of \$472bn over the decade, with GDP \$144bn a year lower by 2030. This also takes into account Labor's 50 per cent renewable energy target.

The loss of economic activity associated with the transition from energy-intensive industries and their workforces to less energy-intensive ones under the Labor emissions-reduction policy was equivalent to an average annual growth rate of 2.3 per cent compared with 2.9 per cent. The forecast effect of this economic shock would be 336,000 fewer jobs by 2030. “The full-time wage would also be around \$97,400 — a reduction of 8 per cent,” it said.

This would amount to a fall in real annual wages of about \$9000 per year by 2030.

Electricity prices would also balloon under what the report claimed would be a significant economic adjustment. “In meeting the combined 50 per cent renewables target and the emissions target, the wholesale electricity price would be around \$128/MWh,” the report said.

This would be more than 50 per cent higher than the base case of - \$81/MWh. The Coalition's commitment to a Paris target of reducing emissions by 26-28 per cent by 2030 was also not without a price tag.

“Meeting a 26-28 per cent reduction target is projected to mean that by 2030 the Australian economy would be around \$19bn smaller in terms of GDP than it otherwise would have been,” the summary report said.

“In 2030, the first scenario (26-28 per cent) would also see around 78,000 less full-time equivalent jobs in the economy and a full-time wage of around \$104,600 per year compared to \$106,400 in the base case, a reduction of 2 per cent in real wages.

“Under this option, Australia’s share of renewables would reach around 36 per cent and the wholesale electricity price would be \$93/MWh compared to \$81/MWh in 2030.”

Dr Fisher said he expected to get “kicked” by both sides of politics but claimed it was time the public knew the true costs associated with abatement.

Writing in *The Australian* today, Dr Fisher says: “Inescapable, is that both policy scenarios will result in economic cost in terms of reduced GDP growth as the economy is forced away from its current trajectory.

“This will in turn affect employment and real wages, with regional economies dependent on the production and export of fossil fuels exposed to more severe adjustment pressure compared to more diversified urban economies.

“As you might expect, achieving the lesser target is not as disruptive but it still comes at a price.”

A recent ANU report said Australia could meet its Paris commitment by as early as 2025 without cost and using reductions in the electricity sector alone.

Dr Fisher described this as “appallingly” inaccurate.

His summary research paper to be released today is based on an advanced model of the world economy called BAEGEM, built on climate policy models used by government for almost 30 years.

“Australian climate policy is at a crossroads,” the summary report said. “With a federal election expected in May 2019, it is timely to assess the economic impacts of the alternative domestic policy approaches proposed by the two major political parties.

“Under either policy scenario, the Australian economy must adjust as more emissions-intensive activities make way for industries that are less greenhouse-gas-emissions intensive.

“In some cases such adjustments are technically difficult and therefore expensive.”