

Satanic Gas

The Politics of Carbon Dioxide

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Carbon is the sixth element in the periodic table. It is unique among the elements in the vast number and variety of compounds it can form. With hydrogen, oxygen, nitrogen, and other elements, it forms a very large number of compounds. There are close to ten million known carbon compounds, many thousands of which are vital to organic and life processes. Carbon is essential to life.

As we now see in the Commonwealth government's Green Paper *Carbon Pollution Reduction Scheme*, and newspaper sub-headings ("Carbon's a diabolical foe" *Australian Financial Review*) carbon is now being demonised by the media and by ministers of the Crown.

How did we get to a situation where fantasy has triumphed over reality?

We can begin this particular episode in the ongoing battle concerning the demonisation of carbon with the testimony given by James Hansen, a scientist with NASA's Goddard Institute for Space Studies, to the US Senate Committee chaired by Al Gore (then Senator for Tennessee). The date was 20 June 1988, a date which had been predicted as likely to be hot and humid in Washington. Hansen told the Committee that he was "99 percent sure . . . the [human caused] greenhouse effect has been detected and it is changing our climate now." He stated that his claim was based on computer models and temperature measurements. We now know that the night before the hearing, the air-conditioning had been turned off, and the windows opened, so that the Committee Room was hot and very humid, and the TV cameras were able to focus on the sweat dripping off the various participants.

At the same time the British Prime Minister Margaret Thatcher, anxious to revive the nuclear power industry in Britain (which had been badly tarnished by the 1986 Chernobyl disaster) encouraged the Royal Society, with substantial benefactions, to rally behind the 'carbon dioxide is a pollutant' doctrine, in order to get the Greens, deeply hostile to nuclear power, sidelined out of the debate. This particular ploy was used by John Howard from time to time, and for the same reason. It was a particularly stupid ploy, in that it was obvious to anybody who understood what was driving the Greens that they were never, ever, going to countenance, let alone embrace, nuclear power; and at the same time it legitimised Green claims about the evils of anthropogenic carbon dioxide

The carbon-dioxide-as-pollutant doctrine then swept through the Western world like a firestorm. The Environmentalist movement, naturally, promoted it with energy and flair, and the Left, then subdued by the rapid collapse of communism, embraced it with alacrity. The elite classes also got on board and Andrew Peacock, for example, took the Liberal Party into the 1990 election with a commitment "to reducing greenhouse gas emissions by 20 percent by 2010".

This doctrine, which has captured an extremely rich and influential constituency in the West, can be summarised in one sentence. Carbon dioxide is a greenhouse gas which, as atmospheric concentrations increase, will generate increasing global temperatures, and unless we

dramatically curtail our emissions, at some point soon we will reach a “tipping point” and climatic catastrophe will engulf us.

The only evidence which can be used to justify this belief is that between the years 1976 and 1998 global temperatures did rise, as did atmospheric concentration of carbon dioxide. Since 1998, however, global temperatures have either been stationary or, since 2002, in decline, but despite that, CO₂ concentrations have continued to increase.

From a theoretical point of view, the carbon-dioxide-as-pollutant community had to deal with the problem that as carbon dioxide concentrations in the atmosphere increase, the impact on the radiation balance declines logarithmically. Thus increases above 100 ppmv (it is now about 380 ppmv) have only a trivial impact on the radiation balance and thus on global temperatures. To get over this problem the climate modellers, whose computers and time were paid for by the various promoters of this faith (operating mostly through governments and using taxpayers' funds), introduced positive feedbacks into their models. In this way small increments of CO₂ were amplified into very large changes in the radiation balance, mainly through the use of water vapour as a magnifying agent.

As Christopher Monckton has demonstrated, these positive feedback mechanisms are not to be found in the real world. But the predictions of climate catastrophe continued to grab headlines.

