The Australia Institute
Research that matters.

Overpromise and underdeliver - A brief history of Australian climate plans

Matt Saunders and Richard Denniss
November 2021

The Morrison Government's 'technology not taxes' approach to climate change policy is little more than new branding for an old strategy – a strategy pioneered by the Howard Government back in the 1990s. Rather than introduce a carbon price, mandatory energy efficiency standards or restrictions of fossil fuel consumption or extraction, the Howard Government pursued a 'no regrets' approach to climate action that prioritised the protection of jobs in the fossil fuel sector over climate action and relied on public expenditure on new technologies to 'prove' that action was being taken.

An analysis of the Howard Government's take on 'technology not taxes' from his 1997 climate change policy announcement,[1] reveals that the emission reductions he promised completely failed to eventuate. Indeed, rather than falling, emissions rose faster compared to the no-policy change Business as Usual forecast at the time. On a cumulative basis, from 1998 to 2010, actual emissions were 411 MT CO_2-e higher than Prime Minister Howard forecast they would be *with* the policy changes.

[1] Australian Government Department of the Prime Minister and Cabinet (1997) *Safeguarding the Future: Australia's response to Climate Change,* https://pmtranscripts.pmc.gov.au/release/transcript-10595

SAFEGUARDING THE FUTURE: AUSTRALIA'S 1997 'PLAN' FOR CLIMATE ACTION

On 20 November 1997, just seven months after coming to office, the Government of John Howard announced its first climate change plan, known as *Safeguarding the Future: Australia's response to Climate Change* ('the Howard Climate Plan').

All up, $180 million of new spending over five years was to be directed to new programmes or significant extensions to existing measures, with the aim to 'stimulate additional actions and investment by the States and Territories, industry, and in some cases, consumers.'[2]

A reading of the Howard Climate Plan announcement shows a heavy reliance on technology and innovation, and no new taxes, to drive down emissions.

The policy focus was on eight key areas:

Renewable Energy:

- $21 million for a specialist renewable energy innovation investment fund to provide venture capital for companies with high growth potential.
- $30 million in a loans and grants programme for the development and commercialisation of the renewable energy industry.
- $10 million for some leading-edge renewable energy 'showcase' projects in areas such as tidal power, solar thermal power, and photovoltaic technologies.
- A mandatory target for electricity retailers to source an additional two per cent of their electricity from renewable energy sources by 2010.

Energy Market Reform:

- Work with the States and industry to develop and implement by the year 2000, efficiency standards for fossil fuel electricity generation to ensure the adoption of best practice new technology in each fossil fuel class.

[2] Australian Government Department of the Prime Minister and Cabinet (1997) *Safeguarding the Future: Australia's response to Climate Change*

Automotive Industry:

- Mandatory, model specific, fuel efficiency labelling.
- Noxious emissions standards harmonised with international standards by 2006.
- A 15 per cent fuel efficiency improvement target by 2010 by negotiation with automotive companies.
- Develop a basic network of compressed natural gas refuelling stations in selected metropolitan areas.

Codes and standards:

- Work with the States, Territories, and industry to develop energy efficiency codes and standards for housing, commercial buildings, industry, appliances and equipment.
- Expand the Nationwide House Energy Rating Scheme by including a minimum energy performance requirement for new houses.
- If the voluntary approach does not achieve progress, work to implement mandatory standards.

Tree Planting and Revegetation:

- Work to remove impediments to the development of commercial plantations to achieve the Plantations 2020 vision of trebling the plantation estate by 2020.
- Establish a Bush for Greenhouse Programme to encourage corporate funding of revegetation projects.

Greenhouse Challenge programme:

- Extra funding of $27 million to extend the Greenhouse Challenge programme to smaller companies.
- Current participants had committed themselves to reduce their forecast growth in emissions by about 22 MT of $C0_2$-e by the year 2000.

Commonwealth Greenhouse Office:

- Establish a Commonwealth Greenhouse Office to implement the measures.

