

# Retreat on climate has ripple effect

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LAST week's US mid-term elections ended any chance of a cap-and-trade emissions program for the American economy, leaving the Obama Administration to rethink how it will skin the climate change political cat.

For Australian opponents of emissions trading and carbon taxes, America's retreat from putting a price on carbon is giving new credence to what Opposition Leader Tony Abbott and his environment spokesman Greg Hunt call direct action – like buying and closing obsolete brown coal-fired power stations in Victoria.

Prime Minister Julia Gillard says Australia does not need to follow America's lead and she is keeping emissions trading and carbon taxes on the table.

There is good reason for the Gillard Government not to give up so quickly on the market options in fighting climate change.

Gillard simply does not have the constitutional flexibility available to US President Barack Obama.

In Australia, the primary governance of the environment rests with the states, not the Commonwealth – exactly the reverse of the US situation.

To secure a major deal on climate before he leaves office, Obama has a back-pocket option which he is unlikely to use or even threaten to use until his re-election.

That option is to use the power of the US Environmental Protection Agency to regulate emissions reductions across the board.

When a president is determined to use its powers, the US EPA is without peer as an environmental regulatory body with sweeping powers to protect human health.

Even before the carrot approach of a carbon-pricing system was killed off by the Republicans' mid-term win in Congress last week, the Obama Administration was quietly redrawing its principal environmental initiative into an old-fashioned regulatory stick.

It is an approach that can only be stopped by a Republican presidential win in 2012 because Obama has the power to veto any attempt to change the Clean Air Act, as some representatives from coal states have been advocating.

That Obama has the power to regulate American greenhouse gas emissions is certain.

Using provisions of the powerful US Clean Air Act last December, EPA administrator Lisa Jackson found that the current and projected concentrations of the six key well-mixed greenhouse gases in the atmosphere threatened the public health and welfare of current and future generations.

She also found that the combined emissions of these well-mixed greenhouse gases from new motor vehicles contributed to the greenhouse gas pollution that threatened public health and welfare.

Less certain is whether Obama will ever have to use the EPA to bludgeon an outcome on US greenhouse emissions.

More likely is a re-elected Obama threatening to let the EPA off its leash and using that prospect to drive a politically negotiated outcome involving regulatory and trading options.

It's the kind of political lever Gillard can only dream about.

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