Since the early nineties the only significant political leaders in the Western world to challenge belief in carbon dioxide as a pollutant have been Czech President Vaclav Klaus, and Senator James Inhofe, formerly chairman of the US Senate's Environment and Public Works committee and, since Nov 2007, its ranking member. Boris Johnson, the newly elected Mayor of London, and a well-known global warming sceptic, triumphed against all predictions in his contest with Ken Livingstone, who campaigned specifically on Johnson's alleged disdain for the environment and for the future of the planet.

In business communities throughout the West any company which publically set its face against the campaign against carbon dioxide was subject to continuing vilification and harassment. Exxon-Mobil, the largest oil company in the world, under the leadership of former CEO Lee Raymond, sought to stand firm against all the nonsense, and was therefore subjected to sustained and extraordinary attacks from (apart from Environmentalists generally) US congressional leaders, and from shareholders such as the Rockefeller family. When Lee Raymond retired, Exxon-Mobil surrendered.

On Tuesday, 29 July, 2008, the day the Australian stock market dropped another 1.5 per cent, and the super funds announced losses between 6 and 9 per cent for the year, the shadow cabinet met in Canberra and decided, after a week or more of speculation that Brendan Nelson would get support to resile from the path of decarbonisation which John Howard had adopted in June 2007, to stay with the Howard legacy. The next day there was a vigorous debate at the full party room meeting, and it is now very difficult to determine where the Coalition now stands on Kevin Rudd's plans for a Carbon Emissions Trading Scheme. Presumably the battle between reason and fantasy on the place of carbon in our lives is still going on within the Coalition party rooms, and it seems that it will be some little time before an outcome can be discerned.

We can presume that Prime Minister Rudd will continue to put pressure on the Opposition in order to get bipartisan support for a bill establishing an Emissions Trading Scheme which will then sail smoothly through the Senate. If he achieves this goal we will then be set on a path which will take us inexorably into increasing economic dislocation and impoverishment. Once we are sinking in this quicksand, pulling ourselves out will be very difficult, despite the economic hardships which decarbonisation will bring. Amongst other things, property rights

will have been created, which if they were to be wiped out through repealing legislation, would immediately lead to claims for compensation under Section 51:xxxi of the Constitution.

Because the Rudd Government has, in its Green Paper, adopted the Howard policy (with a few extra concessions) it is now necessary to summarise the evolution of John Howard's policy on the decarbonisation issue, and the rhetoric he used to defend that policy. He assumed office in March 1996. The Keating government had ratified the UN Framework Convention on Climate Change (December 1994) but that convention specified no particular obligations on the parties. Obligations to begin the process of decarbonisation were to be formalised at the UNFCCC meeting scheduled for Kyoto in December 1997, and so the first issue the Howard Government had to resolve was its position in the negotiations leading up to Kyoto.

The EU, which was driving this whole project, was demanding an across-the-board CO₂ emissions cutback of 10 per cent on 1990 levels. Australia demanded separate targets for every signatory to the Kyoto Protocol; targets which were to be tailored to their special circumstances. Developing countries were happy either way as long as they weren't expected to accept any limits and provided also the developed countries agreed to put serious money into their economies under the pretence they were helping to reduce emissions.

Before Kyoto the EU backed down on its demand for across-the-board national cuts and accepted different national targets but, in addition, during the negotiations at Kyoto, the Australian delegation, led by the Minister, Robert Hill, also got "the Australian clause" up, which allowed for tree clearing to be included in the carbon tally. Australia's Kyoto target was 108 percent of 1990 levels which, when cessation of tree clearing was added, amounted to 128 percent.

This was seen by Environmentalist critics at home and abroad as outrageous, and when questions were raised at a US Senate Committee hearing concerning the extremely favourable treatment which Australia had received, the answer, given by a senior member of the US Kyoto delegation, was that in order to get its vote, Australia would have got anything it wanted.

This response demonstrated the key role which Australia had occupied in these debates. If Australia had maintained from the outset a "do your worst" policy towards the Europeans, and had not strongly contested the across-the-board cuts as the EU wanted, then the debate would have been very different, and the outcome much less confused. Australia could not have been a signatory to the Protocol, let alone a ratifying party.

