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**From great moral challenge to coal is good for humanity:
Examining climate policy drift in Australia**

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Abstract

This dissertation examines developments in Australian climate policy from the election of the Rudd government in 2007, to the Abbott government's announcement in August 2015 of Australia's Intended Nationally Determined Contribution to a new Climate Change Agreement. It assesses the drivers of the shift away from climate action that has occurred during the period. The key question it addresses is: *to what extent does business power explain this shift?* Using a method based on process tracing it presents an original history of climate politics during the period and finds that although the outcome was highly contingent, the power of business – which is conceived in its structural, institutional, and ideological dimensions – remains indispensable in understanding contests over climate governance, and the divide between the science of climate change and the policy response in Australia. This dissertation also offers a refinement to theories of business power. It demonstrates that business power is unwieldy, volatile and readily produces unintended consequences; moreover, the cultural power of business is the source of climate denialism and the polarization that climate change elicits.

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Statement of Authorship

I state that this thesis titled, 'From great moral challenge to coal is good for humanity: Examining climate policy drift in Australia' is truly my original work. This work was done wholly during my candidature for the degree of Masters of Research at Macquarie University. Neither this thesis nor any part of it has been submitted for any other degree or at any other university. Other sources or materials consulted are clearly cited throughout the thesis and listed in the bibliography. Where I have quoted from the work of others, sources are always given. With the exception of these quotations, this thesis is entirely my own work.

9th October 2015

David Lisle

Abbreviations

ACF - Australian Conservation Foundation

BCA - Business Council of Australia

CCA - Climate Change Authority

CCS - Carbon Capture and Storage

CEF- Clean Energy Future

CEO - Chief Executive Officer

CIA - Central Intelligence Agency

CPRS - Carbon Pollution Reduction Scheme

ERF - Emission Reduction Fund

ETS - Emissions Trading Scheme

GDP - Gross Domestic Product

GFC - Global Financial Crisis

GHG - Green House Gas

IEA - International Energy Agency

INDC - Intended Nationally Determined Contribution

IPA - Institute of Public Affairs

IPCC - Intergovernmental Panel on Climate Change

MCA - Minerals Council of Australia

MP - Member of Parliament

MPCCC - Multi-Party Climate Change Committee

ONA - Office of National Assessments

PM - Prime Minister

ppm - parts per million

RET - Renewable Energy Target

RSPT - Resource Super Profits Tax

UK - United Kingdom

UN - United Nations

UNFCCC - United Nations Framework Convention on Climate Change

US - United States

From great moral challenge to coal is good for humanity:

Examining climate policy drift in Australia

“policy drift” ... occurs when stable policy rules interact with an unstable world’ (Hacker & Pierson, 2014)

Introduction

In Australia, climate change is a deeply contested and polarizing policy domain with a brief, turbulent history (Charlton, 2011, p. 63; McDonald, 2015, p. 4; Tranter, 2013, p. 411). It continues to confound policymakers, the public and business, alike.

In 2007 Labor was elected to government in what was described as the world’s ‘first climate change election’ (Rootes, 2008, p. 473). The victorious Labor leader, Kevin Rudd, promised urgent action on climate change describing it as ‘the greatest moral challenge of our generation’ (Macintosh, et al., 2010). Despite ratifying the Kyoto Protocol, Rudd’s government encountered obstacles enacting domestic climate legislation. After a leadership change and another election, the Labor government finally legislated a price on carbon in 2011. An emissions trading scheme (ETS) with an initial fixed price was the centerpiece of its Clean Energy Future (CEF) legislation. This ‘breakthrough’ came after almost twenty five years of deliberation (Crowley, 2013). Labor finally delivered on its climate change ‘mandate’.¹

Yet in 2013 the conservative (Liberal-National Coalition) Abbott government came to power claiming a ‘mandate’ (Rootes, 2014, p. 172) to implement the ‘fundamental structural reform’ of repealing the carbon price (Abbott, 2012, p. 39). It immediately set about dismantling the

¹ The term ‘mandate’ should be used with caution. See Goot (1999) for a historical examination of its application in Australian politics.

institutions of domestic climate governance, the most important being the carbon price. With its repeal in July 2014, Australia achieved the distinction of becoming the first country to remove a pervasive carbon price (Burdon, 2014, p. 3). The replacement policy called 'Direct Action' which utilizes a reverse auction process to purchase carbon abatement was critiqued internationally and at home as an inadequate, unscalable and costly measure (Jotzo, 2014; Garnaut, 2014; UNFCCC, 2015). Meanwhile, the renewable energy target was reduced and the renewable sector antagonized. As government officials expressed their dislike of wind farms and their support for coal (Chan, 2014) renewable energy investment slumped (SMH, 2015, p. 14).

The Abbott government initially adopted what was considered to be obstructionist stance in international negotiations (Naughton, 2014; Bamsay & Rowley, 2015, p. 2). This seemed to gradually soften though, and the government claims its target (its Intended Nationally Determined Contributions) for the 2015 Paris UNFCCC conference to be 'strong, credible and responsible' (Australian Government, 2015) although it falls well short of the Climate Change Authority's recommendation (CCA, 2015). In an effort to underscore how much progress had been achieved off a low base, one longtime observer suggested that Australia now gave the impression more of 'lagging' than 'obstructing' (Bamsay in Morris 2015). Although not covered by this thesis, early signs suggest that a Malcolm Turnbull led government will maintain the current suite of policies in the short term.

Policy drift

'Policy drift', according to Hacker and Pierson (2014, p. 647) 'occurs when stable policy rules interact with an unstable world'. Such cases tend to be cultivated by defenders of the status quo vested in the old order who combine with partisans to stymie policy reform. The situation described above suggests that Australia has become less committed to taking substantive action on climate change during the period despite growing scientific concern about the threat of unmitigated climate change and gathering international momentum towards taking action (Bamsay & Rowley, 2015, pp. 2-3; Lo, 2015). Australia's Paris target is also inconsistent with commitments formally undertaken at Cancun in 2010, to act in concert with the international

community to contain global warming to within the agreed limit of two degrees above pre-industrial levels (Christoff, 2014, p. 2). Climate policy is adrift, in the sense that the 'policy rules' of climate governance have remained stuck in a lost paradigm that sought to protect Australia's comparative advantage in cheap energy production.

Politics and history are replete with unintended consequences. The spectacle of an assiduously pro-market government shunning the price mechanism in favor of a climate policy based on a system of command and control suggests the politics of climate change have developed a life of their own. This autonomy of the political that insulates climate politics from its wider context owes much to the structure of political competition. Elmer Eric Schattschneider (1960) drew attention to this dynamic, which was novel at the time but is now (somewhat) more familiar. As successive governments have sought to juggle competing priorities, pressures and impulses, policy-making processes have proved far from efficient. In a challenge to the 'master theory' of Anthony Downs (Hacker & Pierson, 2014), Australian climate politics has generally defied expectations that it converge on the ideological center and translate votes into formal rules. Political leaders have been punished, in different ways, for not doing enough (Howard, Rudd, & perhaps Abbott?); for doing too much (Turnbull, Rudd, Gillard); for doing it too fast (Rudd); and for doing it too slow (Rudd).

Business power too, has proven to be unwieldy and recalcitrant. Once deployed, it has demonstrated a propensity to chart its own course. At one level, climate denial, originally a weapon of delay wielded by interested parties has evolved into a wider cultural phenomenon. This outgrowth from its initial purpose recalls astroturf producing verdant shoots.² At a lower level of abstraction, segments of the Australian business community seeking concessions and carve-outs have ignited a conflagration of carbon politics. Heightened polarization has produced endemic uncertainty which has bedeviled long-term decision-making and highlighted the tensions between the short-term cycles of politics and long-term cycles of business investment. (That is to say nothing of other, arguably more intrinsic values incompatible with the restless presentism of contemporary politics.) In the lead up to the 2013 election, business

² This metaphor is borrowed from Clive Hamilton whose formulation is, 'Beneath the Astroturf grass grew' (2010 p. 8).

leaders from carbon intensive industries viewed the prospect of a change in government with ‘nothing less than a sense of dread’ (Mikler & Harrison, 2013, p. 423). The CIA used the term ‘blowback’ for the ‘unintended and negative consequences’ rebound effects that its clandestine operations occasionally produced (Capling & Nossal, 2006, p. 153). The fractious nature of business implies that this metaphor is imperfect. But the policy uncertainty faced by carbon intensive business suggests it has certain heuristic value.

The question

This dissertation examines developments in Australian climate policy between the election of the Rudd government and the announcement of the Abbott government’s Paris targets. It assesses the causes of the recent shift away from climate action which has cast climate policy (further) adrift. The key question it addresses is: *to what extent does business power explain this shift?* It weighs the impact of business power – understood by Culpepper (2011, p. 186) to mean the way that business gets ‘what it wants from politics’ – against other causal factors in this puzzling turn of events.

The literature on Australian (and global) climate policy suggests that corporations engaged in the extraction of fossil fuels and other emissions intensive industries, have been instrumental in delaying action on climate change (Firsova, et al., 2012, p. 21; Pezzey, 2014; Newell & Paterson, 1998; Pearse, 2007; Hamilton, 2007). This view is crystallized in Hamilton’s claim that ‘the most immediate reason we face climate disruption lies in the political power of the fossil fuel lobby’ (2010(a), p. 118). But it is uncertain how well does this narrative fits Australia’s recent experience.

Reviewing the period as a whole it is clear that there was both a high level of contingency and that business power was a necessary but not sufficient explanation of this outcome. Accounts of the period by political scientists and journalists emphasize other factors, such as the adverse turn in public opinion after 2007-8 when the global financial crisis (GFC) loomed large and the ‘millennium’ drought broke; inept leadership and poor political strategy; and the collapse of global cooperation epitomized in the ‘failure’ of the 2009 Copenhagen conference of the parties to the UNFCCC (Chubb, 2014; Kelly, 2014; Bailey, et al., 2012; Macintosh, et al., 2010;

Macintosh & Denniss, 2014). Political polarization and a culture of climate denial are also adduced as factors influencing climate outcomes, but their effect is not clearly specified, beyond their influence on public opinion (Tranter, 2013). These various factors contributed to the recent turn away from climate action; however, this thesis argues that the power of business remains indispensable in understanding climate inaction in Australia and was a significant driver of the policy reversal during the period. Lobbying indubitably contributed to the difficulties that Labor faced in implementing their climate agenda, yet the cultural and structural power of business are arguably more important than its direct influence.

This research project is animated by the juxtaposition contained in the title. Kevin Rudd's invocation of a 'great moral challenge' and Tony Abbott's inimitable claim that 'coal is good for humanity', when placed side by side, allude to tensions inherent in Australia's suite of climate, energy and economic policies. As world leaders prepare to gather in Paris later this year to coordinate a system of 'concerted unilateral mitigation' (Garnaut, 2013, p. 194), the factors militating against national level aspiration should be a pressing concern for political analysts. Australia's retreat from climate action in the face of global progress deserves interrogation.

This thesis makes a number of modest but distinct contributions. Despite the attention given to the link between business power and the GFC in comparative politics – primarily by scholars working within the historical institutionalist tradition – there has been little scholarship exploring the link between business power and climate change. It is remarkable that a financial crisis galvanized a sudden 'renaissance' (Culpepper, 2015, p. 2) in business power studies that a looming environmental crisis could not. This thesis draws on this literature as a way of illuminating climate politics. It also provides a critical account of the Abbott government's climate policy, and by explaining how these policies developed as a direct response to Labor's 'mandate' it makes a contribution to the history of climate politics during this period.

Method

This thesis uses a method based on process tracing to develop a historical account of the recent vicissitudes of climate policy. It assesses the impact of business power on Australia's climate policy within a historical institutionalist framework. Although case studies are often criticized

for contributing little to theory development, much of what we know about the social and political world comes from the careful historical description in case studies (Vennesson, 2008, p. 223). As an exercise in examining a political outcome this dissertation utilizes a case study methodology to assess the widely held view that climate action in Australia is constrained by the lobbying of powerful vested interests, the so-called 'greenhouse mafia' (Hamilton, 2007; Pearse, 2007).

The methodological strategy that I utilize is based on process tracing. This method uses 'evidence from within a historical case to make inferences about causal explanations of that case' (Bennett & Checkel, 2012, p. 6). Process tracing has lately attracted much attention from researchers endeavoring to inject methodological rigor into their qualitative analysis. But as a method of causal inference, there is nothing new about process tracing which dates back at least to the time of Thucydides. It differs from a purely narrative account in that it focuses on certain aspects of the case as a means of developing an analytical framework for explaining how a causal path led to a specific outcome (Vennesson, 2008, p. 235). Process tracing can add 'inferential leverage' to qualitative accounts (Collier, 2011, p. 823).

The 'narrative explanatory protocol' used by Weber has been developed into formal methods of process tracing. My approach is interpretive and less formal and follows the narrative explanatory form which proceeds by organizing events along a temporal chain and then interpreting these descriptive statements via a method of 'abduction', which requires 'the successive adjusting of a conjectured ordering scheme to the available facts' (Ruggie, 1998, p. 94). Thus, it might be thought of as a 'disciplined configurative' case study which evaluates and refines theories in the process of providing an explanation of a particular case (Vennesson, 2008, p. 228).

