

ATA's recent Melbourne Seminar (4/9/08) focused on the concept of Carbon Rationing: Could carbon become a new currency? - Are personal carbon allowances, reminiscent of wartime rations, the way forward?

ATA's seminar explored the idea of carbon rationing, which has been examined by the UK Government in their report "A Rough Guide to Individual Carbon Trading" and also supported by George Monbiot in "Heat". The presenter, David Spratt, co-author of Climate Code Red, advocates personal carbon allowances as the most fair and equitable means of rapidly reducing carbon emissions. David looked at the science relating to global warming and why greenhouse emissions would be best controlled by personal carbon allowances. David is a climate-policy analyst, co-founded Carbon Equity in 2006 and, with Philip Sutton, he is the co-author of "Climate Code Red", published in July 2008.

For those unable to attend the seminar, David has kindly made his slides available and also the article below which explains the concept of carbon rationing.

Carbon Rationing

In a climate emergency, rationing is fair and necessary

By David Spratt

The current public debate about climate is delusional, failing to recognize the reality of our situation or even allowing us to perceive that we are in such a deep crisis that now only large-scale, emergency action can save us.

Put simply, there is already too much carbon in the air and we must stop all greenhouse gas emissions as quickly as humanly possible. An imaginative, large-scale programme comparable in scope to the "war economy" is required to build a post-carbon economy at great speed.

Scaremonging? Ian Dunlop, a former CEO of the Institute of Directors, says we are "already in the danger zone... If we are to have a reasonable chance of maintaining a habitable planet, placing our efforts on an emergency footing is long overdue."

Global warming impacts are happening more quickly than expected, and already our world is failing to cope. The climate is nearing dangerous tipping points, with "the elements of a 'perfect storm', a global cataclysm, already assembled", according to the USA's leading climate researcher, James Hansen.

More than three-quarters by volume of the Arctic ice-cap has been lost in summer, and the rest will soon follow, tipping Greenland's glaciers into irretrievable loss that will raise global sea levels by five to seven metres, likely within a century or two. Without summer sea-ice, the Arctic will heat so quickly that regional warming sufficient to trigger substantial melting of the Siberian permafrost may start as soon as mid-century. It is an amplifying feedback that will pour as much carbon into the air as all human activity in history, and take the trajectory of the earth's climate system beyond any hope of human restoration.

In Asia, more than a billion people whose homes lie in the basins of the great rivers that rely on the spring melt of the Hindu Kush–Himalayan glaciers will be vulnerable because it is predicted those mountains will be ice-free by 2050, or earlier. Many scientists now say that such an event is all but inevitable given the inertia in both the climate system and the political response to date.

Urgent action is the only option, but our conventional mode of politics is short-term, fearful of deep change and incapable of managing the transition to a post-carbon economy at the necessary speed. Yet rapid change has been achieved before, when it became imperative. In the twelve months after Pearl Harbour, the United States was transformed from the greatest producer of consumer goods to the greatest producer of military goods in the world. Today, we have the economic capacity for a rapid transition if we can harness the social will.

Emissions trading, or "cap and auction", is a fancy name for a rationing scheme that sells damage permits in decreasing quantity to polluters, to achieve deep greenhouse gas emission reductions. A broad emissions trading scheme, if managed properly so as to place a price of \$30–50 per tonne on carbon dioxide emissions, will end Australia's coal-fired electricity generators and drive a new, jobs-intensive, renewable-energy sector. As coal and carbon emissions increase in price, new economies of scale and technologies will reduce the cost of renewables, and make possible a rapid transition to a post-carbon electricity industry.

But with trucks and cars and air travel, we have a problem. We are addicted to oil which means that — as with cigarettes and alcohol, which are highly taxed — large price

increases in some greenhouse-gas-intensive products will not deter people, because they cannot, or do not, want to go without them, or they are unaware of the low-emission alternatives.

The demand for petrol is highly inelastic, so doubling the price of petrol only reduces demand by 10 per cent in the short-term, and 40 per cent in the longer term. To reduce the demand for petrol by just half, governments would need to more than double its price, equivalent to carbon price of greater than \$600 per tonne. And that is not going to happen.

A fairer option would be to control petrol use by means of rationing, rather than enormous price hikes which would simply keep the cars of the poor permanently garaged, but be easily afforded by others. And it could extend to household energy use.

An approach that seems well suited is the introduction of personal carbon allowances. Because households are directly responsible for about one-quarter of emissions (principally domestic energy use and private travel), one-quarter of the nation's carbon budget would be made available free of charge to each citizen as an equal 'carbon credit' (or ration), via an electronic swipe 'carbon card'. This would be used to draw on an individual carbon credit balance each time household gas and electricity, petrol, and air tickets were paid for. Unused credits could also be traded.

For the energy 'embedded' in purchased commodities, such as food and personal services, the carbon ration would already have been for paid by the manufacturer, and its cost would be built into the consumer price. If a person lacked the greenhouse-emissions credits to cover a purchase, or they were an overseas visitor without an entitlement to emissions credits, they could buy credit at the point of sale. The balance of three-quarters of the national emissions budget would be auctioned to business, where the price of emissions would rise over time as the quantity was progressively reduced.

Rationing is feasible and was used very effectively during the Second World War and for some years afterwards for some foods, clothing and petrol in short supply. War rationing was accepted because it was seen by the public to be both necessary and fair.

British feasibility studies suggest that perceived limitations of a carbon rationing system could be resolved; for example, concern about the capacity to efficiently administer and

track people's carbon allowances. The transaction costs of using a personal carbon 'smart card' would not be overwhelming and, in practice, would be less demanding than systems like Medicare.

Personal carbon rationing appears more equitable than the alternatives: because rationing works by imposing quantity restrictions at the outset, rather than by raising prices, it does not in itself increase the price of the household and personal energy consumed. Rationing is also fairer than a general emissions trading scheme, because personal greenhouse emission allowances provide free entitlements and only impose financial penalties on those who go above their entitlement, while providing an income supplement to those who use less than their entitlement.

Rationing is egalitarian, in that everyone gets an equal, free carbon allowance; it allows people to make choices within a personal carbon budget, which is more empowering than simply watching prices automatically go up; it encourages behaviour change, in the knowledge that others, including businesses and the government, are also acting within the scheme; it helps address the depletion of our energy resources; and it is more effective in reducing emissions when targets are strong.

Last year Bob Carr told a meeting of chartered accountants that personal carbon allowances was a "most exciting concept". As the gap between what needs to be done and climate and what is actually being done, it may soon be a necessity.

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