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Edited by Kevin Chinnery: kchinnery@fairfaxmedia.com.au

A robust debate that presented a very clear choice

THE AFR VIEW

he first head-to-head leaders confrontation of the 2019 election – and the first ever in Perth – was a robust and mostly civil debate between two capable politicians. But it jammed campaign themes such as trust, tax, climate, wages, border protection and franking credits into less than an hour of television on a secondary free-to-air television channel, sandwiched between some B-grade reruns. It was hardly an ideal forum for serious discussion about the future of the nation.

But then politics has degenerated into sideshow entertainment suited to the unmediated social media world. The Channel Seven/ West Australian debate at times resembled a low-grade footy show more than a political debate, with leaders perched on bar stools. The moderators allowed the debate to meander and then dwell on sideshow distractions such as Clive Palmer. It isn't clear that the obsession by Canberra's political class about preference deals is shared by most Australians, who probably understand that the deals are simply each party acting in their self-interest to maximise their votes.

Yet, for its shortcomings, the first leaders debate confirmed that Scott Morrison faces the bigger challenge of convincing the electorate that the Coalition's economic strategy - as modest as it

Election 2019

The showdov May 18, 2019



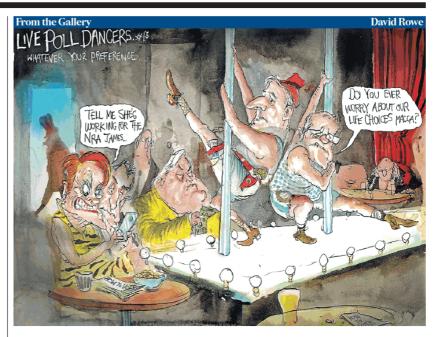
fix problems and has no track record of performance against which claims can be measured. Whereas Kevin Rudd was elected on a lofty platform of making the world better, Mr Shorten has made a niche in being an effective avatar of people's gripes, complaints and vague feelings of unfairness. By indicating that he will make life better, he can appeal to a broad cross-section of people. Mr Morrison's pitch is harder. He must convince voters that the nation works at its best when government sets the rules and provides a social safety net but then leaves people free to get on with: some pull themselves up, others don't and there's inequality and that's just how the world works. Best to have a system that recognises that fact, rather than turning politics into a zero-sum and even negative-sum game of artificially propping up

some voter groups by taking money from others. In some ways, Mr Shorten is at home during an iPhone era where more voters are accustomed to instant gratification. So Mr Shorten asks: Why shouldn't you get a pay rise? In Australia, why shouldn't working and middle-class people be put back on top? Why shouldn't childcare workers (or insert other worthy group here) be paid more? Why shouldn't we pay to make the climate cleaner? These vague questions work in a prosperous first-world economy in which no one under the age of 27 was even alive the last time Australia experienced a recession. No one under the age of 40 has experienced one as an adult. Unemployment is 5 per cent. The underlying policy foundations of Australia prosperity are taken for granted in Mr Shorten's pitch, which claims that the economy is not working for ordinary Australians

That political narrative, of course, is imported from the United States, where inequality has increased and where middle-class prosperity has stalled for the past two decades, and Mr Shorten took the chance to repeat it as often as possible. There were some arguments over both climate change and franking credits, but as we've previously editorialised, most of those were reduced to arguing over abstract numbers that mean little and the accuracy of costings. There were no questions on health, education or social welfare, the three areas that between them account for about two-thirds of federal government spending.

Nor were there any questions about Australia's place in the world: instead a lengthy debate over boat arrivals ensued. It is a credit to the Coalition's border protection policy that both parties agree on most details of this.

While the Coalition has made a mess of so much, the last thing Mr Shorten wants is to rekindle voter memories of the last time Labor held office.



Claiming credit for climate policy

Carbon clash

Both parties plan to hit emissions targets by using old Kyoto credits or buying them from overseas. But is that cheating?



Rosalind Dixon



There is little doubt climate change is an important issue at this year's federal election, with a quarter of voters nationwide ranking it as one of their top three issues in some polls. It remains to be seen whether this becomes "Australia's climate change election", as some commentators have dubbed it. But it might already be called our

"carbon credit election".