Structure

Chapter 1 organizes, analytically, the disorderly process of policymaking. It highlights the institutional contexts within which policy is contested, the interplay between the power of ideas and the idea of power and suggests social learning as a way to conceptualize the evolving response to climate change. It emphasizes that business power operates via multiple

mechanisms and not merely observable inputs into the political system, observing that ideas – the way that people conceive the world – are an important determinant of business power.

Chapter 2 presents a snapshot of the Abbott government's climate policy which is contextualized within a wider policy framework. The case is made that with the election of the Abbott government, Australia's climate policy regime changed direction and moved away from taking substantive action. This shift is analyzed in four key areas: carbon pricing, renewable energy, international negotiations and disputation over nature of the problem. However, the bipartisan commitment to expanding coal exports suggests a stable policy regime more broadly, and conflicts with aspirations to simultaneously achieve economic and climate security.

Chapter 3 traces the Labor government's efforts to implement climate policy reform. Using analytical tools developed in earlier chapters it shows how, during a period of heightened institutional flux, the central plank in the Rudd government's climate policy – an emissions trading scheme – succeeded only in uniting the opponents of carbon pricing and dividing supporters. The ETS was first delayed and diluted under intense lobbying pressure, and was ultimately abandoned once it became a political liability. A crucial turning point in this period was when a confluence of forces brought Tony Abbott, and his determination to repudiate carbon pricing and the 'fad' of climate change, to the Liberal party leadership. Business power shaped these events – often in a most indirect manner.

A brief conclusion draws these threads together reflecting that politics is a disorderly process. The key finding is that business cannot control the power at its disposal due to its diffuse and volatile nature. Business shapes, but certainly does not determine, climate politics in Australia.

Chapter 1 Climate, institutions, ideas and power

‘Businessmen direct capital accumulation, income distribution, and resource conservation, as well as discharge more particular tasks such as organizing the production of steel, bicycles, armaments, pots and pans, and housing’
(Lindblom, 1982, p. 327)

This chapter erects some scaffolding for organizing the analysis of climate policymaking that is attentive to the institutional setting within which policy is contested, and attuned to the articulation between power, ideas, institutions and history. Policy is not made in a vacuum, nor can actors wanting to carve their name in history do so, ‘just as they please’ (Marx, 1852 [1978], p. 595). And there is more to business power and its interaction with climate policy than cigar filled rooms resplendent with ‘greenhouse mafia’ (Pearse, 2007). Power is diffuse and its multifaceted nature necessitates acknowledging its various forms: structural, institutional and ideational or cultural.

Climate policy regime

It is said that institutions are, along with the study of power, the central concern of political scientists, for it is within institutions that society’s values and interests are embedded and through which power is exercised (Bell, 2002, p. 370). According to Moran (2015, p. 26), there has been ‘endless squirming around the meaning of “institution”’, but an institution is simply ‘any enduring pattern of behavior among a group of people’ (Parsons, 2007, p. 66). Sometimes these patterns result in formal rules and even ‘organizations’, other times not. Institutions also matter because they tend to take on a life of their own, giving them ‘coherence and autonomy’ (March & Olsen, 1984, p. 738). This makes them amenable to being studied in their own right.

The main reason for viewing climate policy within the context of a regime or institution is that historically constructed institutions structure choices. They both constrain and enable the

behavior of those involved in policymaking, giving institutions their 'path dependent' or 'sticky' quality (Beland, 2009, p. 702). This means that decisions taken at certain points tend to have long-lasting political legacies. Scholars working within historical institutionalism have developed this idea into a sophisticated concept of 'critical junctures' which acknowledges the degree of permissiveness or heightened contingency that occasionally prevails in policy areas due to the lessening, for whatever reason, of structural constraints (Collier & Collier, 1991, p. 27). During such occasions, the mechanisms of institutional reproduction that characterize normal times are punctuated 'by brief phases of institutional flux' where policymakers' agency is heightened giving rise to the possibility of institutional transformation (Giovanni & Kelemen, 2007, p. 341). In chapter 3, the period after the election of the Rudd government is analyzed as a 'critical juncture'.

The relatively enduring nature of institutions means they are similar to regimes. Christoff (2013) draws on Krasner's (1982) classic work on regimes and develops the concept of a *national climate policy regime* which refers to the 'implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations and practices converge in the national domain of climate policy' (Christoff, 2013, p. 355). This provides a basis for assessing the formal and informal institutional arrangements for climate change governance. The various elements that constitute a policy regime include: the power and resources of those in support of the regime; the way these responses are organized within the state such as by the creation of formal institutional structures; the 'policy' itself; and the 'policy paradigm' which represents the framing of the problem that the regime seeks to address and which influences the types of responses that are implemented (Christoff, 2013, p. 355).

Taking ideas seriously in the contest of institutions

The concept of a policy paradigm was developed by Peter Hall as a way of exploring the general nature of policy change. He saw policymakers working 'within a framework of ideas and standards that specifies not only the goals of policy and kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing' (Hall, 1993, p. 279). As suggested in the discussion of Direct Action in chapter 2, the climate policy

contest in Australia is very much over the 'nature of the problem' and attempts to redefine it. Policy paradigms suggests a major theoretical point often elided in discussions of power relations – that contests over policy are attempts to construct political and social interests (Beland, 2010, p. 148). Political struggle is, after all, a battle of ideas.

Ideas are said to impact political outcomes in various ways: they assist in the construction of issues and the diagnosis of problems as they enter policy agendas; they can take the form of assumptions about economic or social issues that can challenge or legitimize existing institutions; and, they can be used as 'weapons' to induce or stifle reform (Beland, 2009, p. 705). For example, Mark Blyth (2002) shows how economic ideas were used to institute the Keynesian welfare state in Sweden and the US in the post-war years and then to subsequently dismantle it after the crises of the 1970s, particularly in the US. On each occasion, business mobilized in response to perceived crises and used different combinations of ideas about the way the economy works and the nature of the crisis to develop a suitable response. Blyth argues that in times of policy uncertainty these assumptions – the ideas – become particularly vulnerable as actors seek to make sense of their changing world. In an to attempt transcend theories of institutional change reliant on exogenous 'punctuations', Blyth argues that ideas are used to change institutions either as 'weapons' to 'attack and delegitimize existing institutions' or as 'blueprints' for action which during uncertain times assist agents to construct their interests (2002, p. 258)³. If we accept this basic premise, which implies that interests are not merely structurally given but must be interpreted by agents (Blyth, 2003, p. 698), then the converse should also be true. Ideas can be deployed in the service of institutional stability.

That ideas might be weapons or/and blueprints alludes to their 'Janus-faced' nature. Although actions are guided by ideas, it can be difficult to determine whether these ideas were causal or if the apparent beliefs were simply strategic. Adherents of the latter view see ideas as 'hooks'

³ Blyth's position has been criticized by Marsh (2009, p. 684) as at times 'almost ... idealist' in the way that it downplays material factors and grants explanatory power to ideas. Marsh also wonders – quite reasonably – exactly why it is only during times of uncertainty when ideational forces are heightened. In Blyth's 'thick' form of constructivism the ideational and material – on the one hand, and agents and structures on the other – are co-constituted, whereas Marsh, who subscribes to a 'thin' form, sees these realms as dialectically related and therefore capable of having independent causal power (Marsh, et al., 2015, p. 5).

which are used to legitimize interests (Goldstein & Keohane, 1993, p. 4). It is not that rationalist accounts reject the notion that agents use ideas and norms to actively interpret their world. Instead, they suggest that these are just ‘congealed rationalizations of some set of roughly rational responses to some ‘real’, non- socially constructed set of incentives and constraints’ (Parsons, 2010, p. 87). Caution should then be taken when attributing causal power to ideas, because of ‘the institutions and power relations within which they are enmeshed – when ideas are considered as dialectically related to both institutions and interests’ (Cahill, 2013, p. 81).

The ‘climate counter movement’ provides an example of the iteration between the ideational, material and institutional realms. Corporations engaged in the extraction of fossil fuels set out to ‘institutionalize delay’ by sullyng the science of climate change and misrepresenting the policy responses (Brulle, 2014). The idea that climate science is faulty has been used by those who, for whatever reason, object to climate action – a tactic borrowed from the tobacco industry, who, fighting a stricter tobacco regime famously made doubt their product (Oreskes & Conway, 2010). But according to Clive Hamilton, climate denial ‘has since evolved into a much wider political and cultural movement, the fires of which can still be stoked by Exxon but which cannot be controlled by it’ (Hamilton, 2012, p. 722). Hamilton writes that ‘In the last few years, climate denial has developed into a political and cultural movement. Beneath the Astroturf grass grew’ (Hamilton, 2010(b), p. 8). Espousing denial is no longer just for those with a (direct and significant) material interest in ‘delay’. Rather ‘believing’ in climate science has become a ‘marker for cultural identities’ (Dryzek & Lo, 2015, p. 3) which has brought new opponents of action into the fold.

Climate denialism was developed as a weapon for delaying action but seems to have outgrown its initial function. Perhaps it is a blueprint, in the sense that institutional arrangements are derivative of it. With these rich metaphors, Hamilton moves beyond the dominant understanding of business power. Incorporating this cultural element provides a way of conceptualizing the puzzling developments in climate policy. Business has no control over the cultural dynamics that are part of what make it powerful. (These insights are developed further in the following chapters.)

Climate change is not universally polarizing. However, in the US and Australia the proposed policy responses have become entangled in longstanding battles over personal responsibility, regulation and government intervention. It is the idea that the market has failed and requires government 'intrusion' that seems to provoke (radical) conservative ire (Antonio & Brulle, 2011, p. 197). Lord Stern's assessment of climate change as the greatest market failure ever – and his simple prescription of internalizing the externality of carbon by pricing it – is rejected by market fundamentalists despite its grounding in the neoclassical economics of Ronald Coase. For the radicals, the market is not just a means of generating and distributing economic surplus, it is an organizing principle; a moral yardstick; an 'arbiter of political value' (Aly, 2010, p. 87; Mirowski, 2013, p. 334). This idea is reflected in the way climate change in Australia is such a thoroughly contested *concept* pitting 'warmists' against 'deniers'. The debate is couched mostly in terms of 'interests' – action on climate change cannot 'clobber the economy', 'bleed jobs' or increase electricity prices – but there is a strong undertow of ideas and cultural values (Tranter, 2013, p. 400) which has enmeshed climate change in the 'culture wars' (Ferguson, 2009; Hamilton, 2012).

But climate change did not always polarize in Australia. Nor were responses always subject to the 'impossibility condition' the Abbott government imposed on it. There was an initial period of 'naïve altruism' from the late 1980s to the early 1990s during which environmental concerns were a high priority for the Hawke Labor government who sought to play a leadership role in what was then considered an easily managed and temporally distant problem (Christoff, 2013, p. 358). In 1988 the Hawke Government committed to an interim target that would reduce GHG emissions by 20% of 1988 levels by 2000 (McDonald, 2015, p. 4). The 1990 election saw this target matched by Andrew Peacock's Liberal party (Pearse, 2007, p. 127). But the replacement in 1991 of Hawke by his economic rationalist treasurer Paul Keating ended the period of 'naïve altruism' and ushered in an era where policy proposals would have to produce 'no regrets' (Bulkeley, 2001). This rubric describes a situation where the only measures to abate carbon that were countenanced were those that would not reduce economic growth. This approach does leave the prospect of sectoral restructuring within an expanding economy as a viable option. Subsequently, the Abbott led Coalition adopted the 'impossibility condition' associated with

President G.W. Bush, which insists that climate policy impose no costs whatsoever (Naughton, 2011, p. 123). The idea of harmony between economic and environmental goals was gradually eroded to the point where they came to be presented as being inherently conflictual. This became the justification for inaction.

The communication of climate science was also clear and uncontested in those early days. It was not until the mid-1990s that doubt and uncertainty began to accompany discussion of the 'enhanced greenhouse effect' in the media and government (Taylor, 2014, p. 62).⁴ Taylor suggests this change resulted from the interplay of a number of forces: an upsurge in market fundamentalism that accompanied the end of the cold war; the prominence of ideas of human exceptionalism rooted in religious dogma; and the prevalence of business based skepticism about the validity of the science (Taylor, 2014, p. 3). It is notable that Australia went from being 'one of the most progressive advocates' of the UNFCCC process at the Rio Earth summit in 1992 to distinguishing itself by its reluctance to cooperate at Kyoto five years later. For Christoff this was, 'Australia's slide from good global citizen to renegade state' (1998, p. 113). While climate science has made great advances during the past 25 years that have reduced uncertainty, climate skepticism has grown, especially in Australia (Tranter & Booth, 2015).