This deliberate ambiguity characterised Howard's policy and rhetoric for the remainder of his period in office. Although he let it be known privately that he was skeptical of the claims made by the IPCC, the CSIRO and the Australian Greenhouse Office concerning anthropogenic CO₂ emissions and the earth's climate, publicly he never voiced any criticism of these institutions. He had established the Australian Greenhouse Office in 1998, and funded it annually with hundreds of millions of taxpayers' dollars, money which that office used to promote the global warming scam, and to systematically buy up economic consultancies and university research programs to carry out "research" into the impacts of global warming, (a phrase which in due course was metamorphosed into "climate change").

By 2002, Howard's policy on Kyoto was to refuse to ratify the Protocol on the grounds that it was "not in Australia's interests", but at the same time he and his ministers were always proclaiming Australia's virtue in being "on track" to satisfy the 108 percent Kyoto target (but not including cessation of land clearing at huge personal cost to those hapless farmers who had taken out huge mortgages on properties which required tree-clearing to become economic, and who now found themselves bankrupt).

John Howard also used, as Margaret Thatcher had done before him, the claimed connection between carbon dioxide emissions and climate control to promote the argument that Australia should have a nuclear power industry, and he commissioned Ziggy Switkowski to conduct a review on the issue. Dr Switkowski concluded his report with the unsurprising result that if the coal-burning power stations had to pay a carbon tax of some \$30 per tonne of emitted carbon, then nuclear power would compete with coal as an economic electricity source. Even this figure was contested as being too low.

Thus for almost 11 years, John Howard straddled the fence. But the carbon demonisers had all the money. In October 2005 the Climate Institute was established with a grant of \$10 millions from the Poola Charitable Foundation and Bob Carr was installed as chairman,. The Climate Institute commissioned a variety of econometric studies which predicted that Australia would probably benefit economically from decarbonisation. At the same time the CSIRO was spending many millions on modelling the climate to produce the temperature rise conclusions which they and their political supporters required.

John Howard dismissed a cabinet submission in 2002 presented by the Departments of Treasury, Environment and Prime Minister and Cabinet, which proposed the introduction of a carbon tax. He was aware at that point of the potential economic damage which would follow such a policy.

But his tacit acceptance of the argument that anthropogenic emissions of carbon dioxide had caused global warming stymied the many global warming sceptics in the cabinet and the party room, and convinced the rent-seekers and the decarbonisers within the environmentalist movement that it was only a matter of time before they would win the policy debate. And in December 2006 they were proved right.

That month PM Howard commissioned his department head, Peter Shergold, to chair a joint government-business Task Force on Emissions Trading. The terms of reference included fulsome remarks about Australia's uranium reserves, and the Task Force was asked to advise on the "nature and design of a workable global emissions trading system in which Australia would be able to participate".

Thus the bugle call to retreat was sounded. On 31 May, 2007, the Task Force dutifully reported that "Australia should not wait until a genuinely global agreement has been negotiated" and that the "most efficient and effective way to manage risk is through market mechanisms." "An Australian emissions trading scheme would allow our nation to respond to future carbon constraints at least cost". Howard announced soon after that he would set up our own Emissions Trading Scheme and that he would announce a target for CO₂ reductions in 2008.

This decision was the most damaging U-turn of John Howard's political career. It destroyed the legitimacy of his refusal to ratify the Kyoto Protocol. It destroyed the confidence of a core constituency who were prepared to forgive Howard for all his other mistakes (including financial profligacy of a serious kind) on the basis that he would not take Australia down this path. It reinforced the perception that the Howard Government was desperately trying anything to curry favour with the chattering classes. Like Napoleon at Waterloo, but with far less justification, the Prime Minister had lost his nerve.

