11. Climate change

ANDREW MACINTOSH, DEB WILKINSON AND RICHARD DENNISS

The Rudd government's first term in office was tainted by its public failings on climate policy. In the lead-up to the 2007 federal election, Kevin Rudd presented Labor as the party of climate reform, the party that was willing to take climate change seriously and make the bold decisions needed to set the Australian economy on a new course. Expectations were raised to unprecedented heights and there were hopes that Australia might provide an example of an advanced, emissions-intensive economy that was willing to place global interests above short-term national ones. These hopes dissipated over the course of the next three years, culminating in the government's decision in April 2010 to shelve its plans to introduce an emissions trading scheme (ETS).

The abandonment of the ETS sparked a chain of events that ultimately led to Rudd's removal as Prime Minister. It also marked the point where Labor went from unbackable favourites to win a second term in office to a marginal proposition. The precise causes of the downturn in the popularity of the Labor government are hard to determine but climate change was undoubtedly a factor. For some voters, the failure to introduce a carbon price was probably determinative. But possibly of greater significance was the perception created by the decision to walk away from the ETS that Labor stood for nothing—that its 'core beliefs' were merely issues of political convenience. Beyond the ETS, mismanagement of other climate programs—particularly the home insulation and Green Loans programs—also stained the government's reputation. Even during Labor's disastrous 2010 election campaign, climate change continued to dog the government, no more so than when Prime Minister, Julia Gillard, announced that a re-elected Labor government would hold a 'citizens' assembly' to pass judgment on the merits of climate policy proposals. The suggestion quickly became an object of derision from some quarters and, soon after the Gillard government took office after the 2010 election, it appeared to shelve the proposal.

This chapter tells the story of what happened with the Rudd and Gillard governments' climate policies, starting with a brief description of the years leading up to the 2007 federal election.

The Howard government and the 2007 federal election

For much of the Howard government's term in office, climate change wallowed at the edges of mainstream public debate. The government was comfortable with this situation as it diverted attention away from its failure to limit the rise in Australia's greenhouse gas emissions and the obstructionist stance it took in international negotiations (Hamilton 2007; Macintosh 2008; Pearse 2007). In mid to late 2006, however, the government was wrong-footed by a marked shift in public opinion (Baker 2007; Frew 2006; Minchin 2006). A confluence of events—including a prolonged drought in southern Australia, the release of Al Gore's *An Inconvenient Truth* and the publication of the *Stern Review on the Economics of Climate Change*—sparked media interest in and rising levels of public concern about climate change. The inadequacy of the government's greenhouse policy was exposed and there were visible signs of public discontent over the government's response to climate change (Frew 2006; Grattan and Topsfield 2006; Minchin 2006).

Labor under Kim Beazley tried to seize the opportunity provided by the upswing in interest in climate change, announcing plans to ratify the Kyoto Protocol, introduce an ETS and set a target of reducing Australia's emissions by 60 per cent on 2000 levels by 2050 (Crouch 2006; Edwards 2006). Kevin Rudd maintained the stance adopted by Beazley and painted Labor as the pro-climate alternative to the Howard government. In what would become vintage Rudd style, he organised a one-day climate summit at Parliament House in March 2007, where he famously described climate change as the 'great moral challenge of our generation' and promised to 'forge a national consensus on climate change' (Kelly 2007; Koutsoukis 2007). He also announced that a Rudd government would establish a domestic equivalent of the Stern Review—which became the Garnaut Climate Change Review—and establish a Department of Climate Change within the Prime Minister's portfolio.

Although Labor went to great lengths to differentiate itself from the Howard government on climate change, as the election approached, the distance between the parties on substantive policy issues narrowed. Howard established a team within Treasury to look at the design and cost of an ETS, effectively mirroring the work of the Garnaut Review (Colebatch 2007). It also promised to introduce an ETS by 2011–12 and increase the proportion of electricity supplied by low-emission sources to 15 per cent by 2020 (roughly a 5 per cent increase) (Australian Government 2007; Howard 2007). Rudd promised to introduce an ETS by 2010, ratify the Kyoto Protocol, invest $500 million in both renewable energy and clean coal and increase the proportion of electricity supplied by renewable sources to 20 per cent by 2020 (ALP 2007; Rudd 2007; Rudd et al. 2007). Conspicuously absent from the election platforms of both major parties were details on the issue that mattered most: short to medium-term mitigation targets. Both parties claimed they would announce their targets after the election when they had more information on international negotiations and the costs of action (Colebatch 2007; Macintosh 2008).

Bali and the post-election euphoria

Prior to the election, Paul Kelly (2007) wrote that Rudd had 'enshrined climate change as the new moral passion for the Labor Party in a way that recalled Ben Chifley's invocation of the Light on the Hill'. In the early days of the Rudd government, there were signs Kelly was right. The first official act of the Rudd government was to ratify the Kyoto Protocol (Australian Government 2008a). When this news was announced on the first day of the Bali Climate Change Conference on 3 December 2007, it was greeted with a minute-long standing ovation and gushing praise by environmental groups (Porteous 2007; Topsfield et al. 2007). Although Australia shied away from making any firm commitment on mid-term targets at the conference, it agreed to the inclusion of a reference to the conclusion of the Intergovernmental Panel on Climate Change (IPCC) that aggregate developed-country emissions must be between 25 and 40 per cent below 1990 levels by 2020 in order to provide a reasonable chance of keeping warming to 2ºC. This was seen by many as a sign of progress and of a willingness on behalf of the Australian government to be a constructive force in the international negotiations. Rudd perpetuated this view, claiming credit for the Bali Road Map and saying that his government was prepared to 'roll up our sleeves and do the hard work' to forge a new international climate regime (Australian Government 2008a; Thompson 2007).

The May 2008 budget was supposed to set the platform for the Rudd government's climate agenda. The three pillars of its climate policy would be: reducing Australia's emissions; promoting adaptation to unavoidable climate change; and 'helping to shape a global solution' (DCC 2008:7). The centrepiece of its emissions reduction strategy would be the ETS, which would be introduced by 2010. This would be complemented by a number of renewable energy, energy efficiency and research, development and demonstration (RD&D) programs, including the following (DCC 2008).