Climate skepticism might then be understood as social learning, which Hall describes 'as a deliberate attempt to adjust the goals or techniques of policy in response to past experience and new information' (Hall, 1993, p. 278). Ministers involved in the 'naïve altruism' of early climate policymaking – such as John Kerin – now concede they did not really comprehend the scope of the global warming challenge (Taylor, 2014, p. 47). And business took some time to organize its epistemological challenge. Policy paradigms are said to guide the learning process by which policy regimes are criticized and evaluated; learning is often sociological rather than scientific (Hall, 1993, p. 280); and can occur at the 'simple tactical level' in order to achieve a specific goal (Dobbin, et al., 2007, p. 460). The recent development of Australian climate policy has seen significant contributions from the Abbott government at the three levels of the policymaking process in Hall's typology: the nature of the problem, the policy goals and the

⁴ For a detailed discussion of the way the early climate consensus was eroded see: Taylor (2014).

specific instruments. To assess the influence that business has had on these policies we can draw on a well-developed body of theory with roots in political economy.

Business power: the flaw in pluralist heaven

Business power is 'a very important issue for understanding the operation of democracy, but establishing the nature and extent of this power is not easy' (Marsh, et al., 2015, p. 1). Culpepper considers business power to be about business organizations 'getting what they want from politics' (2011, p. 186). It has been suggested that, in democracies, the 'translation of economic power into social power and thence into political power' ought to be the central concern of political scientists (Neuman, 1950, p. 173). This is because 'The flaw in pluralist heaven is that the heavenly chorus sings with a strong upper-class accent' (Schattschneider, quoted in Mair, 1997, p. 948). But it is common to observe the neglect of business power and Robert Dahl's lamentation of the 'remarkable dearth of studies on the subject' (1959, p. 1) has been repeated in more recent times (Bell & Warhurst, 1993; Blyth, 2002; Fuchs, 2005; Bell, 2012). After a brief Marxist inspired flowering of business power studies in the 1970s, scholarly attention was deflected into the realm of globalization. The structure of the world economy became the focus. A central point of contention was the extent to which states retained 'policy-space' (Bell, 2012, p. 661). In comparative politics the exercise of power was neglected in favor of the more empirically tractable question of *how* business forms preferences and builds coalitions (Culpepper, 2011, p. 186).

Recent neglect of business power has been blamed on a form of 'ideological hegemony' which has contained radical challenges and resulted in 'left fatigue', 'intellectual timidity' and methodological pretensions to science unsuited to power research (Block & Piven, 2010, pp. 207-8). Business power is often exercised in an indirect and surreptitious manner involving 'considerable and highly variable time lags' making its reckoning incompatible with 'plugging a few variables into a regression model' (Block & Piven, 2010, p. 207). It seems that epistemology is to blame for this silence.

Thankfully though, Marsh (2015) and Culpepper (2015) report a renaissance in the field although as recently as 2011 Culpepper complained that 'business power is currently more

neglected than it has been for the last half century' (Culpepper, 2011, p. 185). This revival can be attributed to the propitious circumstances of the GFC which yielded a rich catalogue of scholarship. This included insights about the diffuse nature of financial power (e.g. Johal, et al., 2014), and also how, over time, lobbying created the impression of a banking sector 'too big to fail' (Hindmoor & McGeechan, 2013). In Australia a brief battle between the mining industry and the Rudd government created a flurry of scholarly interest (Marsh & Lewis, 2014; Marsh, et al., 2014; Gilding, et al., 2013; McKnight & Hobbs, 2013; Bell & Hindmoor, 2013). The main themes to emerge from this effort were that: government has resources to exchange which can reduce business power; that it must manage these resources well otherwise it will likely loose battles; and that business can 'manipulate volitions' in important ways. Disconcertingly perhaps, from a theoretical perspective, there was also recognition that determining the extent and nature of business power is largely an empirical proposition (Marsh, et al., 2015, p. 122). So what conceptual tools are there?

Three dimensions

Power is arguably the central concept in politics (Hay, 2002, p. 3) and has long been debated in terms of its different faces: the power over decision (Dahl, 1957), the power of agenda control (Bachrach & Baratz, 1962), hegemonic power (Lukes, 2005) and capillary power (based on Foucault's concept of governmentality) (Digeser, 1992; Johal, et al., 2014, p. 400). Hacker and Pierson emphasize the importance of investigating the 'multiple mechanisms of exercising influence' and suggest this has been missing in many studies of business influence (2002, p. 279). Scholars studying corporate influence in the context of environmental politics have found it useful to unpack power and analyze it in its structural, institutional and ideational⁵ dimensions (Fuchs & Lederer, 2007; Newell & Paterson, 1998). These are not discrete forms operating in isolation, rather, 'multiple concepts capture the different and interrelated ways in which actors are enabled and constrained in determining their circumstances' (Barnett &

⁵ As Marsh et al warn: 'The ideational realm is littered with different concepts: ideology, narratives, discourses, ideas etc' (Marsh, et al., 2015, p. 10). This literature sometimes uses 'discursive power'. But discourse has significant 'postmodernist baggage' and the terms 'ideational' and 'ideological' are used interchangeably here to serve as 'generic term[s] that encompass not only the substantive content of ideas but also the interactive processes by which ideas are conveyed' (Schmidt, 2010, p. 35).

Duvall, 2005b, p. 67). There are myriad ways that business power could be catalogued (Tienhaara, 2014) – creating these partitions is an analytical convenience.

The three dimensional approach taken here conforms to a well-recognized framework for mapping social explanation (Bennett & Checkel, 2012, p. 26). Structural or institutional arguments utilize the ‘logic-of-position’ – power manifests with reference to the way that agents navigate ‘an obstacle course of material or man-made constraints and incentives’. On the other hand, invoking ideational causation emphasizes the logic-of-interpretation which suggests ‘that someone arrives at an action only through one interpretation of what is possible and/or desirable’ (Parsons, 2007, p. 13).

Structural power

According to Lindblom, in a market system business enjoys a ‘privileged position’ (1977, p. 170) and from this perspective the key aspect of business power is structural (Newell & Paterson, 1998; Gill & Law, 1989). Governments require economic prosperity for their ongoing popularity and tenure, while business operates the levers by which economic growth is generated. Major decisions about what to produce, whether to invest and the level of employment are taken not by government officials but businesspeople. Business cannot be forced to invest and employ but can be induced. There is ‘reciprocal dependence’ because government has things business wants, such as legitimacy and the authority to create policy. In an exchange of resources, business invests and governments pursue policies that are *thought* – on balance – to favor business. This implies a form of ‘mutual adjustment’ which Lindblom argues is ‘often impersonal and distant. It operates through unspoken deference of administrations, legislatures, and courts to the needs of business..... with respect to the conditions under which enterprises can or cannot profitably operate’ (Lindblom, 1977, p. 179). The fact that Australia has undertaken climate inaction as form of industrial policy suggests the deeply structural power of carbon intensive industries indicating they *yield* power as much they *wield* it.

The dependence of government on business cannot be reduced to any objective measure. Structural power is not then automatic, nor constant. The understandings of the targets of power are fine-tuned, amplified and generally manipulated by business (using lobbying for

instance) and it is the resulting perceptions that determine success (Bell, 2012, p. 672). This suggests that people's volitions are very important. Stephen Lukes' described the domination of volitions as the 'third face' of power (2005). This idea of hegemonic power owes much to Gramsci's notion of 'mutuality of interest' (Gramsci, 1971, p. 632). Going further, the fourth face of power recognizes power in the very ways that human subjects are constituted and 'consciously dispenses with the language of either domination or agency' (Johal et al, 2014, p. 402). This perspective relies on a preconscious notion of agency which suggests that agents can be affected by structures and ideas in ways that they are unaware of (Marsh, et al., 2015, p. 8).

The subjective nature of structural power implies that it is the ideas and perceptions of policymakers and the public about the state's dependence on business that provides it leverage. Governments and voters interact within an institutional environment where regular elections guard against brave policy choices (Burnell, 2012, p. 833). And their relations are mediated by a pro-business press which has been at times virulently anti-climate (Manne, 2011) in a context where it is argued that the 'media are a crucial site for the definition and re-definition of meanings associated with climate change' (Carvalho, 2005, pp. 1-2). The ability to shape preferences provides ideational leverage for structural power. In Blyth's formulation ideas are used as weapons or blueprints.

Business can threaten an 'investment strike' if policies are not to its liking – as happened during the implementation of the CPRS. Whether government accepts the gambit is another matter. In the conflict over the RSPT the government did not believe the miners would relocate abroad to extract ore bodies – they did not believe the threat. But it was an election year and the government was convinced that there was sufficient public acceptance of the miners' threat to damage their electoral chances. It was this belief, in the belief of a threat, that led to the government's capitulation – in the form of the removal of the PM and the renegotiation of the tax with the miners (Bell & Hindmoor, 2013). Business exerted power here but the government did not use its resources well.

There is another dimension to this though. Lindblom was concerned about the balance of political plurality and wrote about the market as a 'prison'. It was the market which imprisoned

thinking and thereby policy because the market was seen as the ‘fixed element’ in policymaking not the ‘variable’ (Lindblom, 1982, p. 333). This insight that the market system itself exerts a pervasive effect on politics seems to anticipate the neoliberal backlash against climate change. This backlash found its way to Australia and ingratiated itself into the Coalition parties as the following chapter details.

Institutional power and political capture

The wider structural context shapes instrumental or institutional power – which might be thought of as the way business ‘gets what it wants’ within institutional settings. This perspective on power is commonly invoked to explain the gap between the science and politics of climate change in Australia. The terms ‘vested interests’ and lobbying are frequently deployed and Australia’s reluctance to tackle climate change is characterized in the literature as an archetypical example of ‘a contamination of the political process’ resulting in the national interest falling victim to special interests (Pearse, 2007, p. 32; Hamilton, 2007; Pearse, 2009; Pezzey, et al., 2010; Goodman & Morton, 2014; Garnaut, 2013). Writing in July 2015, Sociologist David Holmes, presented climate inaction and coal advocacy in these terms:

‘It is that our governments have become servile – not to voters, but to a conjunction of multinational mining, energy and media interests, who have as their dating agencies the far-right silos of the capitalist class, such as the Institute for Public Affairs, which do not disclose their corporate donors’ (Holmes, 2015)

These perspectives are premised on the instrumental or functionalist view of power associated with elite power theory. Elite power theory focuses on the way lobbying, donations, issue advertising, bribery, offers of post-political employment (Helm, 2010, p. 187) et cetera are used to infiltrate government and exert direct pressure for business friendly policy. Lobbying, which is ‘the process by which groups and other political actors attempt to influence policies (Warhurst, 2010, p. 340) becomes, if not a proxy, at least a byword for power.

The ‘power elite’ model was popularized by C. Wright Mills in the 1950s (Lukes, 2005). The context was the overwhelming might of American Capitalism during the post war boom which

seeded the idea that too much power was coalescing in too few hands. This perspective was subjected to a sustained attack from Marxists and pluralists alike. While the former argued over whether business power could be better understood in structural or instrumental terms (Poulantzas, 1969; Miliband, 1973), the latter disputed the empirical observation that economic elites were garnering political power. And on both sides of the debate there was a methodological critique, behaviorism it was argued, represented an occluded view of power (e.g. Lukes, 2005). Then as now, relying on observable 'inputs' into the political system such as the activities of pressure groups fails to provide an adequate account of political outcomes (Hay, 2002, p. 10).

Advocates of institutional power argue that if the capitalist mode of production automatically produced accommodating state structures then the mobilization of business in the developed world since the 1970s would have been a great waste of resources (Luger, 2000, p. 27). But the influence of lobbying is routinely overstated (Hacker & Pierson, 2002, p. 280). Studies find money spent on lobbying to be a poor predictor of success in American legislative battles (Culpepper, 2011, p. 187). This is despite the ongoing expansion of lobbying activities by American business (Drutman, 2010) which prominent free-market liberals believe to be generating dysfunctional policy (Fukuyama, 2014, p. 464). In the early nineties Bell and Warhurst (1993, p. 23) observed that overseas trends of increased business political activism were also apparent in Australia. A decade later, Pusey (2003, p. 162) found that 'middle Australia' thought business was too involved in politics. But conducting political activity is not the same thing as achieving political outcomes. Analysis that cites 'conservative estimates' of the coal industry spending \$40 million dollars annually lobbying (Pearse, et al., 2013) does not explain how, or even whether, this expenditure translates into influence. Although power is by nature not readily tractable, there are various mechanisms by which it is actuated. Institutional power is certainly not the only way that influence is exerted or necessarily the most potent.

In their study of *Why Nations Fail* (2012), Acemoglu and Robinson theorize that long term economic prosperity requires political power to be dispersed across classes, regions and economic sectors, emphasizing the importance of 'inclusive institutions'. This inclusiveness is

important because capitalism, despite Schumpeter's lauding of its potential to wreak 'creative destruction', has a bias toward profit rather than innovation (Baumol, 1990). The idea is that 'If elites are too powerful, they will block new technologies, so as to keep their powers to extract rents from the rest of society, and the nation will then fail (to grow sustainably)' (Pezzey, 2014, p. 329). In a recent pessimistic article, economist Jack Pezzey draws on these ideas and identifies the 'malign and growing influence of lobbying on global climate policies' as the key factor in the current weak state of global climate governance and the reason 'why we might fail' (Pezzey, 2014). But it is not so much 'lobbying' but a conjuncture of forces – structural, institutional and ideational which account for the weak state of climate governance.