Other measures:

- Action to reduce emissions in urban areas.
- Initiatives to work toward best energy practice in targeted industries.
- Funding towards an ethanol pilot plant.
- Development of a national carbon accounting system.
- Funding to ensure commercial joint implementation projects in developing countries

Taken together, the announcements are plentiful and extensive, with a heavy emphasis on technology developments, co-operation with the private sector, payments for outcomes, and incentives to change behaviour. In particular, funding for renewable energy policies was targeted to towards pre-chosen technologies rather than the creation of sector wide incentives or regulation.

Looking back, the lasting legacy of the Howard Climate Plan is the renewable energy target that was significantly extended under the Rudd government but wound back by the current Coalition Government.

Perhaps unsurprisingly, the extensive network of Compressed Natural Gas refuelling points for commercial vehicles promised in the plan never came to fruition. Australia has a long history of promoting new uses of old fossil fuels.

IMPACT ON EMISSIONS

The policy announcement made by the Howard Government in 1997 included emissions projections for Australia with and without the new policies. This allows us to compare the projected performance of the plan with the actual outcomes.

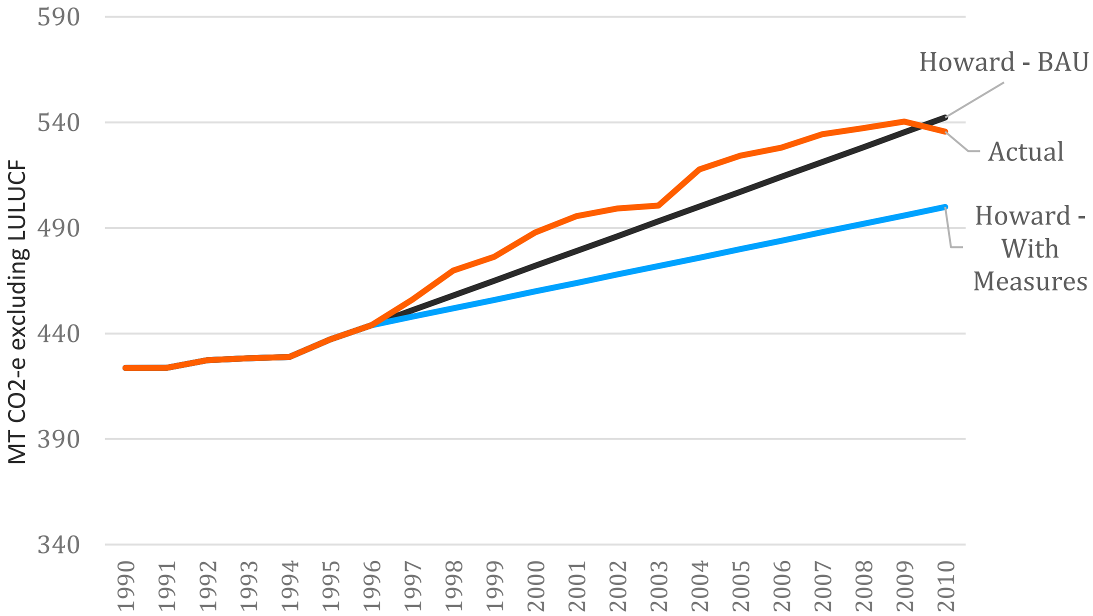
Under the Howard Government's expected business as usual (BAU) outcome, with no policy changes, Australia's total emissions, excluding LULUCF, were expected to increase by 28 per cent over 1990 levels to around 542 MT CO_2-e by 2010.

With the policy measures announced by the Howard Government in 1997, emissions for 2010 were projected to increase by only 18 per cent compared to 1990 levels. In all, the Howard Government projected their suite of climate policies would reduce emissions by around 40 MT CO_2-e per year by 2010, close to an eight per cent annual reduction, compared to the BAU outcome.

On a cumulative basis, for the period 1998 to 2010, the announced policies were expected to save around 297 MT CO_2-e.