- Renewable Energy Target (RET) scheme: A tradeable certificate scheme that was originally supposed to mandate a 45 000 GW/h increase in renewable electricity generation on 1997 levels by 2020.
- Solar Homes and Communities Plan (SHCP): Provided $8000 rebates to home-owners to support the installation of solar photovoltaic energy systems.
- Green Loans Program (GLP): $300 million over five years for home sustainability assessments and low-interest loans of up to $10 000 to help home-owners to cover the costs of solar, water and energy efficiency products.
- Renewable Energy Fund: $500 million over seven years to accelerate the development, commercialisation and deployment of renewable energy.
- National Clean Coal Fund: $500 million over seven years to support RD&D related to clean-coal technologies.
- Green Car Innovation Fund: $500 million over five years to 'encourage the Australian automotive industry to develop and manufacture low emissions cars' (DCC 2008:26).

The rise and fall of the Carbon Pollution Reduction Scheme

The undertaking to introduce an ETS by 2010 lay at the heart of Rudd's climate agenda. According to the government, the decision to 'move early' on the scheme was the only economically and morally defensible action. In February 2008, the Prime Minister told Parliament that 'the costs of inaction on climate change are much greater than the costs of action' and that 'Australia must…seize the opportunity now to become a leader globally' (Rudd 2008:1147). While time was of the essence, the government promised that a thorough policy development process would be followed, involving the Garnaut Review, a green paper on ETS design issues, Treasury modelling to inform mitigation target decisions and a final white paper, which would be published in December 2008.

Despite the initial signs that the government supported an aggressive mitigation strategy, it was not long before evidence emerged that the rhetoric would not be matched by equally ambitious action. Rudd originally said the Garnaut Review would be the key input into its decisions on mitigation targets and the ETS but it soon became apparent that Professor Ross Garnaut, a Labor insider with close ties to the Prime Minister, was supportive of aggressive mitigation targets and an economically robust ETS. The government's response was to downgrade the review's prominence, making it one of a number of 'inputs' into the policy process (Martin 2008; Porteous and Williams 2008). The Minister for Climate Change, Penny Wong, also moved quickly to hose down expectations of higher targets, saying: 'what we took to the election and to the Australian people…is a reduction of 60 per cent by 2050; that is the approach the government will take' (Porteous 2008).

The review's final report was released in September 2008 and it recommended the establishment of an economically 'pure' ETS with broad sectoral coverage, no free allocation of permits, no price caps, quantitative limits on the use of international offsets and limited transitional assistance to the coal industry (Garnaut 2008a). Garnaut was particularly concerned about the potential for the free allocation of permits to open the door to industry influence, leading to changes in design that undermined the environmental credibility and economic efficiency of the scheme. In a discussion paper, released in March 2008, Garnaut wrote:

> Free allocation would be highly complex, generate high transaction costs, and require value-based judgements…The complexity of the process, and the large amounts of money at stake, encourage pressure on government decision-making processes, and the dissipation of economic value in rent-seeking behaviour. (Garnaut 2008b:33)

The final report stated categorically: 'The Review concludes that there are no identifiable circumstances that would justify the free allocation of permits' (Garnaut 2008a:332).

Garnaut's calls for an economically robust approach fell on deaf ears. Even before the review tabled its final report, the government had started to acquiesce to industry demands. The Green Paper, released on 1 July 2008, indicated that the government was planning to exempt deforestation from the ETS entirely, temporarily exclude agriculture, cut fuel tax on a cent-for-cent basis to offset the impact of the scheme on transport fuels and institute a price cap for the first five years of the scheme to guard against unexpectedly high prices (Australian Government 2008b). The scheme, called the Carbon Pollution Reduction Scheme (CPRS), would also include a generous assistance package for polluters, containing three main elements: first, a 'limited amount of direct assistance' for coal-fired electricity generators to 'ameliorate the risk of adversely affecting the investment environment' (Australian Government 2008b:370). Second, 20 per cent of permits would be given free to emissions-intensive trade-exposed (EITE) industries (rising to 30 per cent if agriculture was included) and this proportion would remain relatively constant over time until other competitor economies imposed an equivalent carbon price, at which time the assistance would be withdrawn. Third, a Climate Change Action Fund (CCAF) would be established to provide financial assistance to businesses and communities adversely affected by the introduction of the CPRS.

Source: David Pope, *The Canberra Times*, 6 September 2008

The government was no doubt concerned that, if it failed to appease key business groups, it would face a fierce industry-led campaign to topple the CPRS in the run-up to an election. The willingness to bend to industry demands was probably also related to the mathematics of the Senate. In order to get the CPRS Bill through Parliament, the government had two options: either it could try to negotiate an outcome with the Greens and two independent senators (Nick Xenophon and Steve Fielding) or it could work with the Coalition, which supported increased industry assistance. The government's preference was for the latter.

The difficulty was that the Coalition was tearing itself apart over carbon pricing. Some Coalition MPs were climate sceptics and opposed carbon pricing under any circumstances; others wanted the ETS to be delayed until other major emitters had introduced similar schemes; and another group was keen to see a carbon price introduced as soon as possible. The issue caused constant headaches for the Liberal leader, Brendan Nelson, until he was replaced by Malcolm Turnbull in September 2008 (Berkovic 2008; McManus 2008; Taylor 2008a). Turnbull was quick to call for delay, saying that 'to start in 2010 is hasty, it's rash, it's rushed' (Butterly 2008). And as the global financial crisis (GFC) took hold in late 2008, the calls for delay intensified, along with the pressure to accede to the demands from industry for additional support.