Rooted in elite theory, the most emphatic account of 'political capture' and the distortion of climate policy by powerful interests in Australia is that of Guy Pearse (2007). His study of the Howard government's climate policy concluded that Australia's inadequate response had left it '*high and dry*'. A group of lobbyists calling themselves the 'greenhouse mafia' had infiltrated government at the highest levels and utilized the 'revolving door' between the public and private sectors. The extent of this penetration was such that they often drafted cabinet submissions, ministerial briefings and even formed part of Australia's official delegation to international climate conferences – a privilege even their American counterparts were not granted. Hamilton's analysis of the 'dirty politics of climate change' follows a similar approach (2007; 2001). According to Christoff these accounts provide 'an intriguing but incomplete understanding of the forces structuring, disciplining and driving climate policy'. The deficiency of such an application of elite theory is that it underplays the role of 'discourse coalitions' which champion certain storylines in support of their definition of reality (Christoff, 2013, p. 352). This allusion to ideology recognizes that the contours of politics – the way issues are framed and the shape that debates take – bear heavily on political outcomes.

Ideology, 'quarry vision' and 'the cult of the boom'

There is more to these accounts than the 'capture' of government by lobbyists. In Pearse's identification of an ideological force that he calls 'quarry vision' (2007, p. 137; 2009) there is the germ of something more richly descriptive. It is undertheorized and mainly deployed as a

pejorative, however 'quarry vision' deserves attention because it acknowledges that the ideas of Howard and his key ministers were critical in the decisions that they made regarding climate policy. Pearse explains how during 25 years the fossil fuel lobby carefully cultivated a conventional wisdom he calls 'quarry vision'. This is the idea that Australia's prosperity was utterly dependent on its comparative advantage in the extraction of minerals and energy. Cheap energy came to be seen as the fulcrum about which Australian prosperity turns. Quarry vision is presented as something akin to false consciousness derived directly from interests.

But as a cultural function sheared of agency and domination 'quarry vision' can be seen as a form of capillary power. Such power 'pervades wide areas of social life and works by internalizing numerous restraints and constituting docile subjectivity' (Johal, et al., 2014, p. 401). Journalist Peter Hartcher articulates a closely related idea which he calls 'the cult of the boom' (Hartcher, 2011). Parsing a number of surveys from 2011, Hartcher finds that popular beliefs about the mining sector's economic significance are systematically different from official statistics. While 67% of respondents to one survey thought of the mining industry as the 'most important for Australia's economic future', the idea of 'importance' is naturally subjective. More tellingly, the average estimate of the mining sector's contribution to GDP was 35%, and the employment share was estimated as 16%. The Australian Bureau of Statistics figures were 8.4% and 1.5% respectively. Such a belief system is perhaps anchored in the mythology of a hard bitten, salt of the earth, egalitarian bunch of people eking out a living in harsh wide brown land. This is despite Australia being one of the most urbanized societies on the planet whose modern services based economy employs more retail assistants than miners and whose education sector contributes more to GDP than mining (Edwards, 2014; McLean, 2013).

For Galbraith 'The first requirement for an understanding of contemporary economic and social life is a clear view of the relation between events and the ideas which interpret them' (2001, p. 20). One way to maintain tension between events and ideas is to accentuate culture. The dissonance that Hartcher pithily characterizes is perhaps part of the legacy of the resources industry campaigns in 2009-10 to 'keep mining strong' in the face of the Labor government's attempts to implement ecological and structural tax reform (the CPRS and RSPT). Yet peak

mining groups are in a constant information war that aims to ensure their social license remains current in the face of significant challenges (Pearse, et al., 2013, pp. 100-27). Studies of coal mining advocacy in Queensland for example, find that the industry systematically inflates the contribution it makes to the economy, in the manner of a 'mouse that roars' (Campbell, 2014). More generally these messages were likely amplified by the resources boom during the Howard years which inculcated a 'culture of anti-intellectualism and market fundamentalism' (Liew, 2012, p. 551). And we return to the idea that ideas matter and are related to material factors and institutions. That Australia conceives of itself as the lucky country well-endowed with mineral resources is part of the difficulty with implementing climate reform.

Summary

This chapter commenced by ruminating on policy regimes; explored social learning as a way to conceptualize policymaking; and proposed that ideas play an important role in institutions. It suggested that climate science denial reflected an excess of culture rather than a deficit of information. This idea was shown to have outgrown its original role of weapon, and become an institutional blueprint. Explanations of Australia's poor record of climate policymaking were revisited as part of a review of business power theories. The diffuse nature of power was highlighted; business power being conceived as having structural, institutional and ideational or cultural dimensions. It emphasized that the ideas of the targets of power – government officials and the public alike – are an important locus of power.

Chapter 2 Coal is good for humanity

“Eliminating the carbon tax is a big tax cut as well as a fundamental structural reform “ (Abbott, 2012, p. 39)

This chapter presents a history of the present and details the ways in which the shift in rhetoric from ‘great moral challenge’ to ‘coal is good for humanity’ coincides with the change in policy. The analysis provides perspective by suggesting that while there was a change in direction it was not a radical departure because of the wider energy politics context. The deviation can be tracked with reference to: carbon pricing, renewable energy, international negotiations and the presentation of the ‘nature of the problem’.

This chapter outlines a prima facie case for the impact of business power – the conversion of business interests into policies (Culpepper, 2011, p. 186) – by identifying the Abbott government’s apparent bias towards the resources industry, whose long running campaign against climate action is well known. After the success of the mining industry’s campaign against the Rudd government’s proposed resources super profits tax in 2010, Abbott advocated for the mining industry to become ‘political activists for a few years’ (McKnight & Hobbs, 2013, p. 308). This is part of the wider context for assessing the impact of business power on his government’s climate policy. Stephen Bell observes that the Liberal party has traditionally been much more closely aligned with small than big business (2008, p. 469), which is interesting in the light of the exceptionally close relations between the Abbott government and the Business Council of Australia (BCA) (Triffitt, 2014, p. 78). According to John Wanna, the Abbott government relied heavily on the BCA to ‘convince the electorate of the necessity’ of its budgetary agenda (Wanna, 2014, p. 622). However, it has traditionally been governments that confer legitimacy on business not the other way around.

Economic Policy

Climate policy is developed within a broader policy framework. Since global warming appeared on the political agenda internationally in the late 1980s, Australian policy-makers have generally viewed it as a threat to national prosperity because of the likely implications for Australia's mineral exports, particularly coal. This structural dynamic first manifested in a 1981 report from the Office of National Assessments (ONA). Australia's premier agency for intelligence analysis warned that if the public became aware of scientific findings about global warming there could be pressure to constrain fossil fuel use (Hamilton, 2007, pp. 44-5). This set the tenor for subsequent policy development and public debate by framing global warming as a potential threat to cheap domestic energy and lucrative fossil fuel export markets. Action on climate change was seen as threatening Australia's comparative advantage as an energy producer. Economic security has come to prevail over climate security (McDonald, 2015).

This is the structural context within which climate politics plays out, so some insights into economic policy-making might be useful. In 1986 treasurer Paul Keating made the ominous, and as it turned out, iconic warning that Australia risked becoming a 'banana republic' with a worthless currency if it did not address the current account deficit. Economic policy has subsequently been focused on achieving 'international competitiveness' by opening up the economy as much as possible with the debate confined to the means and speed of global integration (Broomhill, 2008, pp. 25-6). The emphasis on playing to one's strengths and accentuating 'comparative advantage' has been described by former Treasury head Ken Henry as 'Australian mercantilism'. He considers the view that 'public policy should protect and advance the interests of exporters' to be a 'misguided' perspective without a solid basis in economics, reminiscent of a time before Adam Smith and a serious impediment to policy development, particularly in regards to climate policy (Henry, 2014). The effect of 'Australian mercantilism' is that, although economic liberals and public choice theorists warn of the perils of 'picking winners', exports are consistently picked as the winner. This worldview influences policy choices and informs the approach to climate change.

This focus on export led growth became firmly entrenched after the implementation of neoliberal reforms in the 1980s. But it remains profoundly contradictory. On the one hand, tariff barriers were dropped, the currency floated and other neoliberal initiatives undertaken to expose Australia to the forces of globalization. On the other hand though, Australia's lagging climate policy, evidenced by its inability to constrain emission growth, has acted as a form of protection (Pearse, 2009, p. 25). This outcome has not been accidental but strategic. The globalization narrative which emphasizes the need to compete in the dynamic global marketplace has been utilized to suggest that carbon constraints would damage Australia's international standing thereby justifying inaction. When we consider business influence, this wider context is important. Emissions intensive industries advocating against climate action tend to be preaching to the converted.

Under conditions of 'globalization' characterized by mobile capital, states 'compete' for investment and corporations can exert considerable influence (Crouch, 2011, pp. 132-3). This perspective should not however, be confused with the 'strong' globalization thesis that asserts a race to the bottom. One example of this logic, the theoretically elegant pollution haven theory is without strong empirical backing. Despite the logic of 'no alternative', states still have options, and do retain 'policy space' (Hay, 2011). Indeed, globalization as material reality ought to be disarticulated from the discursive idea of globalization, otherwise it risks becoming a self-fulfilling prophecy. Hay and Rosamond (2002) for example, argue that globalization might be more usefully described as a strategic discourse serving particular ends, rather than a set of material circumstances.

Globalization's competitive logics have been deployed in Australia to avoid action which might harm export markets. At the same time as it has been argued that domestic action would be unhelpful from an environmental point of view because of the likelihood of 'carbon leakage' – which refers to emissions intensive industries relocating offshore in response to carbon constraints. But treasury conducted modelling in 2008 which suggested fears about 'carbon leakage' had been 'overplayed' (Commonwealth of Australia, 2008, p. 197). Capital intensive operations such as aluminium smelters do not relocate overnight although long terms

investment decisions are impacted by policy settings. So the globalization narrative has been selectively borrowed from – by business and political actors – to avoid climate action that might disrupt Australia’s economic model.

Whether these arguments are strategic or not is less important than the fact that they continue to represent key stumbling blocks to action on climate change. As such, the failure of policymakers to grapple with climate change amounts to a quasi-industrial policy, if by that we mean strategic attempts ‘to shape industrial structures within an economy, thereby enhancing the productivity performance of businesses within and across these structures’ (Conley & van Acker, 2011, p. 504). This strategic effort to entrench the structural features of Australia’s economy stands in marked contrast to suggestions by some analysts that industrial policy be used to address the twin challenges of resource depletion and climate change (ibid). It also contradicts the normative preference of allowing the market to determine outcomes that manifests in the ‘technology-neutral’ approach which eschews ‘unnecessary government intervention’ taken in the recent energy white paper (Australian Government, 2015(b), p. 56).

A case could be made, for example, that Australia’s overall economic strategy is fundamentally incompatible with global climate stability given the enthusiasm with which governments of both persuasions have pursued the expansion of the coal industry. Energy white papers during the last decade have consistently ignored the contradiction between projected energy futures and calculations of burnable carbon (Christoff, 2005, p. 29). In this sense there is resounding dissonance between climate and energy policy – as articulated in the 2015 energy white paper (Wood, 2015; Garnaut, 2015). Either Australia’s economic model will be disrupted, or its climate substantially changed. A third possibility is entertained by economist Warwick McKibbin the Coalition’s favored economic modeler. He suggests the development of an economically efficient global carbon arrangement would allow more Australian coal to be burnt than is suggested by others (e.g. McGlade and Ekins, 2015) because of its generally superior energy content (ABC, 2015).

Climate Policy

This context is important because it demonstrates how the ideas of policymakers about economic matters impact generally on climate policymaking. This is the wider economic context within which we can examine the bitter dispute that occurs on the policy margins. No government in Australia has adopted policies consistent with their stated goals keeping warming to within 2 degrees.

The claim made in this chapter is that climate policy under the Abbott government has moved away from taking action on climate change. This is the opposite direction to 2007 when Labor responded to growing domestic public awareness of the issue and international momentum and sought to implement climate governance reform. Labor's policy direction was consistent with what Stevenson (2012, p. 11) conceives as 'congruence building', by more closely aligning Australia with emerging global norms – or at least developed world norms. It is notable that after the Copenhagen conference in 2009, international negotiations have changed their emphasis from legally binding targets and become more focused on coordinating nationally determined domestic action (McKibbin, 2015; Christoff, 2014, p. 14). This shift from 'top down' to 'bottom up' emphasizes the salience of the norm of domestic abatement. The new approach was described by Garnaut as 'concerted unilateral mitigation' (2013, p. 194) and potentially gives more leverage to other national actors to exert pressure to induce socialization on such outliers as Australia.