Figure 1 shows the BAU forecasts made by the Howard Government in 1997 as well as the projected emissions reductions they expected from their 'plan' and the actual emissions that were delivered. As can be seen, after the announcement of the Howard Climate Plan, emissions actually rose faster than the BAU forecast and never once approached the levels of emissions forecast to flow from the 1997 plan.

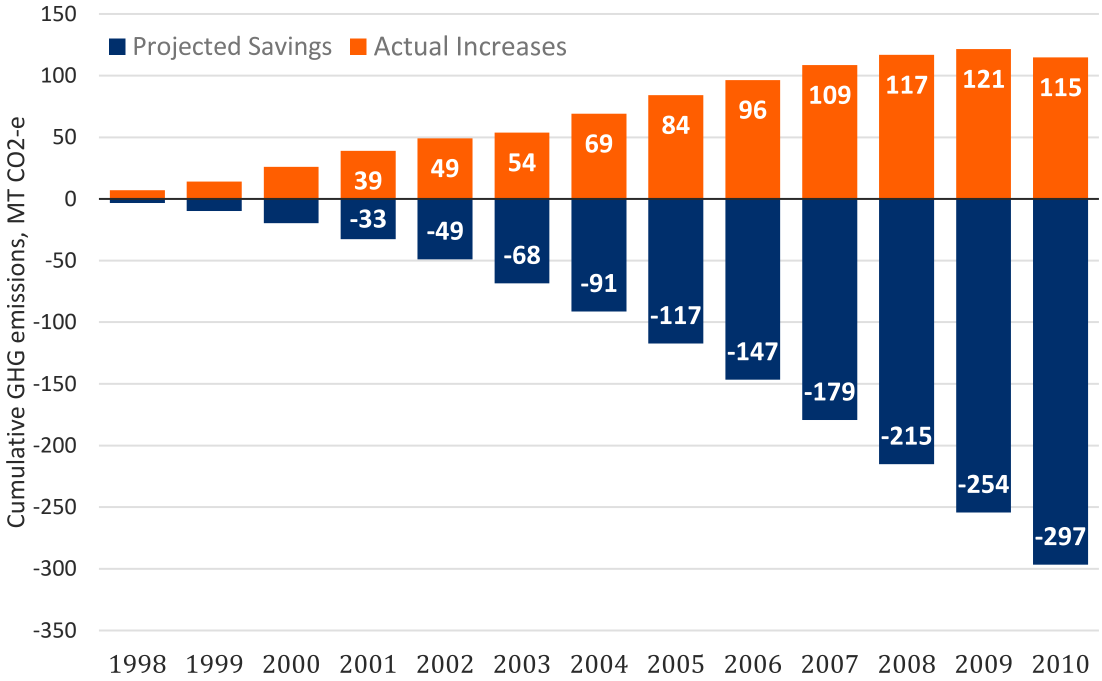
Figure 1: Projected vs Actual emissions from the Howard Government's 1997 Climate Plan



Source: Australia Institute analysis of: Safeguarding the Future transcript (https://pmtranscripts.pmc.gov.au/release/transcript-10595) and UNFCC (https://di.unfccc.int/ghg_profile_annex1)

Figure 2 presents the same data as Figure 1 but focuses on the cumulative disparity between the projected reductions in emissions (compared to BAU) and the actual emissions (which rose steadily instead of falling steadily).

