

WHY WE SHOULDN'T ALWAYS HAVE PARIS



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Staying signed on to the Paris Climate Agreement makes us look like a putz, or even a schmuck, argues IPA's Director of Economics Daniel Wild.

What word best describes the leaders of a nation who sign up to an international climate agreement that will impose significant economic costs, prohibit the construction of new coal-fired power stations, hand over economic sovereignty to unelected global bureaucrats, isn't being followed by any major greenhouse gas emitting nation, and won't make any difference to the environment?

Fools, dullards, dunces are all appropriate, but don't quite fit the bill. In fact, the English language is somewhat lacking in this department. Yiddish, however, has a number of pearls. There is *schmuck*, which describes a "stupid or foolish person". A *schlump*, which refers to a sloppy, stupid person, and one who is poorly dressed to boot. But one cannot go past *putz*, which can be defined as "someone who is easily tricked and taken for a ride".

The international climate agreement I am referring to is, of course, the Paris Climate Agreement. Made under the *United Nations Framework on Climate Change*, the notional objective of the Agreement is to keep the rise in global temperature this century to well below two degrees Celsius above pre-industrial levels, and ideally to keep the increase below 1.5 degrees. Australia signed the Agreement on 12 December 2015, and then ratified it on 10 November 2016.

Australia's involvement with the Paris Climate Agreement is like the last *putz* who signs on to a Ponzi scheme: we pony up at the exact time the Agreement is falling apart and other nations are running away as fast as they can, looking over the shoulder at Australia and laughing at the top of their lungs.

In fact, Australia ratified the Paris Agreement just one day after Donald Trump, who had vowed to withdraw the United States from the Paris Agreement (and since has), was elected President of the United States.

Other nations are laughing at Australia, because the extent and magnitude of economic harm we are imposing on ourselves far exceeds that of any other developed nation.

The method of the Paris Agreement is for each signatory nation to develop their own greenhouse reduction targets, which are referred to as "intended nationally determined conditions".

Australia's self-imposed binding target is to reduce our greenhouse gas emissions by 26 to 28 per cent by 2030 on 2005 levels. This seems fairly innocuous. After all, prior to withdrawing from the Agreement, the United States had the same target. Japan's target is to reduce emissions by 25 per cent, and both Canada and New Zealand must reduce their emissions by 30 per cent.

On a per capita basis, Australia actually has the deepest cuts to emissions in the developed world

However, as is often the case, aggregate figures hide the true nature of what is happening.

On a per capita basis, Australia actually has the deepest cuts to emissions in the developed world. The Agreement requires Australia to reduce its emissions by at least 50 per cent in per capita terms by 2030 on 2005 levels, compared with a 44 per cent reduction in Canada and New Zealand, and a 21 per cent reduction in Japan.

China, meanwhile, can increase its per capita emissions by 127 per cent.

This fact has even been bragged about by previous Prime Ministers and senior ministers. Then Prime Minister Abbott stated in a media release on 11 August 2015 that "Our emissions intensity and emissions per person *will fall further* than other developed economies". Then Prime Minister Turnbull stated in a media release on 10 November 2016 that Australia's target will "halve our per capita emissions, making it one of the highest targets in the G20 on that basis". An accompanying fact sheet from the Department of Environment noted "on a reduction in per person and emissions



intensity basis, our target will exceed those of the United States, Japan, the European Union, Korea, and Canada”. As if that is something to be proud of.

Nothing has changed under Prime Minister Morrison. Speaking to 2GB on 8 October 2018, Prime Minister Morrison stated proudly it was a Coalition government—not a Labor government—which signed Australia up to the Paris Agreement. “I was part of that government,” Prime Minister Morrison continued, “and when Australia puts its word to something, it means something.”

Incidentally, this gives us an unbroken chain of prime ministers—Coalition and Labor, going back to Howard—who have signed Australia onto, or supported Australia’s continued involvement in, international climate agreements. Then Prime Minister Howard signed Australia up to Kyoto, the Rudd government ratified it, and the Gillard government continued observing it. Then Prime Minister Abbott signed Australia up to the Paris Agreement, the Turnbull government ratified the Agreement, and the Morrison government will implement the Agreement.

PARIS ON STEROIDS

Opposition leader Bill Shorten, should he take over the reins in 2019, would do Paris on steroids, with the Labor Party committed to a 45 per cent reduction (on 2005 levels) to greenhouse gas emissions by 2030.