To the casual observer, there might appear to have been a wild swing in climate policy between 2007 when the Rudd government came to power promising to act on climate change, when climate change was virtually disavowed by the Coalition which made no secret of its hostility towards the amelioration of climate change. But the distinction, while substantial and quite real, should not be overstated. After its election, Labor sought to orient Australian climate policy around a national level of contribution that would be consistent with ambitious global climate action. But there has long been a contradiction in Australian climate policy – apparent when we look at what Newell and Paterson call 'implicit carbon politics' (1998, p. 688). While policymakers have often spoken of the need to take action, and the Labor governments from

2007-2013 spent considerable political capital attempting to enhance climate governance (Macintosh & Denniss, 2014, p. 216), they have consistently promoted the expansion of the coal trade (Goodman & Morton, 2014, p. 242). Similarly, Firsova et al, (2012) suggests that the Rudd government's proposed CPRS was not a great departure from previous policy because of the great assistance given to emissions intensive trade exposed industries and the coal industry. Pearce also emphasizes the continuities in climate policy between Howard and Rudd – who described himself as a 'big believer in coal' – because emissions were set to actually rise under the CPRS (2009, p. 63).

Coal, climate and CCS

The Abbott government's enthusiasm to open up new mines in the Galilee Basin, and its conflation of 'coal mining' with 'jobs and growth' mirrors that of its predecessors. But plans to open up these vast mines – which are currently hostage to financing difficulties associated with the recent decline of the global coal price (Vorrath, 2015) – are inimical the goal of keeping warming to what has been agreed as a 'safe' level of 2 degrees⁶. This dissonance is explicitly recognized by the carbon budget approach that is increasingly being adopted by policymakers who previously used carbon concentrations (in ppm) to reference emissions reduction targets. A global carbon budget represents the amount of carbon that is burnable under certain warming scenarios. McGlade and Ekins (2015) use this approach to estimate that a path consistent with a 50% change of limiting warming to 2 degrees would see 93% of Australian coal left in the ground if carbon capture and storage⁷ (CCS) was available and 95% in its absence. This analysis suggests that much of Australia's coal and other fossil fuel reserves will be stranded – that is unrealized at the current value reflected in companies' financial accounts. An August 2015 Citicorp report estimated that policies consistent with a 2 degree scenario imply a value of stranded assets of \$100 trillion (Citicorp, 2015, p. 8) – many times greater than

⁶ At full production the Galilee basin would produce 330 mtpa of coal with estimated emissions of 705 mtpa of CO₂e. Australia's entire 2010-11 exports of coal were 280mt, and its 2010 domestic emissions were 405 mt. If the Galilee basin was a country it would be the seventh greatest carbon emitter (Greenpeace, 2012).

⁷ This technique sometimes simply termed 'clean coal' was first developed to enhance oil recovery in the 1970s. It is a process whereby, carbon is captured at the point of combustion and piped into geological formations where it is hoped it will remain stored.

losses incurred in the GFC. The alternative, and the current trajectory, involves the dramatic consequences of a world warmed by four degrees or more (Whetton, et al., 2014). Soberingly, eminent climate scientist James Hansen considers even 2 degrees of warming manifestly unsafe (Hansen, 2005).

The question of coal is now at the forefront of efforts to combat climate change. A slew of reports have been released in advance of the Paris conference identifying the continuation of coal use and its subsidization as a fundamental stumbling block to efforts to mitigate climate change. This seems to mirror the raft of publications that has been published in the lead up to earlier international climate conventions denying climate science (McKewon, 2012, p. 280). The International Monetary Fund has called for the elimination of fossil fuel subsidies which it estimates to be in the order of \$US 5 trillion per year and which would lead to a reduction in global emissions of 20% (Coady, et al., 2015). Their calculation includes externalities such as the health and environmental effects of burning this fuel. One report estimated the annual health costs associated with coal combustion in Australia to be \$2.6 billion (Armstrong, 2015, p. 3)⁸. According to Environment Victoria (2014), Australia subsidizes fossil fuel extraction to the tune of \$10 billion per year – not including externalities represented in a ‘social cost of carbon’ but – mainly via taxation relief specific to certain sectors. The Australia Institute finds that state governments also provide significant subsidies (Peel, et al., 2014). There is a debate here though, with the Productivity Commission denying that the resources sector receives systematic subsidization (2015, p. 114).

It is no coincidence that James Hansen wrote to Kevin Rudd in 2008 warning that if environmental ruin was to be avoided, then it was ‘a global imperative’ that coal use be phased out unless carbon could be effectively captured and stored (Kevin, 2009, p. 158). Hansen was obviously cognizant of the contradiction in Australia’s position as the leading purveyor of the mineral that is responsible for half of all historical emissions and a country vulnerable to global warming. The caveat that Hansen referred to, which might allow continued coal burning to be consistent with climate stability, was CCS. Energy white papers which from time to time detail

⁸ See also: Cottle and Keys (2014); and Castleden, et al. (2011, p. 335), who considered the ‘initiative to put a price on carbon an important public health measure’.

Australia's 'integrated national energy policy' rely (often implicitly) on this technology to reconcile the goal of being a fossil fuel 'energy superpower' with climate stability⁹. But according to economist John Quiggin – a member of the Climate Change Authority – CCS has 'been valuable as a fiction for all those who want, for whatever reason, to avoid dealing explicitly with the fact that stabilizing the global climate will require ending the use of fossil fuels, and particularly coal' (Quiggin, 2015). In support of this view, Curran suggests that CCS acts in the 'sectoral' service of the coal industry by protecting it from renewable energy competition. Based on the longstanding assumption that coal underpins prosperity, CCS offers a means of coal based economic 'buoyancy' with the political promise of 'policy action, but without too much sectoral restructuring' (Curran, 2009, p. 206). Similarly CCS is presented by others as a 'charade', a 'fig leaf' or a 'ruse' – a discursive device by which to delay action that was only incorporated into IPCC projections because of lobbying from the US, Australia and Canada (Pearse, et al., 2013, Chapter 6).

Despite this skepticism, the IPCC takes CCS very seriously and it figures prominently in their scenarios. So does the International Energy Agency (IEA), whose 2013 technology update noted: 'It is clear that CCS is the only technology available today that has the potential to protect the climate while preserving the value of fossil fuel reserves and existing infrastructure' (IEA, 2013, p. 8). The second part – protecting fossil fuels and infrastructure – seems to be important. It reflects the perception that climate action must accommodate fossil fuel interests to be politically palatable – the lived experience of business power. But despite decades of 'promise', the development of CCS faces problems of cost effectiveness. Unless some cost positive way to reuse carbon is found – such as feeding algae in a negative emissions scenario – it seems unlikely that CCS would be economically viable in the absence of a carbon price of around \$A100 tonne (Pearse, et al., 2013, p. 159). Much uncertainty surrounds projections of technology in decades hence and these figures are contested. The IEA's 2013 CCS 'technology

⁹ However from the comfort of opposition in 2008, the former Energy and Resources Minister Ian Macfarlane who was responsible for the 2015 white paper said that 'The clean coal option has passed us by. Twenty years to wait before the technology is available. Thirty years before it is commercial. We will need to move on to other options by then' (ABC, 2009).

roadmap', for instance, suggests that CCS could be viable at carbon prices of \$US40-80 making it competitive with other low carbon options (IEA, 2013, p. 49).

The Rudd and Gillard governments generously funded the development of this technology. Among other things the Global Carbon Capture and Storage Institute was established and allocated \$2.5 billion, yet funding was subsequently gradually wound back (Taylor, 2012). The coal industry's own contribution to CCS development, funded by a 'voluntary' levy on coal production channeled through a coal association vehicle called 'COAL21' was also reduced as the coal price declined. The constitution of COAL21 was also altered to enable the promotion of 'the use of coal both within Australia and overseas and promoting the economic and social benefits of the coal industry' (Taylor, 2014). In September 2015 the MCA launched an advertising campaign called 'little black rock'. It emphasized that 'coal is amazing' because it provides \$40 billion a year to the Australian economy and 'can now reduce its emissions by up to 40%', though details of when and how this might happen were scant (Milman, 2015(b)). The aforementioned Citibank report opined that the coal industry is in 'an existential race to develop CCS within its survivability timeframe' (Citicorp, 2015, p. 82). If CCS is to be the savior of the coal industry, then it is ironic that its patrons in the Australian government and the industry itself have favored public relations over investing in technologies for coal's survival.

A wild swing?

This focus on energy policy suggests broad congruence between the Abbott government and its predecessors. However a more specific focus on climate policy suggests a deviation. There are four areas which set it apart: carbon pricing, renewable energy, the 'nature of the problem' and international negotiations.

Carbon pricing

'Direct Action' is a scheme which 'pays polluters to pollute less instead of taxing them for that pollution and its costs to society' (Conley, Forthcoming, p. 22). The repeal of the 'carbon tax' was the culmination of a vociferous four year campaign against carbon pricing rooted in a disinclination to act on climate change that carried strong cultural undertones. Abbott

described it on numerous occasions as ‘socialism masquerading as environmentalism’ and argued that its repeal represented a ‘fundamental structural reform’ (2012, p. 23). Carbon pricing is however, a mechanism which economists consider essential to driving the structural economic change necessary for decarbonization and climate stability (Garnaut, 2011, p. 90), although the use of a market mechanism is not without critics (Spies-Butcher, 2011; Rosewarne, 2011; Charlton, 2011; Spash, 2010; Davis, 2010; Stillwell, 2008).

The alternative policy, legislated in October 2014, of Direct Action is not considered a plausible alternative to carbon pricing (Jotzo, 2014; Garnaut, 2014) although it could certainly function as a complementary policy (Denniss, et al., 2012). The centerpiece of Direct Action is the \$2.55 billion (over 4 years) Emission Reduction Fund (ERF) which pays industry to reduce emissions on a voluntary basis and contains no mechanism to ensure that abatement ‘purchased’ is not offset by increases elsewhere¹⁰. Australia might meet its 2020 reduction target of 5% but it has been suggested that this would be in spite of such a policy (Hartcher, 2015). The modest target is achievable because electricity demand has been declining due to improved energy efficiency, higher network costs¹¹, increased uptake of renewables and the decline of manufacturing (Saddler, 2015, p. 3). It remains to be seen how sufficient abatement will be purchased by the ERF to meet the 2030 target without considerable fiscal impacts (CCA, 2015, p. 25; Garnaut, 2013, p. 208; Christoff, 2015). The international community seems to realize that serendipity is not a strategy and there were concerns raised through the UNFCCC (2015) about whether Direct Action would be a sufficiently robust policy regime to allow Australia to meet its stated position of contributing to global action to avert dangerous warming.

Despite the dire predictions that surrounded the imposition of carbon pricing, in the two years of its operation the economy remained relatively robust, inflation modest, and importantly,

¹⁰ An exposure draft for a ‘safeguard mechanism’ was released in September 2015 which was considered too weak to effectively constrain emissions (Harter, 2015). Notable though, was the possibility that businesses exceeding their ‘safeguard mechanism’ baseline (however determined) could purchase abatement overseas (Denniss, 2015). Such an arrangement, which is effectively an ETS, was derided by Tony Abbott as ‘the non-delivery of an invisible product to no one’ (Abbott, 2012, p. 70).

¹¹ It is likely that the loud campaign against the carbon tax actually drove the decline in household electricity use by focusing attention on price rises, which were however, largely the consequence of rising network charges (Saddler, 2013, pp. 59-60).

towns were not 'wiped off the map'. The efficacy of the carbon price is evidenced by the rise in emissions from electricity generation since its repeal (even accounting for the rundown in hydro-capacity in anticipation of the repeal) (O'Gorman & Jotzo, 2014). As Garnaut wryly observes, the 'benefits of its repeal are said to be an increase in the profits of companies with direct or indirect exposure to carbon pricing, and the reduction in the cost of living of households. Of course, these benefits are by nature exclusive of each other' (2014).

Direct Action represents a simplistic rendering of the problem of climate change as it presents the challenge as simply 'reducing emissions' (Hunt, 2015). While excessive carbon emissions are clearly the problem they should be seen as a symptom of a type of energy system and mode of production. Accordingly, while the overarching goal of climate policy is to help stabilize and then reduce emissions in order to forestall further warming, transitioning away from fossil fuel based production is widely seen as means to this end. Direct Action prosecutes the objective of emissions reductions with reference to a target in 2020 that the economy was already tracking towards. It does so in a manner that prevents, as much as possible, structural change by paying for emission reductions out of consolidated revenue rather than letting prices make decisions. Although Minister for Climate Change in the Gillard government Greg Combet refused to 'take the back of the axe to the fundamentals of the Australian economy' (Maiden, 2010) in the implementation of Labor's climate plan, the imposition of a carbon price – albeit a narrow one with associated compensation to carbon polluters – implied modest restructuring by altering relative prices¹². But whatever policies the government pursues, according to its own economic modelling of a future global climate agreement the composition of the Australian economy will change (McKibbin, 2015).

¹² This is a point that Firsova et al. (2012, p. 28) miss in their critique of the CPRS when they state that '97 per cent of the funds would doubtfully have served any carbon pollution reduction'.