Once Howard had sounded the retreat on this issue, the scene began to resemble a battle field with one army in complete disarray. Of course the Labor Party and the Greens attacked Howard for not doing nearly enough to solve the problem of climate change. Howard had no answer except to scamper after his retreating followers. It was an ignominious finale to an otherwise distinguished career.

It is worth noting in this context what Peter Shergold said in a speech on 14 June, 2007, two weeks later after the release of his Report.

"This is the one thing on which I think we are pretty clear: that we are not necessarily sure on what the government should do, but we are bloody certain what the government shouldn't do,"

"And what the government shouldn't do is simply use the revenue to subsidise the power bills of individual households.

"In case that sounds a bit mean, think about what we are trying to do here. We are trying to change the behaviour of industry and households."

If we consider this statement in the cold, clear light of day, we see the most senior public servant in Canberra telling us that a decarbonisation policy which will seriously impact on the daily lives of everyone but the well-off should be imposed on the nation; and that although the poorer sections of the community are to be compensated, that compensation cannot allow them to maintain their current consumption of electricity or petrol. Somehow or other, therefore, vouchers for feather doonas, woollen underwear, woollen socks, and the other means of keeping warm in winter that were employed during the Great Depression would be issued. No doubt bicycles would also be heavily subsidised. As for air conditioning during summer, that would simply not be allowed.

Can anyone imagine a political party going into an election on such a platform? Can anyone imagine the arguments that would be employed to justify such a policy?

That statement should have rung loud alarm bells in Howard's office. But nobody raised the alarm and it became open slather on "doing something about climate change", a contest which Howard could not win.

So John Howard went to the people on 26 November 2007 with this policy. Although Kevin Rudd had made a big issue of "climate change" we must assume that most people thought he was promising them an end to the droughts which had made life extremely difficult for our rural industries, particularly, ever since the pastoral industry began to expand in the 1820s.

Despite the results of the Gippsland by-election, in which the future of the brown coal power stations in the Latrobe Valley played a significant part, and where the swing against Labor in that part of the electorate was particularly severe, the Liberal Party still doesn't know whether to support the government or oppose it. A good example of this bi-polar behaviour is found in the article published in *The Australian* on July 28, by Shadow Foreign Minister Andrew Robb, who rightly castigated the Rudd Government for its policy toward India with respect to uranium sales.

Before losing office John Howard negotiated with the Indian Government arrangements for Australian sales of uranium to India. Upon taking office Rudd very quickly announced that his government would resile from this arrangement because India was not a signatory to the Non-Proliferation Treaty. This is not the place to discuss the details of the arrangement which had been negotiated by Prime Ministers Howard and Singh, but it was important in the context of Indian domestic politics in that Prime Minister Manmohan Singh faced a difficult time getting his treaty with the US on these arrangements accepted by a majority in the parliament.

That important bridge has now been successfully crossed. The Indian parliament passed an historic vote of confidence in the Singh Government on 23 July, 2008.

But it is disturbing to find Andrew Robb, of all people, using the oft-repeated nonsense about nuclear power and greenhouse gases to justify Australia's sales of uranium to India.

Australia is one of those few countries where coal reserves are so plentiful, and so cheap, that nuclear power only becomes competitive if coal is penalised by carbon taxes so draconian as to put the coal-based power stations out of business.

Most other countries - Japan and Britain are good examples - need nuclear power stations as an important factor in guaranteeing security of energy supplies. France relies on nuclear power for 80 per cent of its electricity supply. Nuclear power stations need refuelling only once a year. Thus a country with ample nuclear power resources cannot be held in hostage by the interdiction of supplies of coal or gas from abroad. Both India and China are expanding their nuclear power industry, as well as their coal-based electricity resources.

