Combet caught out on carbon

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The Gillard government's claims that Australia lags behind China in the effective price on carbon have been discredited by its Climate Change Department.

The revelations, in documents obtained through a Freedom of Information application, show that rather than trailing China's implicit carbon price by more than $12 per tonne, Australia's effective price could already be higher.

This undermines the government's argument for Australia to introduce a carbon tax now at an additional cost of $23 per tonne.

The documents, obtained by the Institute of Public Affairs, show the Department of Climate Change and Energy Efficiency warned that a crucial draft report on comparative implicit carbon prices overestimated China's figure more than sixfold.

Despite that warning, the higher figure remained in the report and has been quoted by Climate Change Minister Greg Combet.

"Well, according to this report by Vivid Economics," Mr Combet told the ABC in March, "the effective carbon price in sectors of the Chinese economy was $14 a tonne compared to $1.68 in Australia."

The minister has used the figure a number of times to contend that Australia would not be moving ahead of China, but catching up, by imposing a carbon tax.

The background to this calculation shows the figure is questionable. And it suggests the minister's own department believes the effective carbon price in China is less than Australia's.

The report the minister referred to was not as independent as it sounds — it was funded by government through a $70,000 payment that went via the "non-partisan" Climate Institute. This financial support was acknowledged in the report, with recognition that the department provided "practical support through the review of data and outputs".

But a crucial email from the department to the Climate Institute in October provided final revisions to the draft report and argued the China figures were wrong.

It said the figure for the dominant Chinese scheme was overestimated at $7.58 per tonne when, if it had been costed on the same basis as a comparable Australian scheme, the price would have been $1.28 per tonne.

"I would like to query if this is the correct approach," says the email from an unidentified public servant to Climate Institute deputy chief executive Erwin Jackson, before providing a second calculation confirming the lower figure.

"As a sanity check, the cost of the policy is $US3.54 billion, which when applied to the total emissions from the electricity sector (2.77 billion tonnes) also works out at $1.28 per tonne of CO₂.""

A spokesman for Mr Combet has distanced the government from the report, saying it was not a government report but a third-party paper. The spokesman would not comment on communications between the minister, his office and the department but said: "The report was research by Vivid Economics, a private-sector consulting group. When the minister has referred to the report's findings he has attributed them to that report."

As for the Climate Institute, Mr Jackson said it did not inform the minister's office about the disagreement but the concerns were passed on to Vivid Economics, which had an "academic discussion" with the department about the methodology.

IPA climate policy director Tim Wilson said the documents showed the department knew that China's effective carbon tax rate was lower than Australia's.