

Monday, 3 June 2013

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WWF says bigger cut to emissions possible at almost no extra cost to economy

WWF-Australia today released an economic study to show that under the carbon price Australia's emission reduction target could jump from 5% to 25% by 2020 at very little additional cost to the economy.

The analysis, by London-based consultancy Vivid Economics and Monash University, found almost no additional impact on Gross Domestic Product (GDP) (0.01%) and around 0.06% impact on Gross National Income. According to the report, Australia's economy would make up for the delayed growth in GDP associated with the extra emissions cuts in less than two months.

"The economic costs of a 25% target are four times lower now than estimated back in 2009 when the Government and Opposition first reached bipartisan agreement on an unconditional cut to emissions of 5%," WWF spokesperson Will McGoldrick said.

"Much of the 25% reduction would be achieved by buying cheaper-than-expected overseas abatement permits.

"This is the upside to the low carbon price – we can achieve much more for the same impact on GDP.

"If we can achieve a target that is five times stronger for virtually the same cost to GDP then it's a no-brainer – we'd be mad not to take that opportunity. It's smart for the planet, it's smart for our future, and it's smart for Australia's world standing.

"No matter who wins the next election, there will be growing international and domestic pressure on Australia to lift its 2020 carbon pollution target above the unconditional 5% target.

"Other nations are ramping up their efforts; we must contribute our fair share to avoid the worst impacts of climate change.

"However, while the study did not examine the Coalition's "Direct Action" policy it can be inferred that it could not achieve the 25% target at the same low cost because the Coalition explicitly rules out the use of international permits.

"The modelling shows that blocking overseas permits drives up the overall GDP cost. The implication, therefore, is that direct action would come at a higher price to the economy than a carbon price.

"While we applaud the Coalition's interest in promoting investment at home, this should not come at the expense of being able to move to stronger pollution cuts, and we urge the Coalition to reconsider the benefits of a carbon price.

"The Vivid analysis shows that under a carbon price, Australia could rely less on overseas emissions permits, improve domestic abatement, and still achieve a 25% pollution cut with only a moderate additional impact on economic growth, shaving an extra 0.28% off GDP in 2020 compared to current 5% target.

"The modelling shows that with a carbon price Australia can afford to get the balance right between encouraging domestic abatement and committing to an ambitious and globally credible target," Mr McGoldrick said.