Although virtually no Western political leaders have attacked the campaign to demonise carbon, in the East governments have a very different view of the world. On 30 June, 2008, Manmohan Singh outlined eight key elements of India's National Plan on Climate Change, a report which he launched that day at a meeting of India's National Council for Climate Change. Most of the press coverage in India focussed on India's determination to proceed down the path of rapid economic growth, and given that serious riots had occurred two months previously in Uttar Pradesh, when police fired teargas to disperse crowds which had blocked roads and railway lines, attacked police vehicles, set fire to an electricity transformer and attacked electricity workers, such a focus was more than justified. The cause of the riots was the failure of the electricity supply authorities to provide power for prolonged periods during a serious heat-wave. More than 250 people were arrested.

It is an indictment of Australia's media that there was virtually no press coverage in Australia of Singh's statement and its implications. Only the *Herald-Sun's* Andrew Bolt commented on the story. An important comment in the Indian document was the dismissal of the IPCC "science" on global warming with the following words:

"No firm link between the documented changes described here and warming due to anthropogenic climate change has been observed."

The Report then discussed changes in surface temperatures, rainfall, extreme weather events, changes in sea level, and changes in the Himalayan Glaciers. On the glaciers the Report stated

'The available monitoring data on Himalayan glaciers indicates while some recession of glaciers has occurred in some Himalayan regions in recent years, the trend is not consistent across the entire mountain chain. It is accordingly, too early to establish long-term trends or their causation, in respect of which there are several hypotheses.'

By contrast, the IPCC (WG II Ch. 10 p. 493) says of Himalayan glacier melt:

'The receding and thinning of Himalayan glaciers can be attributed primarily to the global warming due to increase in anthropogenic emission of greenhouse gases.'

The other major points in the Indian document were:

- * Need for energy to meet the developmental aspirations of the people;
- * Promote energy efficiency and development of alternative sources of energy
- * Every citizen of the planet should have an equal share of the planetary atmospheric space;
- * Rejection of any national emission target.

Singh reiterated these points at a meeting of the G5 held immediately prior to the meeting of the G8 held in Hokkaido, Japan, in mid July. On 9th July he said

“The first and overriding priority of all developing countries is poverty eradication.

More than 600 million people in India are still without access to modern energy sources and a quarter of our population lives on less than a dollar a day.

The imperative for accelerated growth is even more urgent when we consider the disproportionate impact of climate change on us as a developing country with little choice but to devote even more and huge resources to adaptation in critical areas of food security, public health and management of scarce water resources. And, this comes at a time when we are faced with an ever increasing energy bill putting our energy security at extreme risk.

Sustained and accelerated economic growth is, therefore, critical for all developing countries and we cannot for the present even consider quantitative restrictions on our emissions. . .

India is determined that even as we pursue our economic growth and development, our per-capita emissions will not go beyond those of the developed countries. “

Andrew Bolt noted that this means India won't consider any constraint on carbon emissions (now at 1.02 tonnes per capita) until Western nations agree on per capita ceiling for their own citizens. Given the US is now 20 tonnes, and Australian is 16 tonnes, per capita, the Indians have a lot of leeway to make up.

The importance of India to Australia's future was indirectly summarised by Deepak Lal in a recent and comprehensive analysis of India's economic path since the British Raj.¹ He concluded thus.

“It might not be too rash to predict that India will be able to grow at about 10 percent per year, which with a population growing at at 1.5-1 percent would lead to a per capita income growth of about 8.5 - 9 percent per year, for the next two decades. The fourth economic miracle I have personally witnessed in my lifetime – Japan in the early 1960s, Korea in the early 1970s, China in the 1990s, and now India – would be in place”

India will soon be the largest English-speaking country in the world. It has survived as a functioning political democracy despite very great religious and sectarian differences, since 1947. Bangalore, the rapidly growing IT centre of India, is approx 4000 miles from Perth, compared with 4,500 miles from Shanghai to Brisbane. It will surpass China as the wealthiest and most influential power in our region by the mid-twenties.

For Kevin Rudd to snub the Indians in this calculated, condescending and gratuitous way, shows a combination of incompetence and arrogance which, in an Australian prime minister, is alarming.