Having an emissions reduction target that exceeds our major economic competitors is particularly foolish given Australia is a resource-intensive economy which relies far more than other major developed economies upon the extraction, production, use, and exportation of raw materials.

For example, Australia’s emissions target under the Paris Agreement will prohibit the development of new coal-fired power stations in Australia. This is despite there being some 2,240 coal-fired power stations in operation around the world, with a further 708 announced, have pre-permission or permission to be constructed, or under construction. Specifically, there are 236 forthcoming coal-fired power stations in China; 88 in India; 70 in Indonesia; 42 in Turkey; 36 in Vietnam; 25 in the Philippines; and 23 in Bangladesh.

Many of these nations will be firing their coal power stations using good old Australian coal. About 80 per cent of coal dug up in Australia is exported to nations around the world.

This is fantastic for those nations. Coal is a key ingredient for cheap and reliable electricity generation which in turn enables economic development, industrialisation, and improvement to living standards.

If Australia’s coal is good enough for China, India, and Indonesia (all of whom are in the Paris Agreement), then why shouldn’t it be good enough for Australians?

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Being part of an international agreement that undermines Australia's future economic prosperity would be bad enough on its own. What makes it worse is that the four largest emitters of greenhouse gases are either not in, not constrained by, or not on target to meet their emission reduction obligations under the Agreement. China, the world's largest emitter, can continue to increase its emissions until 2030 (when the Agreement ends).

In fact, China is expected to increase its emissions, in absolute terms, by 150 per cent on 2005 levels by 2030.

President Donald Trump has provided formal notice to the United Nations (UN) that the United States, which is the second largest emitter of greenhouse gases, will be withdrawing from the Agreement.

In announcing withdrawal, President Trump stated "as of today, the United States will cease all implementation of the non-binding Paris Accord and the draconian financial and economic burdens the agreement imposes on our country. This includes ending the implementation of the nationally determined contribution ..."

Not one of the nations of the European Union, collectively the third largest emitters, are on track to meet their emission reduction targets. The Climate Action Track (CAT) is a consortium of three research organisations— Climate Analytics, NewClimate Institute, and Ecofys—which "track progress towards the globally agreed aim of holding warming well below 2°C, and pursuing efforts to limit warming to 1.5°C".

The CAT covers 32 nations which collectively account for 80 per cent of global emissions, and provided this damning assessment of the EU's implementation of the Paris targets:

The EU's climate policy has not yet effectively responded to the 1.5°C limit enshrined in the Paris Agreement ... Its 2050 goal of decreasing total GHG emissions by 80-95% below 1990 levels is also not consistent with the Paris Agreement long term warming goal ... neither the historical, nor the projected, rate of emissions reduction will allow the EU to meet its 2030 goal, at least not with currently implemented measures.

India, the fourth largest emitter, is—like China—unaffected by the Agreement. India's target is to reduce emissions intensity by 33-35 per cent by 2030, compared to 2005 levels. However, Oren Cass, Senior Fellow at the Manhattan Institute, argues that India's commitment will have no effect on its emissions trajectory compared to the status quo. In Testimony before the United States House Committee on Science, Space, and Technology in 2015, Cass stated:

India reports that its energy efficiency has already improved more than 17 per cent between 2005 and 2012. Assuming no change in its carbon intensity of energy, India could improve only half as fast going forward and still achieve its goal.



The knowledge of the type of schmucks that govern Australia is apparently legendary around the world.

Representatives of the European Union, for example, have threatened to not do a trade deal with Australia unless Australia implements policy to meet the Paris targets.

The European Parliament even passed a resolution in July of this year to make ratification and implementation of the Paris Agreement a condition for future trade agreements. The EU Trade Commissioner Cecilia Malmstrom stated that a “Paris deal reference [is] needed in all EU trade agreement[s] today”. And the French foreign affairs minister, Jean-Baptiste Lemoyne, stated “no Paris Agreement, no trade agreement”.

PARIS MEANS HIGHER POWER PRICES

Yes, this is the same European Union which will fail to make its own commitments under the Paris Agreement.

Yes, this is the same EU which has the Common Agricultural Policy, which is a massive trade brick wall stopping Australian farmers exporting their produce into Europe.

And, yes, this is the same EU which has lower electricity prices than Australia, in part because of its use of nuclear power.