Carbon credits are central to the climate policies of both major parties, although in very different ways. Labor and the Coalition both have a

carbon-emissions reduction target. For Labor that target is 45 per cent by 2030; for the Coalition it is 26 per cent, consistent with Australia's Paris Agreement obligations. And Labor and the Coalition both plan to utilise carbon credits to achieve those targets.
That's where the similarity ends

The Coalition wants to count one type of carbon credits from the Kyoto Protocol period towards its 26 per cent target. Under Kyoto, Australia had a target of restricting the increase in carbon emissions relative to 1990 levels. We have done better than our Kyoto targets and, as

The Australian Financial Review's Ben Potter explained here a few week ago, the Coalition wants to count these "carryover credits" towards its 26 per cent target.

The Coalition's target amounts to eliminating 695 million tonnes (MT) or carbon from the economy. The Kyoto bonus constitutes a substantial proportion of this-370MT, or more than half the abatement target.

alf the abatement target.
This explains why the Coalition is confident we will, as Prime Minister Scott Morrison put it, meet the Paris target "in a canter". Or, to use a less equine metaphor, it turns out that one doesn't need to run very fast when starting a 100-metre race with a 53-metre head start.

Add to that the fact that Australia's environment minister, Robert Hill, cunningly negotiated a clause at Kyoto cultimity negociated a Cause at Kyoto allowing the inclusion of Carbon emissions from land-clearing to count in the starting year of comparisons, 1990. Australia had a big spike in such emissions in 1990, meaning our Kyoto commitments of an 8 per cent increas from 1990 were off an artificially high

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targets, as Morrison put it.

Labor's credits are different, but have their own issues. Unlike the Coalition's retrospective use of credits for past behaviour, Labor wants to allow for the purchase of carbon credits from overseas

to get to its 45 per cent target.

As Warwick McKibbin wrote here last week, his 2015 report(s) for the Department of Foreign Affairs and Trade highlighted the fact "if Australia could buy credits for overseas emissions reductions (called international units) at a substantially lower price than cutting emissions in Australia, it was possible to

reduce the costs of any target".
This is basic and sound economics. If other countries can abate carbon at lower cost than we can then they should do so, and we should pay them for it. Since

carbon emissions are a global problem it makes no difference whether the abatement occurs in Australia o elsewhere in the world.

This logic of "comparative advantage" – we should do what we are relatively better at – dates back two centuries to the classical British economist David Ricardo who famously used it to explain international trade of all kinds. The wrinkle in Labor's plan is those

international units are going to be purchased in the future, and as McKibbin rightly pointed out, who knows what they are going to cost a decade from now. It depends on how many other countries

are trying to buy them, technological progress, and policy choices overseas. Not surprisingly, then, this means they could be cheap or could be expensive. could be cheap or could be expensive.
This has major implications for the costs
borne by Australian business, and
ultimately Australian consumers.
The Prime Minister's critique of these
credits as a "Borat tax" – saying of Labor,

"They want carbon credits from Kazakhstan" – is silly and misguided. We buy all sorts of things from overseas because they are cheaper, and we export everything from beef to tertiary education all around the world – even exotic places in the former Soviet Union. We'd be stupid not to.

Morrison would be on better footing to argue that pinning our emissions-reduction hopes to prices in international markets involves some uncertainty, and that uncertainty is the mortal enemy of

incentives for business to plan and invest.

Labor and the Coalition's climate plans involve the use of carbon credits of one form or another. The Coalition's involves perfectly legal but extremely sharp-elbowed accounting tricks. Labor's uses sound economic logic and puts more faith in markets, but involves a good deal of uncertainty – as opposed, say, to a fixed carbon price.

And under neither plan are things

nearly as simple as announcing an emissions target and letting nature take its course. It will take actual policies to achieve meaningful action on climate change

Rosalind Dixon and Richard Holden are professors of economics and law, respectively, at UNSW Sydney and authors of the Australian Carbon Dividend Plan (www auscarbondividend com)