Facing pressure from the industry lobby, and wanting to attract the support of the Coalition, the government put forward a compromised scheme. The

White Paper declared that the stabilisation of the atmospheric concentration of greenhouse gases at about 450 parts per million (ppm) of carbon dioxide equivalent (CO_2-e) was 'in Australia's interests', but it put forward mitigation targets (5–15 per cent below 2000 levels by 2020) that were inconsistent with this objective (Australian Government 2008c:1–6). The level of industry assistance was also enhanced from the Green Paper; the 'limited amount' of assistance to coal-fired electricity generators morphed into 130.7 million free permits over five years, worth A$3.9–5.4 billion (nominal). To meet the demands of the coalmining industry, whose concerns centred on permit liabilities arising from fugitive emissions, the government allocated A$750 million over five years from the CCAF. Several changes were also made to appease the EITE lobby, increasing the initial allocation of free permits to 25 per cent and bringing the value of the EITE package to $44–82 billion (nominal) over the period 2010–20.[1]

In spite of the government's efforts to appease polluters, many within the business community remained unsatisfied. The GFC was in full swing and the business sector was keen to postpone the commencement of the scheme until the economic downturn had abated. Some industries were also aggrieved by the potential impact of the scheme on their interests and continued to seek special treatment, with coal generators, coalminers, farmers and steel and cement manufacturers amongst the more vocal (Breusch 2008; Chappell 2008; Hart 2008; Paull 2008; Taylor 2008b). Outside the industry lobby, the reaction to the White Paper was arguably even more unenthusiastic. The environmental lobby was outraged at the low targets and extent of the industry handouts (Galacho 2008), and media commentators from across the political spectrum condemned the scheme for being too ambitious, not ambitious enough or because of its economic inefficiency. Typifying the position of many observers, Garnaut (2009a) stated in a senate committee hearing in April 2009 that it would be a 'line-ball call' whether to pass the legislation or 'have another crack at it and do a better one when the time is right'. As the weeks went by, the scheme looked increasingly friendless and, most importantly, there were no signs the Coalition was in a hurry to do a deal.

Initially, the government stood firm against the wave of opposition, claiming it intended to proceed as planned. Minister Wong (2009a) argued that 'it is time now to stop talking and start doing' and, responding to calls to delay commencement, she stated, 'our government's view is that we cannot allow the global financial crisis to weaken our determination to address the very real and long-term threat that climate change poses' (AAP 2009). These and other similar attempts to push back against the scheme's critics failed. The pressure continued to mount for significant changes to be made and there was speculation that the

1 The estimate range reflects uncertainties associated with the growth rate of EITE industries, mitigation targets and the carbon price.

CPRS would be the 'first big policy loss for the government' (Kenny 2009). Faced with this reality, on 4 May 2009, the government announced changes to the scheme (DCC 2009a; Wong 2009b).

The CPRS start date was deferred until 1 July 2011 and there would be a fixed price of $10 per permit for the first year of the scheme. Assistance to EITE industries was increased significantly courtesy of a 'Global Recession Buffer', which would raise the assistance rate to eligible entities for five years. An additional $300 million was allocated to the CCAF and new measures were announced to 'assist business and community sector organisations to identify energy efficiency opportunities' (DCC 2009b). To placate the environmental lobby, the government offered two changes. First, it promised to take additional Green Power purchases (a voluntary renewable energy program offered to business and household electricity users) above 2009 levels into account when setting future caps under the scheme. Second, it adjusted its 2020 mitigation pledge, promising to cut emissions by 25 per cent below 2000 levels if certain conditions were satisfied. These conditions were unrealistic, rendering the 25 per cent target little more than a token gesture. Notwithstanding this, three of the country's largest environment groups—the Australian Conservation Foundation (ACF), Worldwide Fund for Nature (WWF) Australia and the Climate Institute—joined forces with the Australian Council of Social Service (ACOSS) and the Australian Council of Trade Unions (ACTU) and campaigned in support of the CPRS (Baer 2010; Climate Institute 2009a, 2009b; Galacho 2009a; Toni 2009).[2]

The response from the main business groups was mixed. Some, such as the Australian Industry Group and the Business Council of Australia, welcomed the design modifications but emphasised that additional changes were needed to protect industry (BCA 2009; Ridout 2009). The Minerals Council of Australia, on the other hand, argued that the scheme was 'fundamentally flawed' and commissioned research to emphasise that it would result in a reduction in employment in the mining industry (MCA 2009).

As was the case with the White Paper, the May 4 changes were unable to bridge the gap between the government and the opposition. The opposition was riddled with internal division, with the Nationals and the right wing of the Liberal Party wanting to vote down the scheme, while the moderate arm of the Liberal Party was looking to compromise. The Leader of the Opposition, Malcolm Turnbull, was amongst those who supported the imposition of a price on carbon but even he was still unimpressed by the revamped CPRS. He immediately called for additional assistance for EITE industries and urged the government to delay a vote on the scheme until after the Copenhagen Climate Conference in December 2009 (Franklin 2009a). The Prime Minister, keen to pass the scheme and exploit

2 The Australian Conservation Foundation later withdrew its support.

the division in the opposition, pressured the Liberal leader, stating at a 4 May press conference, 'it's time to get off the fence Mr Turnbull and it's time to act in the national interest' (Rudd 2009).

In an attempt to deflect criticism and delay voting on the legislation, the Coalition, in conjunction with independent Senator Xenophon, sought additional modelling on the CPRS from consultants Frontier Economics. Released on 10 August, the Frontier Economics report suggested the CPRS would have significant adverse economic impacts that could be avoided if modifications were made to provide greater protection for electricity generators and EITE industries (Frontier Economics 2009). The report was used to justify the Coalition's agreed position to vote against the CPRS legislation. With the Greens and independents also opposed to the scheme, the legislation was doomed and was eventually voted down in the Senate on 13 August 2009.

