$50bn in ETS slush fund, says Coalition

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Kevin Rudd is creating a $50billion political slush fund under an emissions trading scheme and must explain how the revenue will be used, the Coalition has warned.

As negotiations proper start today between Climate Change Minister Penny Wong and her opposition counterpart, Ian Macfarlane, on the detail of the Coalition's amendments to Labor's Carbon Pollution Reduction Scheme, a battle over costings is set to dominate the discussions.

The Prime Minister has argued his ETS will be revenue neutral, with all the money raised through selling permits to pollute used to fund compensation to help business and householders adjust to the introduction of the CPRS.

But he has only released costings on how much the government scheme will raise until 2013, prompting estimates by the Coalition-commissioned consultant Frontier Economics that it will raise up to $50bn in additional revenue by 2030.

The government's legislation aims to reduce greenhouse gas emissions by 5 per cent by 2020, by which time Frontier Economics predicts an additional $20bn will have been raised and the government has not explained how it will spend the cash.

Senator Wong has also demanded the Coalition provide the government with costings of the changes to the scheme it is proposing, including more generous concessions to coal producers and electricity generators and the exclusion of hydroflurocarbons -- toxic gases used in the production of fridges and airconditioners.

Mr Macfarlane said yesterday the Coalition was confident that the changes it was proposing would be covered by the additional revenue the government's planned scheme would collect. "There's $50bn in unallocated credits by 2030. And it's about $20bn by 2020," he said.

"That's how much they are collecting and keeping as a tax. There's enough money in unallocated credits to fund our scheme -- more than comfortably fund our changes."

The Coalition has proposed amendments based on the idea of intensity benchmarks. Power generators would buy permits when they go over an industry-wide emissions ceiling, instead of buying permits for all their emissions.

Frontier Economics argues this would mean energy costs will rise by 5 per cent in the first two years of the scheme, rather than 20 per cent.

But as the Coalition appears increasingly lukewarm on the idea due to a lack of third-party endorsement from generators. Frontier Economics managing director Danny Price has warned that without the intensity-based reform approach there is little difference between the Labor scheme and the Coalition's alternative.

"I and most Australians ought to be disappointed if the intensity scheme isn't picked up by either side. The only reason you would go with the Carbon Pollution Reduction Scheme is if you want a bigger slush fund and a bigger tax revenue base to spray around in the economy," he told The Australian.

"It's astonishing that the government is not under pressure over this. It's like raising a $150bn tax and the government refusing to say how it is going to spend it."

Last night, Senator Wong dismissed the $50bn estimate as wrong but would not release the government's own estimates of future imposts on business.

"It is not correct to suggest there is a spare $50bn available under the CPRS. This is not a government figure and we are interested to talk to the opposition about how they have arrived at this figure," a spokesman for Senator Wong said.

"The government has published estimates for expenses and revenues out to 2012-13, consistent with the normal budget approach."

http://www.theaustralian.news.com.au/business/story/0,28124,26259118-36418,00.html