

*Welcome to PolicyCheck, a new form of political coverage that aims to make better sense of policies launched by the major parties in the lead up to the 2016 election. Here, The Conversation's academic experts look at the history of policies, whether they have been tried in Australia before, and how likely they are to succeed.*

---

Labor has announced a [six point climate change strategy](#), aimed at increasing renewable energy use, improving energy efficiency and transitioning away from old and inefficient coal power stations.

The policy includes a plan to reintroduce an [emissions trading scheme](#) for large emitters (over 25,000 tonnes annually), introduced over two phases.

### How would it work?

Labor's policy documents says that:

Phase one of the ETS will operate for two years, from 1 July 2018 until 30 June 2020 to align with the second (and final) commitment period of the Kyoto Protocol;

Phase two of the ETS will operate from 1 July 2020. Pollution levels will be capped and reduced over the course of the decade in line with Australia's international commitments under the Paris agreement;

The broader ETS does not apply to the electricity sector (see separate [fact sheet on Cleaner Power Generation](#)); and

The scheme will allow business to work out the cheapest and most effective way to operate and

will not involve taxpayers handing over billions of dollars to Australia's large polluters.

Fairfax [reported](#) that

The cost up until 2020 would be about 3 cents per tonne of carbon for those industries exposed to foreign competition. For other firms, that cost will be about 30 cents a tonne.

The scheme design beyond 2020 would be worked out in the future, but would focus on meeting Australia's international commitments.

A [separate scheme](#) for energy generators would start from 2018.

### **What's the history behind the proposed scheme?**

Climate policy has been a hot topic in Australian politics for over 25 years.

The [Hawke government made a conditional commitment](#) in 1992 to cut carbon emissions. In the mid-1990s, industry staved off a carbon pricing scheme under the Keating government by committing to a voluntary [Greenhouse Challenge](#) program.

John Howard's 1997 pre-Kyoto Protocol statement, [Safeguarding the Future](#), mapped out a number of response measures, intended to underpin Australia's efforts to gain an easy target under the Kyoto Protocol.

Indeed, Australia got a Kyoto target of 8% above its 1990 emissions level, while the overall developed country goal was a 5% cut.

## PolicyCheck: Labor's phased emissions trading scheme

Written by The Conversation USA

---

The [Australian Greenhouse Office](#), set up after the Kyoto meeting, produced numerous reports and discussion papers exploring climate policy options, including various options for pricing emissions.

Former Prime Minister John Howard grudgingly [proposed a cap and trade plan in 2007](#) on advice from senior bureaucrat Peter Shergold.

That scheme was meant to be up and running by about 2011, but plans were cut short by election of Labor's Kevin Rudd as prime minister in 2007.

Rudd promised a strong commitment to climate action, and under his leadership, the Carbon Pollution Reduction Scheme was developed (it was basically an ETS). In 2010, today's prime minister Malcolm Turnbull also preferred an ETS, even [crossing the floor](#) to support it.

This scheme was eventually rejected by the parliament because the Greens and many others considered it was too compromised to be effective. This was the [beginning of the shambles](#) that has surrounded Australian climate policy in recent years.

Julia Gillard replaced Rudd as Labor leader in the mid-2010 and worked closely with the Greens and other cross-benchers to develop the [Clean Energy Future](#) package. Part of that package was a plan to put a price on carbon.

The [plan](#) was to transition into a market-based emissions trading scheme in 2015, but the so-called carbon tax was axed by the Abbott government in 2014 (despite [evidence](#) it was effective in reducing emissions).

Australia's present [Direct Action](#) policy has as its centrepiece the Emission Reduction Fund, which uses taxpayer funds to support a very limited number of emission reduction actions through an auction process.

The associated “safeguards” mechanism is yet to be finalised, but provides a [possible basis](#) for a future emissions trading scheme.

### **How is Labor’s “phased” ETS different to what they previously proposed?**

Separating the electricity industry from the broader ETS allows transition to be managed more delicately, and reduces risk of criticism over the impact on electricity prices.

It will involve much lower carbon prices that will be more closely linked to international carbon prices. This leaves Labor open to criticism from many economists and advocates, who take the view that a much higher carbon price is an essential element of an effective climate response.

The low carbon price expected, and the heavy reliance on international permits will severely limit the amount of revenue from carbon pricing for some years. This denies the government a potential revenue source to fund other climate action.

### **Why has this issue been so fraught in the past?**

Climate policy has been [controversial](#) in Australia since the early 1990s. Powerful industry groups have lobbied since then to limit climate action, and the issue has been framed as the economy versus a future, uncertain environmental impact.

This conflict was amplified by the Coalition under Tony Abbott, both in opposition and in government.

The government has warned that Labor’s proposed plan will drastically increase electricity prices. However, such dire warnings rely on old modelling that has not factored in recent reductions in renewable electricity prices and improvements in energy efficiency.

The end of the resources boom has led many to realise that we need to diversify our economy. Conflicts over coal mining and coal seam gas, as well as big increases in electricity prices, have also challenged past acceptance of the benefits of fossil fuel industries.

Meanwhile, more frequent extreme climate events, coral bleaching and unusual weather patterns have reinforced concerns that climate is actually changing faster than expected.

### What will happen to Labor's policy?

The Labor proposal seems to address many of the political vulnerabilities of its previous policy. At the same time, it captures some of the present government's agenda.

However, it will be seen as weak by many climate response advocates.

After the anti carbon tax campaign that helped bring Tony Abbott to power in 2013, it remains to be seen whether or not voters are ready to rein in emissions by making pollution a costly business.

*Is there a policy you want us to check? Contact us at [checkit@theconversation.edu.au](mailto:checkit@theconversation.edu.au).*

*Alan Pears AM has carried out consulting work for many sustainable energy organisations and provides policy advice to a variety of organisations. At present he has no paid roles for such organisations. He is an honorary adviser to the Energy Efficiency Council, Climate Alliance and Alternative Technology Association*

**Read more** <http://theconversation.com/policycheck-labors-phased-emissions-trading-scheme-58496>