The demise of the CPRS Bill raised the prospect of a double-dissolution election if the government was to reintroduce the legislation. The government used the threat of a double dissolution to pressure the opposition, with Penny Wong saying that the 'Liberal Party can do this the easy way, or the hard way' (Taylor 2009a). Keen to avoid a double-dissolution election, Turnbull announced that he would negotiate with the government later in the year with a view to reaching an agreed position on the scheme (Taylor 2009b). Quizzed about the level of support for his strategy within the Liberal Party, Turnbull said there was 'very, very strong support for the constructive approach I'm taking to this issue from the party room' (Taylor 2009b). This was untrue. Liberal powerbrokers on the right, including former Howard government Finance Minister, Nick Minchin, were opposed to the introduction of an ETS—at least before other major economies had enacted similar schemes. The opposition's policy up to that point had been to postpone voting on the CPRS until after the Copenhagen Climate Conference and the conservative arm of the Coalition wanted this position to stand. And as the negotiations between the government and Coalition progressed, the divisions within the opposition intensified. In an attempt to quell the discontent within Coalition ranks, Turnbull effectively staked his leadership on his strategy of constructive engagement with the government, declaring publicly that 'to do nothing, to literally be a party with nothing to say, which is what some people are suggesting we should be, a party with no ideas is not the party I am prepared to lead' (Blair 2009).

Turnbull and the opposition spokesman on emissions trading, Ian Macfarlane, framed their negotiating position around the concerns of industry, targeting four particular issues: increasing assistance for EITE industries, lessening the impacts on small and medium-sized businesses, increasing compensation for electricity generators and getting agriculture excluded from the scheme (Gordon 2009). The final deal, announced on 24 November 2009, addressed all four issues

(DCC 2009c; Wong 2009c). The quantum of free permits for coal-fired electricity generators was increased from 130.7 million over five years to 228.7 million over 10 years, bringing the value of the package to $9–12.5 billion. Assistance to coalminers rose to $1.7–2.2 billion over five years, most of which would be in the form of free permits for emissions-intensive mines (48.6 million permits over five years, worth ~$1.4–1.9 billion). The EITE package was enhanced again, raising the total value to $48–83 billion over the period 2011–20. To deal with medium and large business enterprises, a Transitional Electricity Cost Assistance Program was created, worth $1.1 billion over two years. Further, agricultural emissions were permanently excluded from the scheme and farmers would be able to generate offset credits for a number of activities (DCC 2009c:7).

The strategy employed by the government was to appease industry, corner the opposition by meeting the majority of its demands and then push the scheme through Parliament on a tight time frame. The two drivers behind this strategy were that the government wanted to fulfil its election commitment to introduce an ETS (albeit a year later than promised), while simultaneously exploiting the division in the Coalition. Turnbull was more than ready to play his part due to fear of a double-dissolution election and a personal view that it was important to introduce a carbon price. He was also pleased with the deal that he and Macfarlane had brokered, stating that 'we got nearly everything we asked for' and that he thought they had done 'pretty well' (Galacho 2009b). Many within the opposition, however, were not of a same view.

As Turnbull took the package to his party room on 24 November 2009, he was aware the plan to pass the revised legislation would not receive unanimous support. All of the Nationals opposed the legislation, as did a significant number of Liberal members. One unnamed Liberal senator warned: 'if we reject the ETS, on whatever pretext we reject it, at least we will do so as a unified party…if we don't reject it, the party will split' (Franklin 2009b). Another anonymous Liberal source suggested that if Turnbull pushed ahead with his plan, 'it would basically be all over for him' (Franklin 2009b). The warning was prophetic. The party-room meeting triggered an implosion in the Coalition, with bitter infighting and calls for a new leader. After a week of public brawling, Turnbull was deposed as Liberal leader and replaced with Tony Abbott, who only months before had described climate change as 'absolute crap' (Grattan 2009; Peake 2009). Upon taking the leadership, Abbott called a secret party-room ballot in which there was overwhelming support (54–29) for a plan to defer or defeat the legislation (Franklin 2009c). Abbott then announced to the media that the Coalition would oppose the CPRS, labelling it a 'great big new tax on everything' (Franklin 2009d). In the subsequent senate vote, on Wednesday, 2 December, the CPRS Bill was defeated in the Senate—41 votes to 33. Two Liberal senators, Sue Boyce and Judith Troth, crossed the floor to vote with the government but it was not enough to overcome the opposition of the Greens, two independents and the remaining Coalition senators.

In the aftermath of the vote, the government said it would retain the changes agreed with the Coalition and reintroduce the Bill again in 2010 in order to 'give the Liberal Party one chance to work through and deal with this legislation in the national interest' (Franklin 2009c). The outcome of the Copenhagen Climate Conference, however, stripped climate change of its political potency. Public expectations had been raised to unrealistic levels in the lead-up to the conference and, when these were not met, media and public interest in climate policy waned. In July 2008, polls suggested 55 per cent of people rated climate change as a very important issue. By February 2010, this had fallen to 40 per cent (Newspoll 2010). Senator Wong and her chief of staff met with the Greens on three occasions in early 2010, trying to gauge whether the government could find a way to get the scheme through the Senate. Then, on 27 April 2010, the government unexpectedly announced it was temporarily shelving the CPRS. Citing the obstruction of the Senate and slow progress in the international negotiations, the Prime Minister stated that the introduction of the scheme would be delayed until at least the end of 2012, at which time the government would be in 'a better position to assess the level of global action on climate change prior to the implementation of a CPRS in Australia' (Rudd 2010a).

In October 2009, Ross Garnaut described the policymaking process associated with the CPRS as 'one of the worst…we have seen on major issues in Australia' (Garnaut 2009b). It is certainly difficult to identify many other instances where Australian governments have been willing to make environmental and economic sacrifices on the scale they did in the CPRS process. It is also hard to trump the CPRS for political mismanagement. The Rudd government linked its public standing to climate policy and its ability to introduce an environmentally and economically credible ETS. It then offered a compromised scheme with weak mitigation targets. Over a 22-month period, the scheme progressively became more economically inefficient as the government offered millions of free permits and other handouts to polluters and affected businesses. It also made sport out of the Coalition's internal divisions over carbon pricing—a strategy that contributed to the downfall of Turnbull and the Senate's rejection of the legislation—and refused to engage constructively with the Greens and two independent senators. The price it paid was a loss of public confidence, the demise of a prime minister and a failure to fulfil one of its core election promises.