Figure 2: Projected cumulative emission reductions vs Actual emission increases resulting from the Howard Government's 1997 Climate Plan



Source: Australia Institute analysis of: Safeguarding the Future transcript (https://pmtranscripts.pmc.gov.au/release/transcript-10595) and UNFCC (https://di.unfccc.int/ghg_profile_annex1)

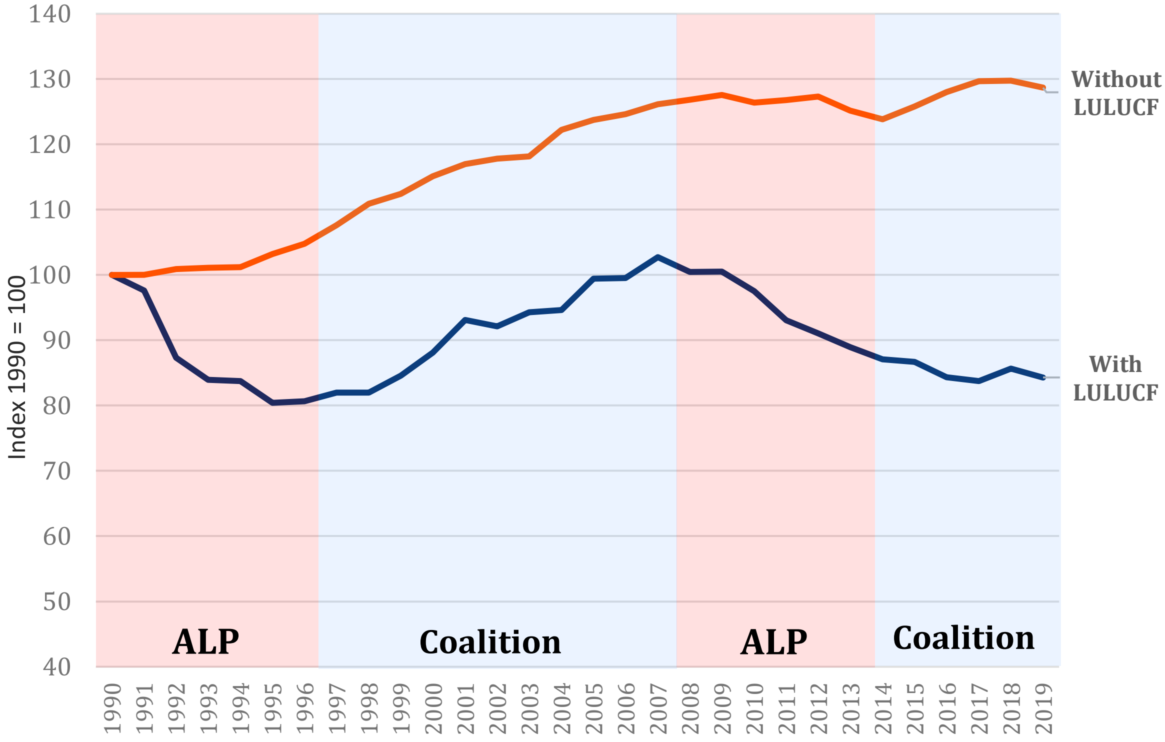
As clearly shown, the Howard Government's technology not taxes approach did not work. Instead of a cumulative emissions savings of 297 MT CO_2-e, the reality was a 115 MT CO_2-e increase relative to the Howard Government's no-policy-action BAU projection at the time. In sum, the 1997 plan delivered 411 MT CO_2-e of policy failure.

It is likely that this number is a significant underestimate. The election of the Rudd Government in 2007 saw the introduction of a number of new climate policies before the end of the Howard Government's 2010 projection was reached. This combined with the GFC in 2008-09 and the subsequent reduction in economic activity, mean actual emissions would likely have been even higher still.

History will go on to show that at least up until the early 2020s the only time Australia successfully lowered economy-wide emissions was during a period when taxes and technology where both part of the policy mix to address climate change – the period from 2011 to 2013 (Figure 3).

The reality is that taxes and technology work together to achieve policy outcomes. The taxes, or carbon prices generally, provide financial incentives to change behaviour, drive investment, engage in new research and development, and innovate towards lower emissions technologies in a stronger way than a cheap marketing slogan.

Figure 3: Australia's GHG emissions, MT CO_2-e, 1990 - 2019



Source: Australia Institute Analysis of: UNFCC (https://di.unfccc.int/ghg_profile_annex1)