European negotiators are simply smarter than Australia’s. The Europeans know implementing Paris means higher power prices. That’s why they want Australia to follow Paris while they ignore it—it will extend the competitive economic advantage Europe has over Australia with regards to lower electricity prices. Now, trade is a very important cornerstone of prosperity.

Free trade—along with the rule of law, property rights, and free enterprise—has been responsible for lifting billions out of poverty around the world, as well as making Australia one of the wealthiest nations in the world.

But trade is only one public policy consideration among many. And surrendering Australia’s economic sovereignty to European bureaucrats is a bridge too far.

Besides, the economic benefits of extended trade with the EU are dwarfed by the costs to Australia of meeting the Paris targets. Even the EU itself estimated a new trade deal with Australia would be worth only \$6.8 billion by 2030, on the most optimistic assumptions.

Research by the Institute of Public Affairs in *Why Australia Must Exit the Paris Climate Agreement* conservatively estimated the cost of the Paris Agreement to be \$52 billion over the same time period in terms of the higher cost of generating electricity. And that doesn’t include all of the flow-on costs of higher electricity prices, such as lower business investment, lower employment growth, and slower wages growth. But perhaps this is all worth it.



Perhaps the economic harm, the surrendering of economic sovereignty, and the end of coal-fired power and low electricity prices in Australia is worth it for all of the offsetting environmental benefits that will flow from the Paris Agreement. Keep dreaming.

The best available evidence suggests the Paris Agreement will not make any noticeable difference to the global climate.

A 2015 research report from climate scientists at the Massachusetts Institute of Technology (MIT) estimated that the Paris Climate Agreement, if it was fully implemented, would reduce temperature warming by about two-tenths of one degree centigrade by the end of the century.

Similar findings were outlined in a recent report, *Low Carbon Economic Index*, produced by consulting firm Price Waterhouse Coopers. The annual report tracks the emissions profile of nations around the world.

The 2018 edition, released in October, bluntly stated that “there seems to be almost zero chance of limiting warming to well below two degrees” (which is the main goal of the Paris Agreement).

The report went on to argue that not one of the G20 countries will achieve the required emission reduction rate in 2018 to ensure they are on track to meet the Paris targets.

STOP EATING MEAT AND STOP DRIVING

Closer to home the Commonwealth Department of Environment estimated that under current policy settings, emissions in Australia are expected to decline by just five per cent by 2030 on 2005 levels.

That report, titled *Australia’s emissions projections 2017* published in December 2017, found that “Most of the projected growth in emissions [between 2020 and 2030] is in the transport sector, led by increased heavy vehicles activity for freight, and the agriculture sector, driven by increased stocking numbers”.

Estimated direct cost of Paris is \$52b

In other words, if you want Australia to meet the Paris targets, then stop eating meat and stop driving.

Such radical propositions are already a part of the lexicon of the climate radicals.

For example, following the publication of the latest Intergovernmental Panel on Climate Change special report, CSIRO research scientist and executive director of the Global Carbon Project, Dr Pep Canadel, said meeting the Paris targets would require the ...

almost immediate establishment of a global carbon market, carbon pricing across all



sectors of the economy, massive energy efficiency gains, significant consumer changes in diets, actions to reduce peak global population, and the immediate and growing deployment of options for the direct removal of CO₂ from the atmosphere, including the pervasive need for carbon capture and storage in most cases.

It certainly could be argued these reports are produced not with the intent of demonstrating Paris is a failure, but to spur even further government intervention.

The logic of bureaucrats—both in the public sector and big corporates—is that everybody already agrees we need action on climate change, and so highlighting the way in which current policies are failing will create a demand from the public for further government action.

But only a *putz* would fall for that old trick. And Australians, unlike their ruling class, are not *putzes*. According to a poll published in *The Australian* on 17 July 2018, 63 per cent of Australians believe the federal government's priority should be reducing power prices.

This compares with just 24 per cent who believe the priority should be to “meet targets to cut greenhouse gas emissions”.

Australia must withdraw from the Paris Climate Agreement.

It is imposing significant and irreparable economic damage, driving up electricity prices, causing coal-fired power stations to be decommissioned, and puts Australia at an economic disadvantage compared with our major economic competitors, all without delivering a noticeable environmental benefit.

And, besides, I quite like driving myself around and eating steak.

Occasionally at the same time.

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