The energy efficiency, renewable energy and RD&D programs

The downfall of the CPRS was symbolic of the poor policy development processes and substandard administration that plagued the government's other climate programs. Of these, the Home Insulation Program (HIP) proved the most disastrous and politically damaging. It was supposed to provide $2.7 billion to cover the cost of installing free ceiling insulation (up to a prescribed limit) in 2.7 million homes (Hawke 2010; Rudd et al. 2009; SECARC 2010). Launched as part of the National Building and Jobs Plan in February 2009, the HIP was primarily intended to be an economic stimulus measure. By pumping money into the insulation industry, the government hoped to create employment in a low-skilled industry, thereby sheltering vulnerable workers from the effects of the economic downturn. In addition, the program was intended to capture cheap greenhouse gas abatement opportunities in the residential sector that might otherwise not be exploited (Hawke 2010; Rudd et al. 2009; SECARC 2010).

Although it offered numerous theoretical benefits, the HIP faced significant practical obstacles. The inherent dangers associated with the installation of home insulation and lack of pre-existing regulatory and training structures meant that a program of this nature was bound to confront safety problems. In the case of the HIP, the risks were magnified by its size, the speed at which the government sought to roll it out and the fact that it explicitly targeted low-skilled workers. To make matters worse, the government made a number of program design decisions that increased the safety and property risks, including failing to ensure all insulation workers received training and insisting that householders faced no upfront costs, which lowered the incentive to provide proper oversight. Responsibility for the program was also vested in a department (the Department of the Environment, Water, Heritage and the Arts) that lacked the experience and capacity to administer a program of this nature (Hawke 2010; SECARC 2010).

The consequences of the design and administrative flaws were tragic. Four insulation workers—all under the age of twenty-five—died installing insulation under the program. In addition, between October 2009 and June 2010, 174 house fires were linked to HIP installations (SECARC 2010). Owing to the deaths and house fires, the HIP was shut down on 19 February 2010 (Garrett 2010). A subsequent review of the program by Dr Allan Hawke (2010) found there were significant shortcomings in the way it was designed and implemented. The majority of the Senate Environment, Communications and the Arts References Committee made more pointed findings, describing the HIP as 'a breathtaking and disastrous waste of more than a billion dollars of tax-payers' money which has had devastating consequences for many honest and hard-working Australian families' (SECARC 2010:87).

Politically, the HIP was a disaster. The program's problems received extensive media coverage and were used by the government's opponents to illustrate what they saw as widespread incompetence. The Environment Minister, Peter Garrett, and his department were both stripped of their responsibilities for energy efficiency. Penny Wong became the Minister for Climate Change, Energy Efficiency and Water and energy efficiency was added to the remit of the Department of Climate Change. In addition, Greg Combet was given the task of cleaning up the HIP (Rudd 2010b). To perform this task, the government allocated $790 million over three years to 30 June 2012 to cover the cost of home safety inspections and rectifications (Australian Government 2010a). When the costs of the clean-up are included, the final bill for the HIP is likely to be in the order of $2.3 billion (Australian Government 2010a; Hawke 2010; SECARC 2010). At the time of writing, the environmental return on this investment was unclear but rough calculations suggest the HIP will reduce greenhouse gas emissions by about 1.5 Mt of CO_2-e per annum at the end of the program—66 per cent below the initial projection of 4.5 Mt CO_2-e/p.a.

While the HIP and CPRS were unravelling, the Green Loans Program (GLP) was also experiencing major difficulties. As announced in the 2008 budget, the GLP was supposed to consist of $300 million over five years to provide 360 000 home sustainability assessments and up to 200 000 low-interest loans to improve household energy and water efficiency (DEWHA 2008; Garrett 2008). Before it commenced, the program underwent a major restructure. In the 2009 budget, the government reduced the program funding to $175 million and the number of loans was revised downwards to 75 000 (DCC 2009d; DEWHA 2009; Garrett 2009). These and other related changes were supposed to ensure the GLP was 'better focused' but, soon after the program commenced in July 2009, it struck problems (Garrett 2009). The government had underestimated the likely demand for the home sustainability assessments, leading to budget blowouts. The program was also plagued by maladministration. Two external reviews of the GLP in 2010 were scathing of the way it was designed and managed, finding 'repeated and systematic' breaches of the *Financial Management Act 1997* and other probity requirements (Faulkner 2010:2), lack of program oversight, failure to appoint staff with appropriate skills and capacity, 'poor contract management and lack of commercial terms in contracts' (p. 3), budget mismanagement and cost overruns, 'comprehensive failures of risk management' (RCS 2010:16) and poor documentation and record keeping (Faulkner 2010; RCS 2010).

Of all the problems associated with the GLP, the one that caused the greatest political headaches was the mismanagement of the assessor accreditation process.

It was originally envisaged that 2000 trained assessors would be required to carry out the planned sustainability assessments. Expressions of interest were sought from organisations that could accredit assessors but only one came forward: the Association of Building Sustainability Assessors (ABSA) (RCS 2010). The process set up by the ABSA required assessors to undergo training at a cost of between $1500 and $2000, become a member of the ABSA for $650, pay an annual renewal of $400 and obtain public liability insurance for about $1500. The requirement for assessors to become members of the ABSA was a clear conflict of interest, which went unnoticed by the Environment Department. Further, as the number of assessments ballooned beyond expectations in late 2009, so did the number of people seeking accreditation. By early January 2010, the number of contracted assessors had reached 3119, which was 1100 above the planned number, and several thousand more were in the pipeline. The oversupply in accredited assessors meant there was insufficient work and pressure to limit numbers to reduce competition. In response, the ABSA unilaterally decided to stop accepting applications for accreditation on 21 January 2010. The Environment Department was powerless to stop the cessation of accreditation because it had no contractual arrangement with the ABSA (RCS 2010).

