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Why we need to stop kidding ourselves about climate change

Climate change connects crucial Australian interests, and we are the developed country that has most to lose from climate disruption.

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The election campaign is being conducted as if Australia has no fundamental problems, and can afford to squabble over personality and trivia.

It is good that we have reduced our unnecessarily high unemployment and are talking about achieving full employment for the first time in half a century.

The fall in unemployment has come mainly from the combination of lower rates of temporary immigration and huge expansion of domestic demand funded by public debt.



Scott Morrison and Anthony Albanese during their first election debate. **Toby Zerna**

For full employment to sustainably end the decade-long stagnation of living standards, the main source of growth must change. It must shift from debt-funded government spending towards investment in the trade-exposed industries with access to markets that will strengthen over time.

The election campaign has headed in the wrong direction, with endless commitments to debt-funded increases in public expenditure

[<https://www.afr.com/politics/federal/coalition-labor-spend-big-under-the-radar-20220418-p5ae6v>] and subsidisation of unsustainable emissions-intensive industry.

It is good that we are starting to face up to the failure of development knowledge and support, and of diplomacy that has led to China filling the vacuum of influence [<https://www.afr.com/politics/federal/solomons-mps-gave-multiple-warnings-over-china-deal-20220422-p5afdww>] in Solomon Islands.

But we have hardly noticed the more consequential failure of influence in the much larger country closer to home.

Why did it take a Papua New Guinea royal commission to show that Australian authorities were asleep at the wheel as some Australian professional and corporate interests [<https://www.afr.com/companies/financial-services/the-collar-loan-the-story-behind-ubs-ill-fated-png-deal-20220421-p5af7n>] undermined fragile democratic governance in PNG?

Climate change connects these and other crucial Australian interests. We are the developed country that has most to lose from climate disruption. Failure of the global effort would impose greater cost on Australia than any other developed economy.

Failure would damage profoundly our geostrategic interests, including from the displacement of hundreds of thousands of residents of the Western and Gulf provinces just across the water from Far North Queensland and in the populous Sepik provinces of Papua New Guinea.

Renewable energy advantage

Despite our large economic interests in coal and LNG exports, Australia – more than any other country – would receive large net economic benefits from an early and complete global transition to zero net emissions.

We would have opportunities for using our rich endowments relative to our economic size of renewable energy and land for growing biomass. We would be able to supply a substantial proportion of the world's requirements for zero-emissions iron, aluminium metal and processed critical metals, and the chemical manufactures that will be produced from biomass rather than coal, gas or oil.

In the high-carbon economy, Australian coal is available to industries in Shanghai, Kobe and Pusan as cheaply as it is in Australian cities. Development of the LNG export industry in Gladstone lifted the cost of Australian gas in our eastern industrial cities to that in northeast Asia. Thus, despite being a net energy exporter, Australian energy-intensive manufacturing receives no competitive advantage.

By contrast, Australia's potential to generate and firm renewable energy more cheaply than other countries confers large and sustainable advantages on domestic industry in the new low-carbon world.

Yes, Andrew Forrest and Mike Cannon-Brookes will sell large quantities of solar energy to Southeast Asia [<https://www.afr.com/companies/energy/cannon-brookes-forrest-lead-210m-sun-cable-capital-raising-20220311-p5a3qr>], transported by submarine cable. Many producers using renewable electricity will export zero-emissions hydrogen and its carriers to Asian and European markets.

But unlike coal and gas, Australian renewable electricity and hydrogen will be more than twice as expensive in Singapore, Pusan, Kobe, Shanghai and Hamburg as they are at home.

Submarine cables and preparation for export and transport of hydrogen and its chemical carriers cost more than the renewable products themselves. It will not be economically sensible to process Australian materials in other countries using Australian zero-emissions energy. Australia will be the economically rational location for at least the early stages of processing.

Using Australian renewable hydrogen at home to process the Australian iron ore that currently goes overseas would reduce global emissions by more than twice as much as Australia reducing its own domestic emissions to zero.

Unlike the old industry, the zero-emissions economic opportunities of the future are overwhelmingly concentrated in rural and provincial Australia. And yet at the COP26 meeting of the UN in Glasgow last year [<https://www.afr.com/policy/energy-and-climate/australia-s-missed-energy-opportunity-in-glasgow-20211114-p598qm>], we joined Russia, China, Brazil and Saudi Arabia in opposition to the US, Britain, the European Union and other developed democracies on 2030 emissions reduction targets, reduction of methane emissions, and early phasing out of coal in power generation.

We were noticed. A senior American official close to US President Joe Biden told veteran *Sydney Morning Herald* journalist, Peter Hartcher: “We were looking to a close ally for support at Glasgow on a key policy and Morrison gave us just f---ing bullshit”.

Road map with a different destination

As I wrote [<https://www.afr.com/by/ross-garnaut-p4yvmh>] in five articles in *The Australian Financial Review* late last year, our government was kidding itself on climate policy at Glasgow. We were relying on a “road map” that had a different destination from other developed countries, no engine to drive us across the landscape, and no steering mechanism.

The kidding has shifted to more emphatic denial as we have doubled down on a “gas-led recovery”, expanding coal and gas capacity as prices rose at first with restrictions on investment for climate reasons in other countries, and temporarily more with the Russian invasion of Ukraine.

Uniquely in the developed democratic world, we avoided significant support for the energy and climate transition in a spending spree that will leave us with a trillion dollars of Commonwealth debt.

The kidding has taken new shapes during the election campaign. The Commonwealth government has told coal and gas exporters who are benefiting from historically high prices and profits that they have no responsibility to remove or offset fugitive emissions.

This promise jeopardises the current government’s woefully inadequate emissions reduction commitments. With the OECD’s Australia secretary-general, Mathias Cormann, [leading efforts to introduce a carbon price](https://www.afr.com/policy/energy-and-climate/the-remarkable-reinvention-of-mathias-cormann-20211105-p596bl) [<https://www.afr.com/policy/energy-and-climate/the-remarkable-reinvention-of-mathias-cormann-20211105-p596bl>] throughout the developed world, our government has promised during this election campaign to never ever join this global effort.

The COP27 meeting in Egypt late this year gives Australia a second chance. Prime Minister Scott Morrison at the 2019 election rejected the

opposition's commitment to net zero emissions by 2050. He cared enough for the national interest to break that promise.

If he is still prime minister at the time of COP27 and still cares for the national interest, he needs to desist from holding out against the heads of government of the US, Britain and other developed democracies, and take Australia's 2030 commitment into the range of developed countries. That means beating South Korea's minus 42 per cent.

If whoever is prime minister cares for the national interest, he needs to add a commitment to reduce emissions by three quarters by 2035, accept Biden's leadership by joining the global pledge to reduce methane emissions by 30 per cent by 2030, and join the US president and other leaders of the developed democratic world in committing to phase out coal in power generation by 2035.

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Australians face interrelated policy challenges of historic dimension. Fail to deal with them well, and we irretrievably disrupt climate and environmental conditions that underpin Australian lives, lose the chance to regain effective influence in our neighbourhood, continue the last decade's stagnation and decline in living standards for ordinary Australians, and continue our slide down the global league tables for democracy and integrity.

Australia's shifting from spoiler to full participant in the global effort to contain damage from climate change matters in every corner of Australian lives.



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