Four days after Manmohan Singh made his speech in New Delhi, Professor Ross Garnaut used the National Press Club in Canberra as a launching pad for his Third Interim Report on Australia and its response to “climate change”, (4 July 2008).

Garnaut beamed benevolently throughout his speech. The contrast between his happy, smiling face and the “diabolically” bad news he was bringing to his fellow countrymen was a curious

one. He has a wide gap between his two front teeth. There is an old wives' tale which states that such a gap indicates considerable personal wealth. In this case it is accurate. Garnaut can, on the one hand, reassure the poorer sections of the community that whilst they would be unable to consume electricity and petrol at their current levels of consumption, they would nevertheless be compensated through tax changes or social service benefits for the increased prices for electricity and petrol that are required if we are to save the planet. Like Peter Shergold before him, Ross Garnaut's consumption of electricity and petrol can continue unconstrained. He will scarcely notice any change to his lifestyle.

Garnaut's Press Club speech was yet another version of Exodus Chapters 7 to 11, the ten Mosaic plagues visited upon the Egyptians in order to force Pharaoh to let the Israelites go. The current version eschews plagues of gnats, rivers turning to blood, boils that will not heal, and finally the death of all the first-born sons. Instead we have the confident certainty that by the end of the century, the Murray-Darling Basin will be almost barren; the Great Barrier Reef will be destroyed; skiing in Australia will be a distant memory; annual Australian economic output will decline by 4.8 per cent; and real wages will be slashed by 7.8 per cent. Not 4.7 or 7.9 per cent, but 4.8 and 7.8.

In Exodus, God told Moses to strike the Nile with his rod to turn the water into blood. The contemporary equivalent of Moses' rod is the computer models of the world's climate and Australia's economy. It is these magical things which tell us, through the prophetic voice of Ross Garnaut, what catastrophes will be visited upon us if we do not repent and adopt the Garnaut plan for decarbonising Australia's economy.

The audience at the National Press Club gazed at the Professor with rapt attention. No one laughed. It would have been akin to laughing during a mediaeval sermon from Johann Tetzel on Purgatory and indulgences.

Just two weeks later, on July 16, Climate Change Minister Penny Wong launched the Government's Green Paper entitled "Carbon Pollution Reduction Scheme at the National Press Club". As Ross Garnaut watched, his heart must have become increasingly heavy. That afternoon he became yesterday's man and his 500 page or so Interim Report became completely irrelevant. Any future reports he issues will be of no consequence. How quickly he fell. How great was the fall thereof.

But, despite all of the rhetoric, at home and abroad, describing the catastrophes which will engulf the world if we don't reduce our carbon emissions by 50 or 60 per cent by some future date such as 2050, Penny Wong's Green Paper is not by Ross Garnaut, but by Peter Shergold and John Howard, with the additional concession to the electorate that petrol will be struck off the list of pollutants (for three years) and diesel fuel for one year. The mechanism for this exclusion is to counterbalance the carbon tax with a commensurate reduction in fuel excise. For farmers and miners who don't pay excise on diesel used on the farm or the mine, it's bad luck.

Why has the Rudd Government dumped Garnaut in favour of Howard?

The political calculus is straight forward. Particularly after the Gippsland by-election, the Prime Minister understands that without bipartisan support for a policy which will cause unpredictable, but potentially very serious, economic dislocation and consequent hardship to a core part of Labor's traditional constituency, his political future becomes uncertain at best, and short-lived at worst.

So for Prime Minister Kevin Rudd, John Howard's legacy becomes very important. If he can use the Howard policy to break the Liberal Party on this issue, he will have a chance to survive and at this point it seems that he has at least kept that option alive.