By the time the ABSA cut-off date came around, it was estimated that 10 000 people had undergone assessment training (Hudson 2010; RCS 2010). It was clear there would not be sufficient work to sustain these new assessors. As one of the program reviewers noted: 'It is highly unlikely there will be sufficient work for many of these assessors and many will not recoup their training fees and cost of registration' (RCS 2010:10). Not surprisingly, the situation attracted further bad publicity for the government and it initially responded by restructuring the program. On 19 February 2010, in the same press release that announced changes to the HIP, Peter Garrett announced that the loans component of the GLP would be terminated, a cap would be placed on the number of assessors and there would be a weekly cap on the number of assessments that could be undertaken (Garrett 2009). Five months later, the GLP was scrapped and rolled into a new program called Green Start (Wong 2010).

The troubles that beset the government's energy efficiency measures were largely replicated in its renewable energy and RD&D programs. Much like the GLP, the Solar Homes and Communities Plan (SHCP) was prematurely terminated in June 2009 after a massive cost overrun of about $900 million that was caused by the government's inability to manage program demand. And despite costing the taxpayer more than $1 billion, the SHCP will reduce emissions by only ~0.09 Mt CO2-e/p.a. (0.015 per cent of Australia's 2008 emissions) at an abatement cost in excess of $250/t CO2-e (ANAO 2010; Macintosh and Wilkinson 2010). The Renewable Energy Target (RET) scheme, which was probably the best of the renewable programs, underwent two major restructures in the space of 12 months as a result of the government's failure to anticipate the impacts of known program design flaws. The RD&D programs were repeatedly restructured and re-badged and, other than in relation to the coal programs, spending was generally significantly below budget forecasts (Macintosh 2010; Smith 2010). The fortunes of the Solar Flagships Program provide a telling example. Announced in the 2009 federal budget, it was supposed to be one of the government's centrepiece renewable energy RD&D measures and originally consisted of a $1.6 billion investment over six years (DCC 2009d; DRET 2009). Due to administrative problems, the program struggled to adhere to its time lines. Some $144 million was allocated to the program in 2009–10, but actual spending was $20 million (Australian Government 2009, 2010b). In the lead-up to the 2010 election, $220 million was stripped out of the program to fund the Clean Car Rebate (or 'cash for clunkers'), which was subject to widespread derision (Metherell 2010; Milne 2010).

Conclusion

In the lead-up to the 2007 election, Labor used climate change as a way of differentiating itself from the Coalition, promising voters that a federal Labor government would chart a new course on climate policy. Expectations were raised that the Rudd government would turn Australia's emissions downward and start the process of transforming the economy. Climate change was to be one of the defining elements of the new era, whereby Rudd would demonstrate that the Labor Party was the champion of progressive reform.

The reality fell well short of expectations and the opportunity for reform was squandered through a combination of incompetence, political myopia and bad luck. The promise to introduce an ETS by 2010 went unfulfilled as a result of the Rudd government's willingness to sacrifice principle and long-term strategic goals for short-term political advantage. It displayed a disinterest in the environmental and economic integrity of the scheme and proved incapable of selling it to the public. Most importantly, it insisted on pushing the scheme through Parliament in late 2009 in order to exploit the political weakness of the opposition leader, Malcolm Turnbull. This hardened the resolve of the Coalition to oppose the scheme and snapped the momentum for reform.

While the demise of the CPRS will undoubtedly be one of the things that is most remembered about the Rudd government, the fortunes of the other climate programs possibly tell us more about how the government functioned. Most of the other programs ran into problems and fell short of their desired objectives. The HIP was a tragedy; the GLP was an embarrassment. Hundreds of millions of dollars were wasted on the SHCP and the RD&D programs were generally mismanaged. The RET was possibly the government's one saving grace but even it confronted difficulties.

In defence of the Rudd government, achieving significant and lasting change on climate policy was never going to be easy. Globally, it has required governments to overcome powerful vested interests and community apathy and ignorance, while navigating a path through complex international negotiations. Where the Rudd government set itself apart was in the extent to which it raised expectations and then failed to match them. This left many wondering whether Labor's interest in climate change was merely political. The maladministration associated with the energy efficiency and renewable energy programs also stained the government's reputation. The challenge for the minority Gillard government will be to erase the memories of the Rudd years and demonstrate that Labor is capable of delivering climate reform in a cost-effective manner.

Andrew Macintosh *is Associate Director, ANU Centre for Climate Law and Policy.*

Deb Wilkinson *is a Research Associate, ANU Centre for Climate Law and Policy.*

Richard Denniss *is the Executive Director of the Australia Institute.*

References

Australian Associated Press (AAP) 2009. 'Delay in action on climate change would cost jobs—Wong', *Australian Associated Press Financial News Wire*, 31 March.

Australian Government 2007. *Australia's Climate Change Policy: Our economy, our environment, our future*, Commonwealth of Australia, Canberra.

Australian Government 2008a. *First 100 Days: Achievements of the Rudd government*, Commonwealth of Australia, Canberra.

Australian Government 2008b. *Carbon Pollution Reduction Scheme: Green Paper*, Commonwealth of Australia, Canberra.

Australian Government 2008c. *Carbon Pollution Reduction Scheme: Australia's Low Pollution Future—White Paper*, Commonwealth of Australia, Canberra.

Australian Government 2009. *Portfolio budget statements 2009–10*, Budget Related Paper No. 1.16, Resources, Energy and Tourism Portfolio, Commonwealth of Australia, Canberra.

Australian Government 2010a. *Portfolio budget statements 2010–11*, Budget Related Paper No. 1.4, Climate Change and Energy Efficiency Portfolio, Commonwealth of Australia, Canberra.

Australian Government 2010b. *Portfolio budget statements 2010–11*, Budget Related Paper No. 1.17, Resources, Energy and Tourism Portfolio, Commonwealth of Australia, Canberra.

Australian Labor Party (ALP) 2007. *Renewable Energy Fund*, Fact sheet, Australian Labor Party, Barton, ACT.

