



Budget Update 2

Posted by [Big Gav](#) on May 15, 2008 - 7:27am in [The Oil Drum: Australia/New Zealand](#)

Topic: [Economics/Finance](#)

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Now everyone has digested the budget fully there are a few late pieces of commentary I thought worth highlighting.

First off is Kenneth Davidson in [The Age](#), who rightfully notes that in an era of soaring oil prices, encouraging people to drive around (a lot) in a company car isn't a wise use of tax dollars.

In an era of peak oil, when oil prices have broken through the \$120-a-barrel barrier and are heading for \$200, it is crazy to encourage car dependence through tax concessions on company car use, costing \$1.5 billion this year. Given the extent of the problem, the statement on the environment and water is pathetic. The new money allocated this financial year - just over \$100 million, rising to \$200 million next financial year - amounts to a flea bite compared to the more than \$2 billion allocated to the highly profitable fossil fuel industry; and it dwarfs the assistance to renewable energy.

The long term "Water for the Future Fund" seems designed mainly to subsidise state desalination plants even though they will be an economic and environmental disaster and could be made redundant with serious commitment to recycling, stormwater harvesting and dams.

Crikey has a column from Greens Senator [Christine Milne](#) slamming the effective demolition of the solar PV industry courtesy of Rudd and Swan's decision to means test solar panel installation. She even compares them unfavourably to Howard and Costello !

Tuesday night's Budget was a slap in the face for all those Australians who voted for the Labor Party at the last election in the belief that a new government would be willing and able to make Australia a true global climate leader.

From the day he took leadership of the Labor Party, Kevin Rudd worked hard to present himself in contradistinction to John Howard on climate change. Climate was, more than anything else, supposed to be symbolic of the generational change from Howard to Rudd. My warnings at the time, that the Rudd Opposition had not fully digested the science, did not understand what was required, and was not offering well-thought out policy alternatives, did not fit into that narrative and were largely ignored. Hate to say it, but ...

The first Rudd-Swan Budget was qualitatively barely different on climate change from

the last Howard-Costello Budget. Investment was not substantially increased, nor was it reprioritised. If anything, it was shifted further into the future and skewed more towards coal and away from renewables. We still have tokenistic, ad hoc gestures dressed up for press releases and photo opportunities rather than a comprehensive, prioritised effort at rebuilding Australia for the post-carbon economy.

Howard and Costello scraped through last November, we would have had an emissions trading scheme, a significantly higher renewable energy target and continued minimal and piecemeal Budget investment in renewables, efficiency and mass transit. Spot the difference.

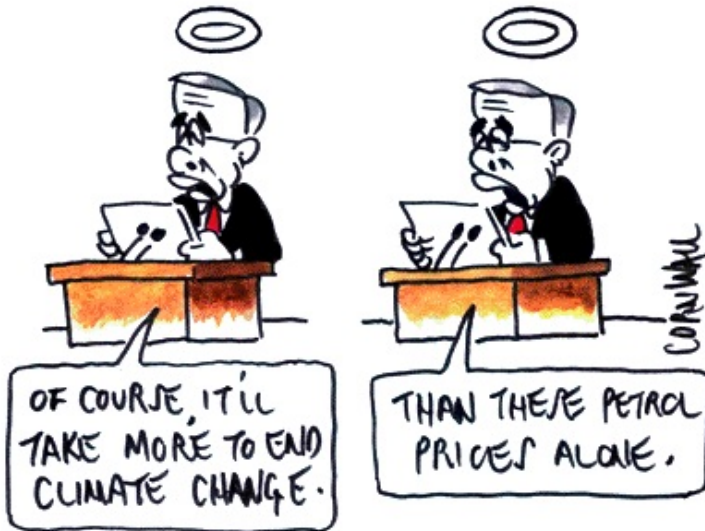
The Government is already scrambling to fix up one mistake: the allocation of absolutely no funds to the renewable energy commercialisation program until 2009-10. When so many renewables technologies are ready for that funding, the proposed patch-up job of funding geothermal drilling is a band-aid when a complete rethink is needed. What's more, the proposed solution is robbing Peter to pay Paul, taking funds from R&D for solar energy storage rather than from the coal corporations' overflowing coffers.

A second clanger is gaining momentum: the ludicrous decision to means test the rooftop solar panel rebate. While means testing is generally policy that we Greens support and advocate, applying it to a policy geared at bringing down the price of what is currently the Rolls Royce of renewables is either an utter failure to think or a deliberate move to undermine the industry. What family on less than \$100,000 will spend \$20,000 on solar panels? The move has already sent shockwaves across the country, with speculation that the installation and manufacturing industries could collapse, along with the Solar Cities program and other so-called government priorities.

Kevin Rudd has called climate change the greatest moral, economic and environmental challenge of our time and a top priority for his government. This is reflected in his first Budget by giving it one fortieth of the funding allocated to Defence. Defence's \$100 billion over the next four years stands in stark contrast to the \$2.3 billion for climate change over that time.

In the next decade, Defence will get over a quarter of a trillion taxpayer dollars. Let's just imagine for a moment where that kind of prioritising could take Australia's climate change effort.

Within the decade, we could retrofit the whole nation for energy efficiency, replace all existing generation capacity with renewables, with solar thermal and bioenergy providing baseload, compensate existing generators, stop all logging of our native forest carbon stores, set up Just Transitions retraining programs for all workers affected by those transitions, move towards an electrified vehicle fleet and begin the re-design of our cities for sustainability with mass transit and cycleways.



And finally, the government's decision to include condensate in the oil production excise (provoking yesterday's dummy spit from Don Voelte, but a much more [muted reaction from the APPEA](#)) has been a little more clouded by hints that they may well give the money back via [incentives for GTL production](#) (and other LNG projects) - one of energy minister Ferguson's pet schemes for achieving energy independence.

THE \$2.5 billion saved in the budget by cancelling a tax break for the North West Shelf gas project could be offset by another round of government tax breaks or assistance for new "nation-building" multi-billion-dollar gas projects, Resources Minister Martin Ferguson has indicated.

A spokeswoman for Mr Ferguson said the Government's planned review of taxation would look at why multi-billion-dollar gas ventures such as the Chevron-led Gorgon project and Woodside's Browse fields and Sunrise fields in the Timor Sea were "struggling to get off the ground". "The tax incentive removed on Tuesday was put in place to get the original investment in the North West Shelf project 25 years ago," she said. "Now we need a policy framework to get the next generation of LNG projects off the ground and we need policy frameworks to encourage the development of gas to liquids."



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