So now the calculations of the rent-seekers, and the energy-intensive industries whose primary concerns have been getting promises of free permits or some other concessions which will enable them to survive, if only for a little longer, take as a starting point the introduction of an Emissions Trading Scheme. The brown-coal power stations have been promised an allocation of free permits; the black-coal power stations, compensation, albeit unspecified. The liquified natural gas (LNG) industry, which has a very big future here (if it doesn't get taxed on its CO2 emissions) has also been promised dispensation. But given that petrol is to be exempt (for at least three years) and diesel for one year, and LNG production (which is very energy-intensive) is going to be exempt forever, it is becoming difficult to find anyone who is actually going to be forced to reduce their emissions. How can any industry or company in this situation take these promises seriously?

The electricity supply industry, for example, is faced with the following dilemma. Sales between the electricity generators and the retailers are of two kinds. About 70 per cent is on long-term contracts, typically 3 to 5 years. The remainder is bought and sold on shorter contracts with, historically, about 5-10 per cent sold on the spot market; prices on the spot market can reach very high levels - up to \$10,000 per Mwhr.

All of the current contracts expire in 2011. No new generating capacity is being installed. No one is prepared to write a long-term contract to come into effect in 2011. Presumably, at that point, the spot market (and intra-company sales of the integrated suppliers like AGL) will operate for 100 percent of sales and current estimates of prices that will then begin to balance supply and demand show that wholesale electricity prices will increase by at least 70 per cent.

We are now beginning to face reality. We cannot decarbonise the Australian economy without causing immense economic dislocation. Just talking about decarbonisation, when the talk comes from the Prime Minister and the Opposition Leader, is stopping all investment in much-needed new generating plant, and causing energy-intensive industries to update their exit strategies.

We have to remember that Ross Garnaut is very clear about shutting down our coal-based power stations and replacing them with either wind or solar or other unknown renewable sources of power.

The Prime Minister has repeatedly endorsed swingeing emissions reductions of 50 or 60 percent by 2050. This is simply not possible unless all our coal-based power stations are replaced by nuclear plants. Even then such a target is highly problematic. People who have to make investment decisions worth many billions of dollars take great heed of these statements.

The only thing we need to know about all of the econometric models which have been used to demonstrate either no pain, or some pain, or even real economic benefits from decarbonisation, is that none of them are worth the paper they are printed on. Forty years ago, Nobel Laureate Kenneth Arrow remarked "Linear programming of whole economies are either trivial or dangerous." Despite the vastly increased power and speed of computers since the 1960s, that remark is still valid. For example, Treasury estimates of revenues for the next twelve months have been wildly in error for the last 11 years. During the Peter Costello era, Treasury underestimated revenue by an average \$7 billion. A forecasting record which is consistently wide of the mark in the same direction for eleven years in a row, under circumstances of economic stability, suggests that something is very wrong. Participants in this decarbonisation debate, who take any notice of what a Treasury model predicts decades ahead under circumstances in which the Australian economy has been deliberately hit with the most severe upheaval since the Great Depression, have lost all touch with reality.

The Australian's Paul Kelly is, regrettably, one such participant. On 30 July he wrote:
“Nelson forgot the reason Australia pledged [under Howard] to an emissions trading regime: it is because the longer the delay, the greater the economic penalty mitigation will impose on the Australian people and business community.”

Another is Geoffrey Barker, a senior journalist now at the ANU, who wrote in the *AFR* on 21 July: ,

“Intellectually all governments understand that the costs of doing nothing or very little about climate change might in the long run be greater than the costs of acting now to start reducing carbon emissions”.

These declaration bring back to mind the occasion when the Duke of Wellington was walking in Hyde Park with an attractive lady whose name was Mrs Smith, when a stranger accosted him with the greeting: “Mr Smith, I presume”. To which the Duke replied: “Sir, If you believe that you’ll believe anything”.

Where do Paul Kelly and Geoffrey Barker get this nonsense from? Clearly from the econometric models employed by Nicholas Stern and the climate models employed by the IPCC.