Australian National Audit Office (ANAO) 2010. *Administration of Climate Change Programs—Department of the Environment, Water, Heritage and the Arts, Department of Climate Change and Energy Efficiency, and Department of Resources, Energy and Tourism*, Australian National Audit Office, Canberra.

Baer, H. 2010. The Australian climate movement: a disparate response to climate change and mainstream climate politics in a not so 'lucky country', Presentation to the Democratizing Climate Governance Conference, The Australian National University, Canberra, 15–16 July.

Baker, R. 2007. 'PM feels the heat', *The Age*, 19 February.

Berkovic, N. 2008. '$10bn cuts needed to offset ETS: Turnbull', *The Australian*, 4 August.

Blair, T. 2009. 'Malcolm astutely seizes the muddle ground', *Daily Telegraph*, 3 October.

Breusch, J. 2008. 'Rudd defends cautious climate plan', *Australian Financial Review*, 16 December.

Business Council of Australia (BCA) 2009. Changes to the proposed Carbon Pollution Reduction Scheme, Media release, 4 May, Business Council of Australia, Melbourne.

Butterly, N. 2008. 'Turnbull turns up heat on Rudd ETS timetable', *West Australian*, 2 October.

Chappell, T. 2008. 'Energy business disappointed in emissions trading scheme', *Australian Associated Press Financial News Wire*, 15 December.

Climate Institute 2009a. Time to move on climate action and the low carbon economic recovery, Joint media release with WWF Australia, ACF, ACOSS and the ACTU, 4 May, Climate Institute, Sydney.

Climate Institute 2009b. CPRS better targeted, more transparent and signals investors, Media release, 5 May, Climate Institute, Sydney.

Colebatch, T. 2007. 'Differences slight on climate change', *The Age*, 19 November.

Crouch, B. 2006. 'Beazley vow on climate', *Sunday Mail*, 15 October.

Department of Climate Change (DCC) 2008. *Climate Change Budget Overview 2008–09*, Department of Climate Change, Commonwealth of Australia, Canberra.

Department of Climate Change (DCC) 2009a. *Summary: Key changes to the Carbon Pollution Reduction Scheme legislation*, Department of Climate Change, Commonwealth of Australia, Canberra.

Department of Climate Change (DCC) 2009b. *Preparing Business for a Low Carbon Future*, Department of Climate Change, Commonwealth of Australia, Canberra.

Department of Climate Change (DCC) 2009c. *Details of Proposed CPRS Changes: 24 November 2009*, Department of Climate Change, Commonwealth of Australia, Canberra.

Department of Climate Change (DCC) 2009d. *Climate Change Budget Overview 2009–10*, Department of Climate Change, Commonwealth of Australia, Canberra.

Department of Resources, Energy and Tourism (DRET) 2009. *Clean Energy Initiative*, Department of Resources, Energy and Tourism, Commonwealth of Australia, Canberra.

Department of the Environment, Water, Heritage and the Arts (DEWHA) 2008. *Environment Budget Overview 2008–09*, Department of the Environment, Water, Heritage and the Arts, Commonwealth of Australia, Canberra.

Department of the Environment, Water, Heritage and the Arts (DEWHA) 2009. *Environment Budget Overview 2009–10*, Department of the Environment, Water, Heritage and the Arts, Commonwealth of Australia, Canberra.

Edwards, V. 2006. 'Beazley blueprint to tackle emissions', *The Australian*, 16 October.

Faulkner, P. 2010. *Independent Inquiry—Green Loans Program. Review of procurement processes and contractual arrangements*, Commonwealth of Australia, Canberra.

Franklin, M. 2009a. 'Turnbull still ready to fight Labor scheme', *The Australian*, 5 May.

Franklin, M. 2009b. 'Leader can't let tail wag the dog', *The Australian*, 23 November.

Franklin, M. 2009c. 'Abbott's climate poll dare', *The Australian*, 2 December.

Franklin, M. 2009d. 'Abbott's tax-free carbon plan', *The Australian*, 3 December.

Frew, W. 2006. 'Climate comes in from the cold', *Sydney Morning Herald*, 28 October.

Frontier Economics 2009. *The Economic Impact of the CPRS and Modifications to the CPRS: Report for the Coalition and Senator Xenophon*, Frontier Economics Pty Ltd, Melbourne.

Galacho, O. 2008. 'Business a winner in Rudd scheme', *Herald Sun*, 16 December.

Galacho, O. 2009a. 'PM's green pledge was all hot air', *Herald Sun*, 5 March.

Galacho, O. 2009b. 'Ticks, crosses for ETS revamp', *Herald Sun*, 25 November.

Garnaut, R. 2008a. *The Garnaut Climate Change Review: Final report*, Cambridge University Press, Melbourne.

Garnaut, R. 2008b. *Emissions trading scheme*, Discussion Paper, 20 March, Garnaut Climate Change Review, Canberra.

Garnaut, R. 2009a. Emissions trading and reducing carbon pollution, Transcript of hearings of Senate Select Committee on Climate Policy, *Senate Select Committee on Climate Policy Hansard*, 16 April.

Garnaut, R. 2009b. *Ross Garnaut joins the 7:30 Report*, Transcript, *7:30 Report*, ABC TV, 12 October 2009.

Garrett, P. 2008. Green loans for Aussie homes, Media release, 13 May, Parliament House, Canberra.

Garrett, P. 2009. Australian homes to benefit from Green Loans rollout, Media release, 8 May, Parliament House, Canberra.

Garrett, P. 2010. Significant changes to Commonwealth environmental programs, Media release, 19 February, Parliament House, Canberra.

Gordon, J. 2009. 'Don't cave in to Coalition, climate lobby warns PM', *Sunday Age*, 4 October.

Grattan, M. 2009. 'Turnbull takes on rebel Libs', *The Age*, 3 October.

Grattan, M. and Topsfield, J. 2006. 'Howard told: get serious on warming', *The Age*, 7 November.