Renewable energy

Secondly, the government's actions on renewable energy suggest a sectoral bias towards the resources industry. The appointment of a noted climate skeptic¹³ to head the government's review of the renewable energy target (RET), whose terms of reference were focused on the scheme's impact on business costs, and prominent attacks by the treasurer and PM on wind energy seemed to dampen the 'animal spirits' of renewables investment. Intentionally or otherwise, investments in large scale renewables projects slumped 88% the year after the Coalition came to power (SMH, 2015, p. 14). Legislation was eventually passed to reduce the RET from 41,000 to 33,000 gigawatt hours but a bill to abolish the profit making Clean Energy Finance Corporation did not pass the senate (Conley, Forthcoming). Instead, this statutory body which was established in 2012 with the mission to 'facilitate increased flows of finance into the clean energy sector' was directed to cease investments in wind farms. It was also announced that a 'windfarm commissioner' would be appointed to oversee community complaints about noise and health implications (Taylor, 2015).

While renewable energy is not an answer to climate change in itself, it is generally viewed as an integral element in decarbonization. Economists are generally not enthusiastic about the RET because they focus on 'least cost abatement'. On this basis the Productivity Commission and Ross Garnaut – climate advisor to the Rudd and Gillard governments – have warned of the distortionary potential of the RET which could produce overinvestment in renewables vis-à-vis gas, and encourage the practice of lobbying for particular technologies (Curran, 2009, p. 214). However in the absence of carbon pricing the RET is 'welfare enhancing' because it involves an implicit carbon price below that which would be socially optimal (Quiggin, 2013, p. 2). It is worth noting that the growth in recent years of the renewables sector has contributed to a decline in the profitability of coal fired electricity generation by fulfilling profitable peak demand (Bell, N, 2014).

¹³ Dick Warburton was also for a time climate advisor to Abbott when the latter was in opposition. He also headed a group of manufacturers – Manufacturing Australia – which was formed to lobby against the Gillard government's CEF legislation (Taylor, 2011).

The nature of the problem

Thirdly, the Coalition gave the impression of not taking climate change seriously by seeking to remove institutions of climate governance (and sacking key public servants involved in the implementation of Labor's climate policies) (Jotzo, 2013). Perhaps the most important of these institutions, given the difficult politics of climate change, was the Climate Change Authority (CCA). Modelled on its counterpart in the UK, the CCA was established in 2011 to provide independent expert advice on matters of climate mitigation such as the setting of emission reduction targets. It was envisaged that the CCA might soften climate politics and gradually develop the authority over climate policy that the Reserve Bank enjoys over monetary policy (Garnaut, 2013, p. 203). Clive Hamilton, one of the remaining four members of the CCA¹⁴ suggests that the way the government's targets have been scrutinized with reference to the CCA's defunct¹⁵ report suggests strong public perceptions of its credibility. There is an argument however, that the judgments required to be made by the CCA are by nature normative¹⁶, and the attempt to create the impression that national emissions reduction targets could be objectively determined by 'experts' was misleading (Macintosh & Denniss, 2014, p. 215).

Although legislation to abolish the CCA failed to pass through the senate, it has been sidelined by a government that 'made it clear that it would not listen to its advice' (Hamilton, 2015). In September 2015 CCA chair Bernie Fraser – formerly the Reserve Bank Chair – resigned after a long period of tension with the government (Coorey, 2015). This strain was highlighted by a series of pointed remarks Fraser made about the government's climate policy: he complained that 'the reduction in emissions embodied in the government's target is substantially weaker than that recommended by the Authority' and criticized the strategic use of 2005 as the base year (Fraser, 2015, pp. 1-2). In an earlier submission on Direct Action, Fraser implored the government to acknowledge climate science: 'For acceptance of the science to mean more than

¹⁴ There were nine original appointments, four of which resigned soon after the 2013 election.

¹⁵ An advisory role established in the Prime Minister's Office for such matters made the CCA redundant.

¹⁶ This parallels critiques of the way that reserve bank independence insulates monetary policy from democratic accountability and thereby elevates certain interests over others (McNamara & Berman, 1999).

lip service, however, it has to be backed by policy measures commensurate with the challenges identified by climate scientists' (CCA, 2014, p. 1).

More successful was the abolition of the Climate Commission. Its closure which required no legislation was the incoming Coalition government's first act (Arup, 2013), and seems related to Fraser's comments about accepting science. The Climate Commission was established to communicate the science of climate change and build consensus for a transition to a decarbonized economy. It was considered by some conservatives to be a partisan body because of its advocacy for mainstream climate science. A Liberal senator dubbed it a 'propaganda unit' (Macintosh & Denniss, 2014, p. 199).

According to the Abbott government, the body was removed to streamline processes; however in 2015, an alternative potential source of climate consensus emerged when Bjorn Lomborg's Australian Consensus Centre was offered a federal grant to set up at a leading university (Dodd, 2015). In the event, the center's announcement stirred such controversy that it was not established. Lomborg is the adviser to the Foreign Minister on issues of foreign aid and his iconoclastic approach to climate change meshes with that of the Coalition. While formally accepting climate science, Lomborg uses cost benefit analysis to downplay the extent to which climate change is a problem worthy of attention. His message is: 'The world is warming but there's no need to panic' (Lomborg, 2013). The 'alarmist' predictions of the Club of Rome in the 1970s are for Lomborg (2012), a heuristic for global warming today.

Tony Abbott wrote in his 2009 book *Battlelines* that although climate change is a 'relatively new' political issue the climate has always been changing, as the extinction of dinosaurs attests (p. 169).¹⁷ The claim is supported by citing distinguished climate contrarian Ian Plimer (p. 170). On the following page though, Abbott quotes a passage from Lomborg's famous book in which the acceptance of the 'undeniability' of climate science is rejoined with the claim that 'economic science.....makes it clear that a narrow focus on reducing emissions could leave future generations lumbered with major costs, without major cuts in temperatures' (Lomborg,

¹⁷ This is one in a series of comments casting doubt on climate science, including: 'It seems that the world has cooled slightly since the late 1990s'; that the IPCC is unhelpfully 'alarmist' (see, Ferguson, 2009); and the iconic 'climate change is crap' (Marr, 2012, p. 73).

quoted in Abbott, 2009, p. 171). The point is that Abbott believes climate change is little more than a political project: 'For many, reducing emissions is a means to achieving a political objective they would not otherwise gain' (ibid). It is notable that he has explicitly linked the idea of climate change to a wider political struggle. Likewise, the former head of the Prime Minister's Business Advisory Council, Maurice Newman, who has campaigned stridently against wind farms, considers climate change a 'scientific delusion' (Taylor, 2014, p. 142) – a fraud perpetrated with the purpose of instituting a 'new world order under the control of the UN' (Newman, 2015).¹⁸

Such cultural or social production of ignorance – the study of which Proctor calls 'agnotology' (2008, p. 1) – about climate change has been described as 'manufacturing uncertainty' (Oreskes & Conway, 2010) or 'fabricated uncertainty' (Quiggin, 2008, p. 207). Abbott's preparedness to fabricate uncertainty by de-problematized 'the very nature' of the problem with which climate policy grapples is an important part of this story. While he also challenged, vociferously, the goals and instruments of climate policy, contesting its very nature was integral to his elevation to the Liberal leadership in 2009 and concomitantly, the climate policy shift that Australia has undergone (this theme is taken up in chapter 3).

International negotiations

The fourth point of differentiation regards international negotiations. Here we saw the Abbott government soften its initial hardline attitude, a trend likely to continue under Turnbull's leadership. In August 2015 the Government announced its target to take to the Paris conference: a 26-28% reduction on 2005 levels by 2030. This is far weaker than the CCA's recommendation and places Australia far from the lead in global mitigation efforts. Yet the government claimed the target was 'fair and responsible' (Australian Government, 2015(a)) and in this sense is neither 'denying' climate science nor repudiating international cooperation. This

¹⁸ In a similar vein Abbott could be considered a norm entrepreneur (see Beeson & Stone, 2013); or perhaps he and Newman could be seen as 'elites' with policy access and shared ideas operating within an 'advocacy coalition' (Schmidt, 2010, p. 3; Weible, et al., 2009).

represents a shift from its early 'obstructionist' stance which echoed that of the Howard government.

In 2014 PM Abbott attempted to mobilize a 'conservative coalition of likeminded states' against climate action (Kenny, 2014) and sought confirmation from his Canadian counterpart that climate change was a 'fad' (Garnaut, 2014). At the time, Lord Denman, head of the UK's climate authority and environment minister in the Thatcher government criticized the Coalition's climate policy as 'wholly contrary to the science, [and] wholly contradictory to the interests of Australia' (Garnaut, 2014). At the UNFCCC Warsaw COP19 Australia was accused of being a 'denier' (a term not used in such fora for some years), a 'rogue nation' and was criticized for having not sent a ministerial level delegate (the first time in the UNFCCC process). A junior delegate gave a brief speech to a high level segment which stated that although Australia accepted the science it would only take action that was 'fiscally and economically' responsible (Parkinson, 2014).

There was however, evidence, albeit contested, of the emergence of a more conciliatory approach in 2015. Although Australia's rhetoric suggests an engagement with international efforts, according to Lord Denman 'it is fundamentally out of step' and its target 'puts Australia among the "don't cares" of the international community' (Quoted in (Milman, 2015(a))). But former special envoy on climate change, Howard Bamsay, one of Australia's most experienced climate change negotiators believes that the Paris target 'will make Australia a laggard, but not an obstructer' (Morris, 2015). (Upon becoming Prime Minister on September 15 Malcolm Turnbull committed to maintaining these policy settings.)

This might well be evidence of social learning¹⁹ after the embarrassment caused by 'President Obama's criticism of Australia's intransigence' at the Brisbane G20 meeting in late 2014 (Phillips, 2015, p. 269). Australia had tried to keep climate change off the agenda arguing that this economic grouping should focus narrowly on 'economic diplomacy'. Although the final communique did include reference to Australia's priority of boosting economic growth,

¹⁹ It could, however, have been the result of any number of mechanisms of global policy diffusion, the most well recognized being; social learning, social construction, coercion and competition (Dobbin, et al., 2007).

Obama's comments along with the surprise announcement of a climate accord between the US and China and the 'prominent emphasis accorded to climate change in the G20 communiqué Dramatized the limits of Australia's agenda-setting influence' (Phillips, 2015, pp. 269-70). Phillips suggests that the Abbott government 'self-consciously favored a transactional rather than transformational foreign policy style. That is, it has preferred to anchor its diplomacy in appeals to states' material interests, as opposed to favoring more idealistic and transformative "big picture" solutions to international challenges' (2015, p. 264). In terms of climate diplomacy, this is a significant and wholly expected departure from its Labor predecessors, particularly the Rudd government.

Yet the government is not devoid of idealism. The inimitable claim that 'coal is good for humanity' is a strong normative appeal to the importance of alleviating 'energy poverty'. It has been buttressed by Abbott's more recent claim that it would be 'tragic for the wider world' if strict environmental laws were to stall the Galilee Basin mines (Hasham, 2015). This is also the normative message of the Environment Minister Greg Hunt and the new Minister for Resources, Energy and Northern Australia Josh Frydenberg (who wants to use the Northern Australia Infrastructure Facility to help develop the Galilee Basin) (Eyers, 2015). Although the narrative appears to have been borrowed from the coal industry, it is definitely an idealistic, 'big picture' solution.

That the G20 became largely about climate change despite Australia's best efforts should not surprise. What is more notable is Australia's uncoupling from US climate policy. In 2013 Christoff (p. 162) wrote that climate policy changes have 'generally been injected from overseas'; for the last two decades Australia has been a 'taker' not a 'maker', a 'follower' and a 'laggard'. In what follows, I argue that the change in policy direction from 2007-14 is largely of a domestic nature although the cultural backlash underpinning this shift against climate action derives from America. This is something of a departure from previous periods of climate policy formation. Yet the gradual socialization of the Abbott government confirms Christoff's theory that Australia is a climate policy 'taker'.

Summary

Despite clear political polarization with its related 'uncivil politics' (Ward, 2015), and the rise and fall carbon pricing, climate politics plays out within relatively narrow confines in Australia. Its *national climate policy regime* is reluctant to acknowledge the need for sectoral restructuring, has no appetite for policies which might impose widespread costs and ignores Australia's role in the global coal trade. Yet the approach of the Abbott government deviated from its predecessor in terms of carbon pricing, renewable energy, international cooperation and, indeed, its acceptance of the 'nature of the problem'. This came to be presented as being about protecting consumers and businesses from higher electricity prices and shielding jobs and the economy from the deleterious effects of policies based on 'alarmist' readings of climate science. This outcome was the legacy of the politics that brought the government to power. The following chapter attends to the task of detailing these developments.

Chapter 3 Challenging the great moral challenge

'The argument on climate change is absolute crap' Tony Abbott²⁰

The purpose of this chapter is to trace the process by which the incipient movement towards policies that would constrain Australian GHG emissions in 2007 was neutered by 2014. This historical reconstruction draws on various detailed accounts which trace parts (Burgmann & Baer, 2012, Chapter 4; Crowley, 2013(a); Macintosh & Denniss, 2014; Macintosh, et al., 2010), or all (Chubb, 2014; Kelly, 2014)²¹ of the Rudd and Gillard governments' efforts to implement climate change policy reform. Bearing in mind the earlier discussion of the tools of analysis employed by historical institutionalists such as critical junctures, it would be hard to view history as an efficient force. Paul Kelly quite accurately sums up the period in these terms: 'In a saga of tragic comedy Rudd was ruined off the back of the carbon policy retreat and Gillard was destroyed by legislating her scheme in a breach of trust' (2014, p. 70).