Econometric models are useful in considering small perturbations in an economy characterised by stability and relative freedom from sovereign risk. Otherwise Kenneth Arrow’s description applies. But what decarbonisation will do to the Australian economy can be likened to an edict issued by the Government in the late 1940s, requiring every third merino sheep to be put down this year, and another third next year, and so on, every subsequent year. In those days Australia rode on the sheep’s back. Today we ride on the huge dump trucks which carry the coal from the open cuts to the rail-head or to the nearby power station. One doesn’t need any computer models to be able to work out that there is going to be huge but unpredictable economic and social dislocation as we begin shutting down that proportion of our coal industry which serves our domestic requirements.

If Paul Kelly thinks that this upheaval will save us from climate catastrophe of some kind, then he should consider what Christopher Monckton has to say about the climate models which are used to justify this belief:

The models have not projected the current multidecadal stasis in “global warming”: no rise in temperatures since 1998; falling temperatures since late 2001; temperatures not expected to set a new record until 2015 (Keenlyside et al., 2008). Nor (until trained ex post facto) did they predict the fall in surface temperatures from 1940-1975; nor 50 years’ cooling in Antarctica (Doran et al., 2002) and the Arctic (Soon, 2005); nor the absence of ocean warming since 2003 (Lyman et al., 2006; Gouretski & Koltermann, 2007); nor the behavior of the great ocean oscillations (Lindzen, 2007), nor the magnitude nor duration of multi-century events such as the Mediaeval Warm Period or the Little Ice Age; nor the decline since 2000 in atmospheric methane concentration (IPCC, 2007); nor the active 2004 hurricane season; nor the inactive subsequent seasons; nor the UK flooding of 2007 (the Met Office had forecast a summer of prolonged droughts only six weeks previously); nor the solar Grand Maximum of the past 70 years, during which the Sun was more active, for longer, than at almost any similar period in the past 11,400 years (Hathaway, 2004; Solanki et al., 2005); nor the consequent surface “global warming” on Mars, Jupiter, Neptune’s largest moon, and even distant Pluto; nor the eerily-continuing 2006 solar minimum; or the consequent, precipitate decline of ~0.8 °C in surface temperature from January 2007 to May 2008 that has canceled out almost all of the observed warming of the 20th century.

The predictions of climate catastrophe on the one hand, and imperceptible economic pain on the other, and the obvious desire on the part of many to believe them, are manifestations of a retreat from reason in the West, and a belief in magic, which bodes ill for our future.

There is one final point to be made in the current state of the debate. Political leaders such as Martin Ferguson, Federal Minister for Energy and Resources, and John Brumby, Premier of Victoria, are anxious to preserve the coal industry and the coal-based electricity industry in a viable if not flourishing state. They have pinned their hopes on so-called “clean coal”, a slogan which describes a process of carbon capture and sequestration (CCS) which separates the carbon dioxide from the flue gases of power stations and other energy- intensive processes such as cement works, and then buries the carbon dioxide underground, in secure storages.

They have been sold this particular magical elixir by the coal industry, notably Rio Tinto, one of the largest coal producers in the world. In the June issue of *Quadrant* I noted that “the most recent CCS cost estimates for the Latrobe Valley brown-coal power stations, where the carbon dioxide is to be injected into Bass Strait, is \$160 per tonne of carbon dioxide, which is equivalent to an increase in the cost of electricity of \$103 per Mwhr. (Recall their current production costs of less than \$30 per Mwhr.) Such an impost would make these power stations worthless”.

There are fundamental laws of physics and chemistry, laws which have been understood for a long time, which make such a process very expensive. No legislation can change those laws. No amount of political rhetoric can bring down the cost.

But above all, the belief that carbon is a demonic element, and that carbon dioxide is a satanic gas, is a retreat into fantasy of the most primitive and dangerous kind.

1. Ray Evans is Secretary of the Lavoisier Group. His article “*The Chilling Costs of Climate Catastrophism*” appeared in the June issue. Christopher Monckton’s paper, “*Climate Sensitivity Reconsidered*” is on the website of the American Physical Society at <http://www.aps.org/units/fps/newsletters/200807/monckton.cfm>