



One-page Submission

To the:

Inquiry into policies relating to climate change

C/o:

Committee Secretary

Senate Select Committee on Climate Policy

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Carbon Negative

Climate change requires a comprehensive approach - all policy instruments that the government has at its disposal should be applied in the most effective and economic way.

Cap-and-trade would sabotage the other, more effective policies that we need instead, as was ominously proven by the recent Victorian bushfires. These fires released about as much CO₂ into the atmosphere as the entire annual emission by Australia's industry that would be cap-and-trade's sole focus.

Cap-and-trade wouldn't constitute any incentive for activities such as removing greenhouse gases from the atmosphere by planting trees, carbon-negative building or pyrolysis of biowaste for the production of biochar. While natural regrowth will restore some of the vegetation after bushfires, Australia has to do more to avoid desertification. Adding biochar to the soil can enhance soil and reduce the risk of bushfires, as well as store carbon, but a cap-and-trade scheme would not encourage any such activities.

At best, the proceeds of permit sales could be used to support such activities, but where permits are given away, there are no such proceeds. Without tying specific proceeds to specific funding, it's likely that the money will only be used for other purposes, e.g. it may be used to give some extra money to those who struggle most with higher energy cost. A cap-and-trade scheme may make people use less electricity, but if such extra money is then used to - say - buy firewood for heating and cooking, that would be an example where proceeds would be used in a counter-productive way, from the perspective of climate change.

The most effective way to tackle climate change is by imposing fees on specific polluting products and practices, each time tying the proceeds of those fees to local rebates on replacement products and activities that are beneficial to the environment. Such a combination of fees and rebates is called a feebate.

While feebates have mostly been proposed as an effective way to achieve a shift away from polluting cars, there are a lot more ways to implement feebates. Fees can also be imposed on fossil fuel, while the proceeds could then fund rebates on better ways to produce energy. Some activities go one step further than cutting carbon emissions, they can actually be carbon-negative, e.g. pyrolysis of biomass can produce biofuel and store carbon in the soil in the form of biochar with its beneficial impact on soil. Such activities should be rewarded - feebates can both discourage polluting activities and reward beneficial activities.

Instead of a cap-and-trade scheme, it makes more sense to implement a framework of feebates that imposes fees on specific polluting products and practices, while each time using the proceeds to fund rebates on local alternatives that constitute better replacements. Implementing feebates locally can make that the proceeds are applied where they were raised, thus funding good practices where they're needed most. This is the best way to help local jobs and investment - it avoids that money goes to global speculators, disappears within a bureaucracy or is wasted on counter-productive purposes.

By at the same time discouraging pollution and giving incentives to better practices, feebates are doubly effective in achieving the shifts we need, avoiding that the proceeds will be wasted or, worse, fund counter-productive activities. Such a framework of feebates can be implemented with minimal need for bureaucratic and political change. There already are taxes on goods and services (GST), sales taxes on tobacco, car registration duties and local council fees - to a large extent, the instruments for imposing and collecting fees are already in place.

Proceeds of fees could be deposited into a FeeBate Fund, providing accountability and ensuring that a maximum amount of the proceeds will indeed be used to fund rebates. Such a FeeBate Fund could initially borrow some money (against future proceeds) to ensure that rebates will be paid out from day one. Apart from insisting that, to be eligible for rebates, alternatives should be safe, the only criterion should be how beneficial they are regarding climate change. Market mechanisms can further sort out what works best, optimizing consumer choice and opportunities for jobs and for investment.

Such a combination of fees and rebates can be self-funding and budget-neutral, while the fees can be adjusted depending on the progress made with the shift towards better alternatives and thus with reducing greenhouse gases. Over time, mass production and economies of scale will make such alternatives ever more competitive and, as demand for polluting products disappears, the feebate policy may phase itself out entirely, without requiring legislative intervention.

For examples of feebates, go to: <http://feebates.blogspot.com>