A movement towards climate action

The ruption in climate change policy, the opening of the critical juncture, occurred before the 2007 'climate change' election. It arose from a confluence of events: a record breaking drought that had been linked to climate change; the release in 2006 of the Stern Report that highlighted the likely dire economic consequences of unmitigated climate change and the efficacy of early action; and the substantial global impact of Al Gore's film, *An Inconvenient Truth*. These conditions combined to draw public attention to climate change giving it a political salience that the Howard government could no longer ignore (Macintosh, et al., 2010, p. 200).

²⁰ Quoted in Marr (2012, p. 73).

²¹ The accounts by Kelly and Chubb are based on hundreds of interviews with key participants in this turbulent period in Australian political history.

In response, the Howard government commissioned a report into an ETS which found that emissions trading was the least cost form of abatement. On the basis of this report by head of the Department of Prime Minister and Cabinet Peter Shergold, and with the encouragement of treasury head Ken Henry and the blessing of the business community, the Howard government reluctantly (Kelly, 2014, p. 73) joined Labor and the Greens in taking the policy of an ETS to the 2007 election. It is notable then, given the subsequent defection of the Coalition from emission trading bipartisanship, that the 2007 election saw 87% of electors vote for a party that promised swift action to put a price on carbon via an ETS (Beeson & Stone, 2013, p. 8).

The recommendations of the Shergold report were similar to the findings of the National Emissions Trading Taskforce, a committee established in 2004 by the Labor states and territories as a means of seizing the initiative on climate change. Reporting in 2006, the taskforce – which was dominated by state energy department officials – ‘favor[ed] free permits for emission intensive, trade exposed businesses and generators’ and seemed to understand the process of implementing climate reform as being essentially concerned with placating vested interests (Chubb, 2014, p. 47). Indeed, according to Chubb, Shergold’s findings mirrored those of Labor’s taskforce, which had given rise to the expectation that losers from the structural adjustment that climate action would impose could expect compensation, while the beneficiaries would retain their gains – a very difficult basis for reform (Chubb, 2014, pp. 47-9).

The expectation of compensation developed a legacy. Once the Rudd government came to office, the power generators were firmly against its climate change advisor Ross Garnaut. The hope for reparations probably contributed to the vigorous lobbying that accompanied the development of CPRS. At this point it should be pointed out that although Garnaut was the eminent advisor his way was not the only way and there was criticism of the scheme (in addition to the more general criticism of price mechanisms). Warwick McKibbin, for instance, a strong supporter of pricing carbon who advocates a hybrid scheme that creates incentives for short-term emissions cuts and long-term planning by combining tradable pollution rights with emissions taxes (McKibbin & Wilcoxon, 2002) considered the CPRS, and the later CEF legislation, badly flawed. He considered their main problem to be the focus on short term

carbon reductions at the expense of establishing a credible basis for long term investment (ABC, 2012)²².

Garnaut, a leading neoclassical economist commissioned to study climate mitigation and adaption strategies, had previously written an influential report for the Hawke government about the implications of the developments then under way in East Asia. Pondering the factors leading to the 'changing fortunes of a policy entrepreneur', Beeson and Stone note that the findings of Garnaut's earlier report 'accorded with the vested interests of business and the unions in Australia. With climate change, the principal beneficiaries will be the unborn or the unfortunate and unknown outside Australia' (2013, pp. 11-2). These dynamics added to the difficulties in promoting climate action and provided business with substantial leverage, even before any political miscalculation by the government or any external setbacks like the collapse of Copenhagen and the GFC.

A crucial factor that led to the Howard government dramatically reversing its position was the BCA's acceptance of the principle of carbon pricing (Kelly, 2014, p. 74). But as events would later demonstrate, the bipartisanship that the reversal of Howard's longstanding position created was without firm foundations. It was an expedient policy position adopted by a party under political duress²³. There remained a significant number of climate science deniers within the Coalition ranks who saw climate change as an ideological issue by which their opponents could gain ground by implementing an 'economy-wide intervention' (Kelly, 2014, p. 240). Emissions pricing would also be injurious to the profitability of key business sectors with close ties to the Liberal party.

The nation's peak business association also took a contradictory stance.²⁴ Its president Michael Chaney decided that maintaining resistance to carbon pricing would cause his organization to

²² This was also the basis of McKibbin's strong critique of the Kyoto Protocol; a critique which was strongly critiqued by Hamilton (2007, p. 103).

²³ Howard conceded as much in a 2013 speech lamenting the 'perfect storm' that gave rise to his promise of an ETS. During the speech entitled 'One religion is enough', he not only cast doubt on the science but asserted that despite the expertise of scientists regarding 'science', parliaments are experts at public policymaking and should not 'surrender that role to others' (Howard, 2013).

²⁴ This continues. In a speech launching the BCA's contribution/submission to the 2015 energy whitepaper process, its chief Jennifer Westacott (2014) argued: 'there is no doubt that Australia should transition towards a low-

‘lose credibility’. In a speech at the time he expressed doubt that action was necessary but accepted the proposal as a form of ‘insurance’ (Chaney, 2006). But by May 2009 when legislation for an ETS was introduced into parliament, the BCA were calling for the ‘Reject[ion of] Devilish Detail in Carbon Laws’ (Gailey, 2009). This suggests that their frequently iterated support for a pricing mechanism involved the unstated caveat that it must not affect the profitability of key members. There was support for the principle of carbon pricing – especially its ability to create ‘business certainty’ – yet they took issue with the ‘design’. Nyberg et al. report the dissonance between the public relations efforts of many large corporations involved in the campaigns against carbon pricing which emphasized their status as ‘good corporate citizens’, and their behind-the-scenes advocacy (and overt activism) against climate action (Nyberg, et al., 2013, pp. 440-1). The articulation between big business and the political party representing their interests is also clear in the way that support for the ETS withered on the vine.

The Howard government’s policy reversal and the taking up of the climate action cudgel by Kevin Rudd presents a challenge to business power theories though. It parallels long standing criticism of the inability of these theories to explain the variable nature of business power (Vogel, 1987; Culpepper, 2015, p. 2). If business has a ‘privileged position’ (Lindblom, 1977); or more specifically, if the carbon lobby dictates government policy (as in the greenhouse mafia thesis), how do we account for periods such as 2007 when they appear to lose battles? Surely such a powerful entity as the greenhouse mafia would keep such issues from appearing on the policy agenda. Culpepper’s quite simple answer is that the ‘value of deference is conditional on public attention and concern about an issue’ (2011, p. 190). Such an argument offers a useful way to further develop structural power theories by introducing agency – in the form of the voting public. Although Culpepper pays little attention to the drivers of ‘public opinion or whether the interests of business are forwarded by the media’ (Marsh & Akram, 2013) his insights suggest the heightened *political salience* of climate change might explain the (temporary) diminution of business power, despite the great structural, instrumental and

emission economy over time. We can and should do this purposefully, with a focus on innovation and in a way that does not threaten our economic competitiveness’. This was a call for business as usual.

ideological power of the ‘carbon lobby’. Notwithstanding the arrival of an ETS on the political agenda in 2007, a business mobilization – when combined with other events such as the GFC²⁵ – confounded efforts to produce lasting reform of climate governance in Australia. Although carbon attracted a price in 2012, it occurred in such a manner, and in the context of such a divisive political environment, that by 2014 the policy had been reversed.

Business power

Business power is deeply implicated in the way that the impetus for progressive action that accompanied the demise of the Howard government in 2007 gradually evaporated (Burgmann & Baer, 2012). Kevin Rudd’s emphatic engagement with the climate issue which promised to transform Australia from being a ‘laggard’ to a ‘leader’ on climate ended in acrimony after the government’s policy centerpiece, an emissions trading scheme (the CPRS), was diluted and delayed under intense lobbying by business groups. According to Garnaut the lobbying effort, which intensified throughout 2008-9, was ‘unprecedented in the history of Australian public policy [and] has secured overly generous deals for business’ (Garnaut quoted in Burgmann & Baer, 2012, p. 114). Even those groups broadly supportive of carbon pricing such as the representatives of manufacturing capital wanted the scheme delayed because of the GFC (ibid).

The business mobilization was multifaceted. It involved the typical behind the scenes activities used so effectively by the carbon lobby during the Howard years (‘quiet politics’ in Culpepper’s terms), as well as high profile ‘issue advertising’ – a form of democratic participation which aims to influence political outcomes indirectly, by swaying community sentiment (McKnight & Hobbs, 2013, p. 309). Exemplifying this was a coal industry funded advertising campaign whose message, ‘Let’s cut emissions, not jobs’, targeted marginal Labor seats particularly in rural NSW and Queensland (Wilkinson, et al., 2009). The apparent success of this tactic, which relied on, and amplified the idea of ‘quarry vision’, led to its repeat the following year when a resources super-profits tax (RSPT) was proposed and then subsequently, during the debate over the

²⁵ The GFC did not result in a technical recession in Australia but its threat was invoked in a way that helped dissolve the gathering impetus for action. This mirrors the impact of Australia’s early 1990’s recession. Former science minister Barry Jones suggested there was a cynical element in the debate: ‘environmental issues were luxuries which characterised affluent times’ (Quoted in, Taylor, M, 2014, p. 46).

Gillard government's Clean Energy Future (CEF) legislation. The coal industry also brought prominent climate deniers out to Australia as part of the effort to undermine public support for climate action (Nyberg, et al., 2013, p. 441).

Observers suggested that these advertising campaigns – which were perhaps catalyzed by the union campaign against the Howard government's *WorkChoices* legislation and counter-advertising by business groups (Megalogenis, 2010, p. 59) – marked a new era in public policy development and contestation (Garnaut, 2013, p. 217; McKnight & Hobbs, 2013). This assertion was backed up by a key participant in the process. A year after his organization spearheaded a campaign against the Rudd government's RSPT, the chief executive the Minerals Council of Australia, Mitchell Hooke, explained to his members that there had been a 'profound shift' and the 'new paradigm of policy consideration/development is one of public contest through the popular media more so than rational, considered, effective consultation and debate' (Hooke, 2011).²⁶ These developments transform conventional understandings of 'lobbying'. The way that power is actuated through this 'new paradigm' would be understood by neo-Gramscian scholars as a form of dominance that seeks to 'secure hegemony through the manipulation of civil society' (Nyberg, et al., 2013, p. 417).

The influence of business actors was particularly evident in the way that reports to government were operationalized. When the final Garnaut Review report was released in September 2008 it was criticized as too weak because the targets it recommended did not reconcile with its assessment of climate science (Christoff, 2010, p. 215). The targets were, however, accepted by both major parties and reported to the UNFCCC. They sought to reduce Australia's emissions in 2020 by 'an unconditional 5 per cent relative to 2000 with conditional targets extending to 25 per cent depending on the actions of others' (Garnaut, 2011, p. 26). Yet the measures Garnaut proposed were substantially weakened in the government's response, which took the form of a discussion paper in July 2008 (based on Garnaut's interim report), a subsequent White paper in December 2008, and the CPRS legislation that was introduced into parliament in March 2009. Despite the government claiming that the Garnaut Review would be the key input in the policy-

²⁶ Contrary to Hooke's assertions of 'new paradigm', Orr and Ganja suggest that these developments were 'an ad hoc response to special conditions, rather than a self-perpetuating phenomenon' (2014, p. 91).

making process, it was downgraded and became one of many ‘inputs’ (Macintosh, et al., 2010, p. 22). According to David Marr ‘two years of lobbying by the country’s most powerful corporations had left the ETS in tatters’ (2010, p. 82).

By comparing these three documents – and cross referencing them to Treasury modelling – Pezzey et al. conclude that the dilution of Garnaut’s findings provides ‘strong circumstantial evidence that the Australian carbon lobby managed to emasculate the sound economic principles, for cutting national carbon emissions at something approaching least overall cost’ (2010, p. 201). Further, their analysis builds on the ‘greenhouse mafia’ thesis by arguing that this case is a classic manifestation of Mancur Olson’s (1971) ‘logic of collective action’. Olson theorized that business political mobilization confronts collective action problems– notably the incentive to ‘free ride’ – and collective action is unlikely to eventuate unless the benefits of action are concentrated and the costs diffuse. The emissions profile of the Australian economy is most conducive to adverse collective action dynamics given that ‘there are about 15 members of the Australian Aluminum Council and 35 of the Minerals Council of Australia [groups in which the costs of emissions pricing will likely be concentrated], as against 5000 of the Australian Retailers’ Association and 200 000 of the Australian Consumers’ Association’ (Pezzey , et al., 2010, p. 188). Furthermore, during the period when the CPRS was being developed, carbon intensive sectors generated 87% of emissions but only 29% of GDP and 21% of employment (ibid). Research into the Rudd government’s ill-fated attempt in 2010 to introduce RSPT – which encountered basically the same adversaries as the CPRS – identified these same dynamics (Gilding, et al., 2013). In short, the structural features of the Australian economy promoted this resistance to restructuring, which was, in turn, amplified by the expectation of compensation for those businesses poised to suffer from ecological restructuring – perhaps a legacy of the Shergold report.