Hamilton, C. 2007. *Scorcher: The dirty politics of climate change*, Black Inc. Agenda, Melbourne.

Hart, C. 2008. 'Permit breakthrough for LNG export', *The Australian*, 16 December.

Hawke, A. 2010. *Review of the Administration of the Home Insulation Program*, Commonwealth of Australia, Canberra.

Howard, J. 2007. National clean energy target, Media release, 23 September, Parliament House, Canberra.

Hudson, P. 2010. 'Great concept, but there is not enough interest in green loans', *Herald Sun*, 16 February.

Kelly, P. 2007. 'Green light on the hill is hard to miss', *The Australian*, 4 April.

Kenny, M. 2009. 'Carbon plan taking toll—Rudd's bright star's dimming', *The Advertiser*, 13 March.

Koutsoukis, J. 2007. 'Rudd plans China talks on climate', *Sunday Age*, 1 April.

Macintosh, A. 2008. 'Domestic influences on the Howard government's climate policy: using the past as a guide to the future', *Asia Pacific Journal of Environmental Law*, vol. 11, nos 1–2, pp. 51–84.

Macintosh, A. 2010. 'Beware of climate policy promises', *Crikey*, 22 July.

Macintosh, A. and Wilkinson, D. 2010. *Searching for Public Benefits in Solar Subsidies: A case study on the Australian government's residential photovoltaic rebate program*, The Australia Institute, Canberra.

McManus, G. 2008. 'Nelson gives in on policy', *Herald Sun*, 30 July.

Martin, P. 2008. 'Fair-weather friends greet climate report', *The Canberra Times*, 22 February.

Metherell, M. 2010. 'Gillard's "cash for clunkers" scheme', *Sydney Morning Herald*, 24 July.

Milne, C. 2010. Record investment in solar? Record rate of pulling money out of solar!, Media release, 29 July, The Australian Greens, Canberra.

Minchin, L. 2006. 'Howard blows hot and cold on emissions', *The Age*, 15 November.

Minerals Council of Australia (MCA) 2009. 23 510 jobs lost in the minerals industry by 2020 under emissions scheme, Media release, 22 May, Minerals Council of Australia, Canberra.

Newspoll 2010. 'Importance of federal issues', *Newspoll*, February 2010, <http://www.newspoll.com.au/cgi-bin/polling/display_poll_data.pl>

Paull, N. 2008. 'Carbon trading crushes cement', *The Observer* [Gladstone], 18 December.

Peake, R. 2009. 'Malcolm in the muddle to mayhem', *The Canberra Times*, 28 November.

Pearse, G. 2007. *High and Dry: John Howard, climate change and the selling of Australia's future*, Penguin Group, Melbourne.

Porteous, C. 2007. 'World cheers as Rudd signs Kyoto', *The Courier-Mail*, 4 December.

Porteous, C. 2008. 'Climate change bomb', *The Courier-Mail*, 23 February.

Porteous, C. and Williams, P. 2008. 'Cool wind greets greenhouse call—Labor talks down push for lower emissions', *The Courier-Mail*, 22 February.

Resolution Consulting Services (RCS) 2010. *Review of the Green Loans Program: Final report*, Report to the Department of the Environment, Water, Heritage and the Arts, Commonwealth of Australia, Canberra.

Ridout, H. 2009. 'Most businesses don't understand climate change laws', Transcript, 20 July, Australian Broadcasting Corporation, Sydney.

Rudd, K. 2007. An action agenda for climate change, Annual Fraser Lecture, Belconnen Labor Club, Canberra, 30 May 2007.

Rudd, K. 2008. Climate change, House of Representatives, *Debates*, Thursday, 21 February.

Rudd, K. 2009. Transcript, Press conference, 4 May 2009, Prime Minister's Courtyard, Canberra.

Rudd, K. 2010a. Transcript of doorstop at Nepean Hospital, Penrith, NSW, 27 April 2010.

Rudd, K. 2010b. Prime Minister—ministerial changes, Media release, 26 February, Parliament House, Canberra.

Rudd, K., Evans, C. and Garrett, P. 2007. *New Directions for Australia's Coal Industry: The national clean coal initiative*, Australian Labor Party, Barton, ACT.

Rudd, K., Swan, W. and Garrett, P. 2009. Energy efficient homes—ceiling insulation in 2.7 million homes, Joint media release, 3 February, Parliament House, Canberra.

Senate Environment, Communications and the Arts References Committee (SECARC) 2010. *Inquiry into the Energy Efficient Homes Package*, Commonwealth of Australia, Canberra.

Smith, W. 2010. 'The search for certainty: solar policy in Australia—Part 1', *Solar Progress*, August–September, pp. 3–5.

Taylor, L. 2008a. 'Nelson's new climate shift—shadow cabinet forces leader back to Howard position', *The Australian*, 30 July.

Taylor, L. 2008b. 'Industry revolt on green plan', *The Australian*, 17 December.

Taylor, L. 2009a. 'Coalition ructions aside, ALP must compromise', *The Australian*, 11 August.

Taylor, L. 2009b. 'Turnbull vows to negotiate', *The Australian*, 13 August.

Thompson, T. 2007. 'Climate of agreement—Rudd claims success despite failure to set emission targets', *The Courier-Mail*, 17 December.

Toni, P. 2009. *Regarding WWF's Decision to Support the Carbon Pollution Reduction Scheme*, Worldwide Fund for Nature Australia, Sydney.

Topsfield, J., Forbes, M. and Wilkinson, M. 2007. 'Rudd's first act: yes to climate pact', *The Age*, 4 December.

Wong, P. 2009a. 'ETS is better than tax', *The Australian*, 23 February.

Wong, P. 2009b. New measures for the Carbon Pollution Reduction Scheme, Media release, 4 May, Parliament House, Canberra.

Wong, P. 2009c. A carbon pollution reduction scheme in the national interest, Media release, 24 November, Parliament House, Canberra.

Wong, P. 2010. Green Loans transition to Green Start, Media release, 8 July, Parliament House, Canberra.