Building on the work of Olson, scholars of business power identify other ‘daunting conditions’ that business leaders face in undertaking political mobilization that do not rely on a ‘rational choice’ framework (Polsky, 2000, p. 460). Polsky identifies three primary conditions for business mobilization: a set of ‘new economic circumstances’ that is in some way threatening to

business; business leaders also require a ‘common interpretation’ of the challenge and a potential remedy; and ‘some political actors would have to be prepared to absorb the costs of mobilizing business for collective action’ (2000, p. 460). The case of the CPRS meshes neatly with this schema. The ‘costs’ borne by political entrepreneurs relate to the legitimacy of opposing legislation that sought to protect the public interest. This third condition is the most relevant for our purposes because Polsky suggests that political leaders seeking re-election have the greatest incentive to ‘initiate political mobilizations’ of sufficient magnitude to alter the ‘general patterns of business involvement’ (2000, p. 463). It is uncertain whether business or the Coalition opposition ‘initiated’ the campaign against the CPRS, but we can assume that once started, it established a form of ‘mutual adjustment’ which according to Lindblom ‘relies on a multitude of tacit understandings shared by two groups of leaders, business and governmental’ (1977, p. 179). Taking a more instrumentalist position, economic journalist Ross Gittins (2013) suggests Abbott’s campaign against carbon pricing (and the RSPT) was motivated in part by the likelihood of ‘monetary support from the big miners in the 2010 election’.²⁷

The success of the campaign against the CPRS – the extent to which it was incorporated into policy – rendered it unfit for the purpose of ameliorating climate change. Its targets were too low, it gave excessive compensation to emissions intensive industries, and was ‘patently inefficient and unjust’ because meeting the 5% reduction target would require non-intensive industries to cut emissions (by 34%) while their intensive counterparts could increase theirs (by 13%) (Pezzey , et al., 2010, p. 201). Garnaut was especially critical of the revised CPRS, particularly the excessive compensation given to coal power generators, for which he claimed there was no public policy justification (Garnaut, 2013, p. 251; Marr, 2010, p. 82). This generous compensation suggested, *inter alia*, a disregard for Treasury’s advice that ‘carbon leakage’ was of little concern (Pearse, 2009, p. 69). Instead, the carbon emitters and their globalization narrative were judiciously heeded.

²⁷ This echoes a widely held view – of political parties in the pockets of business (e.g. Holmes, 2015). Part of the problem with this simple ‘instrumentalist’ story, in this case, is that Labor also receives substantial corporate funding. A study found Australia’s ten largest greenhouse polluters gave that the liberal party 30 percent more in donations in 2013-4 (ACF, 2015). This hardly represents a necessary or sufficient condition especially since the Liberal party – traditionally the party of free enterprise – is already in the ascendancy in the political donations stakes (McMenamin, 2013, p. 84).

But understanding *why* the lobbying effort was so successful is no simple matter. The circumstances under which 'business will be able to secure a favorable policy environment will depend upon the prevailing ideas of other actors and the broader economic, political and institutional environment in which those ideas arise' (Bell & Hindmoor, 2013, p. 14). Garnaut criticized Rudd for relying on the advice of his inexperienced staff who 'weighed undoubtedly strong resistance from special-interest groups, and inchoate reactions from partially informed members of the community, above more fundamental determinants of political success.' (Garnaut, quoted in Megalogenis 2010, p. 47). Bell's focus on 'situated agency' suggests that 'ideational processes are shaped by wider contexts' (2012, p. 663) – so structural and contextual factors condition but do not determine decisions. We might therefore assume that the perceptions of Rudd's advisors (the 'agents') regarding the importance of emissions intensive industries to the Australian economy weighed heavily on their advice. Crowley suggests 'The failed CPRS confirmed for many the primacy of economic over environmental concerns, and the carbon lobby's grip on policy' (2013, p. 375). Pearse concurred, this was simply 'elite power' – senior bureaucrats who had supported Howard's position were still in their roles preserving the 'notorious "iron triangle" of political, polluter and bureaucratic elites' (2009, p. 48).

Tactical and strategic failures

Although business power is clearly evident in the development of the CPRS, it did not determine the outcome – the government had other options. As policy network approaches emphasize, governments have important resources to exchange (Crompton, 2009) which can 'bargain away some of that structural power' (Marsh, et al., 2014, p. 713). The pleas of the carbon lobby could even have been ignored. But the government's approach of bending to industry demands was related to the difficult mathematics in the senate. Rather than negotiate with the Greens and independents it was easier to deal with the opposition and dilute the scheme (Macintosh, et al., 2010, p. 204). This could be seen as a form of 'mutual adjustment' where the government anticipated the adverse reaction of business to an environmentally robust ETS – one with 'green' fingerprints.

Notwithstanding these considerations, the extensive scope of the original CPRS, which encompassed 75% of Australian emissions – making it much broader than the European ETS – resulted in ‘a rapid emergence of an alliance of industry groups concerned about’ the scheme, whose political resources, overwhelmed those of the government (Bailey, et al., 2012, p. 699). According to Bailey et al. (2012, p. 697), this was one of numerous tactical errors which resulted from Rudd’s desire to both make the Australian scheme as liquid as possible to facilitate international connectivity, and to secure a political legacy associated with introducing a broad, ambitious ETS. The problem of the CPRS then, was that it was at once insufficient, and overly ambitious. It failed to meet its supposed environmental objectives but still antagonized its adversaries – certain business segments with whom the Coalition quickly aligned.

Importantly for our purposes, the erosion of the environmental credentials of the CPRS crippled it politically, condemning it to failure. Even the conservative media seemed to recognize this (Crowley, 2013(b)). The compromised nature of the package led to opposition from the Greens who argued that it was derisively weak and would lock in failure (Rootes, 2011, p. 411). Their support could have carried the legislation through the senate and they, unsurprisingly, had expressed willingness to cooperate (Chubb, 2014, p. 81). But there was no attempt to constructively engage or include them in a cross-party alliance. Instead, the package tried to steer a course between the environmental left and the skeptical right and so, ‘Rather than creating a broad coalition of support, the search for middle ground alienated many supporters of carbon pricing before it satisfied the scheme’s opponents’ (Bailey, et al., 2012, p. 702).

Instead of including the Greens in the development of the ETS, Labor relied on cooperation from the opposition. At the same time though, Rudd goaded the opposition leader Malcolm Turnbull, for example by condemning the failure to immediately pass the CPRS bills as ‘absolute political cowardice’ (Chubb, 2014, p. 75). This was an effort to exploit the growing division within Coalition ranks while at the same time legislate the CPRS prior to the Copenhagen conference in an effort to create momentum for a global deal – a most contradictory strategy.

Polarization, denial and culture war

The attempt to exploit climate change politically grew out of the polarized nature of the debate and the sense within the Labor party that this was their issue – an ideal opportunity for the party to present its credentials to the Australian public after having ceded so much ideological ground during decades of neoliberalism (Latham, 2013, p. 69). This was social learning. Mark Latham writes that ‘The Industrial Revolution created two pervasive institutions: market-based capitalism and carbon-based production..... An attack on one is an attack on the other’ (2013, p. 65) and argues that the ‘impending climate change disruption’ should be added to Fukuyama’s and Huntington’s grand narratives of the future of western civilization (2013, p. 68). A reflection of this view from the other side of politics envisages climate action as little more than ‘socialism masquerading as environmentalism’ (Abbott, 2012, p. 23). With the Soviet challenge to liberal capitalism now laid to rest, environmentalism, and indeed the acceptance of global warming as an important challenge, is seen by many conservatives in the US as little more than socialism in new clothes (Skocpol, 2013, p. 65; Antonio & Brulle, 2011). Connections between the Liberal party and associated think-tanks, and their counterparts in the US were potentially responsible this ideational transfer (see, McKewon, 2012).

Opposition leader Malcolm Turnbull had sought to provide accommodation for Labor’s ETS and was determined not to fight an election on climate change (Chubb, 2014, p. 76). Although the scheme was voted down when it was first introduced in May 2009, this was a delaying tactic which sought to secure additional business friendly amendments and build support within the party (Kelly, 2014, p. 241). The amendments were forthcoming and a final compromise was announced on November 24th 2009. It provided more compensation for power generators; additional free permits for export exposed emission intensive industries; protection for small business and the exclusion of agriculture (Macintosh, et al., 2010, pp. 207-8).

By this time though, there was growing rancor within the Coalition which was ‘tearing itself apart’ over the ETS (Macintosh, et al., 2010, p. 204). Waleed Aly thought this ‘truly remarkable’ – the environmentally weak and Hayek inspired scheme ‘was scarcely a green manifesto’ (2010, p. 90). But this division demonstrated the extent to which climate change had developed into

an ideological issue. The right wing of the Liberal party along with the Nationals 'saw Labor's agenda as a new economy-wide intervention that fused lost socialist dreams with a quasi-religious faith based upon a green scare about global warming' (Kelly, 2014, p. 240). Turnbull had stood firm and declared his disinclination to lead a party not as committed to climate action as he was. His personal commitment was overwhelmed though, when a leadership spill – somewhat randomly – resulted in a new, accidental leader (Kelly, 2014, p. 263). Tony Abbott emerged as a force of unification for the Coalition. He announced that the Coalition would henceforth oppose the CPRS which he described as a 'great big new tax on everything' (Macintosh, et al., 2010, p. 208). The issue had caused the conservatives to be so divided between sceptics and believers that Turnbull was unable to hold the opposition together (Megalogenis, 2010, p. 45). This institutional context is a very important component of the movement away from climate action in Australia.

The machinations within the Coalition parties during the course of 2008-9 set the scene for the climate policy drift that continues in 2015. This is even so after the resumption of the Liberal party leadership by Turnbull whose newfound commitment to 'cabinet government' suggests climate policy stasis, in the short term at least (Kenny & Wen, 2015). Matt McDonald, who has closely followed the development of Australia's climate policy recognized Abbott's assumption of the Liberal leadership as marking a 'major shift in climate politics, with a brief period of bipartisanship on climate change all but disappearing' (2015, pp. 5-6). We must be careful with agency here. Social theorists have long emphasized that men and women make history not in their own terms but in historically conditioned circumstances (Marx, 1852 [1978], p. 595). Abbott was not a *cause* of this reluctance to undertake climate action – his elevation to the leadership was a *consequence* of the dynamics in the Coalition parties at the time. This inflexion point – where a narrow battle was won – sent both the Liberal party, and climate policy along with it, down a particular path.

The unease that MPs – especially rural members – were detecting in their electorates about Labor's climate plans bore some relationship to the 'scare campaign' condemning the scheme as detrimental to Australian prosperity. Likewise, the Rudd government seemed to assume that

the 2007 'mandate' would last in perpetuity. Its failure to clearly articulate why the CPRS was necessary to combat climate change contributed to the ability of the opposition and business to undermine the policy. Public engagement and understanding of the necessity for action are important because: climate change is a relatively new policy domain; involving highly specialized science; global collective action dilemmas; and importantly, the proposed response calls for changed patterns of behavior and the imposition of costs. On this basis Pietsch and McAllister consider that government action to address climate change is more 'circumscribed' by public opinion than 'any other major public policy issue of the last half century' (2010, p. 218). While the exact veracity of this claim is uncertain, it is clear that public understanding of climate change – both in terms of the problem itself and the means of redress – is a prerequisite for action. Unlike other difficult policy domains, such as industrial relations, the benefits of effective climate policy are diffuse making long term making coalition building difficult.

Efforts to confuse the issue – part of the neoliberal epistemological challenge to climate change (Mirowski, 2013, p. 338) – were part of a project with a long history (Brulle, 2014). A key component of the story is where Abbott flew the kite of climate denial at a meeting of farmers in September 2009 when he uttered the memorable line: 'The argument on climate change is absolute crap' (Marr, 2012, p. 73). As Kelly points out, this happened after the Nationals revolt threatened to tear the coalition apart – the kite flying exercise seems to have been undertaken at the urging of opposition senate leader Nick Minchin who had always been skeptical about climate change and had formed the view that Copenhagen was unlikely to deliver a deal (2014, pp. 245-7). Research conducted in September/October 2009 on the attitudes of parliamentarians towards climate change found that 40% of Coalition MP's were climate science 'deniers' (Talberg & Howes, 2010). By contrast no Labor member surveyed repudiated the science, although there were sceptics in the Labor ranks, such as influential resources minister Martin Ferguson (Pearse, 2009, pp. 49-50). Furthermore, all Labor members surveyed identified climate change as a major issue requiring urgent attention, as opposed to only 20% of coalition members. These striking statistics concord with research which finds that political party identification is a solid predictor of views on climate change (Tranter, 2013). As Hamilton

suggests, 'values determine beliefs' (2010(a), p. 107). One astute commentator suggested that although Abbott's repudiation of climate science and denigration of the CPRS seemed 'to be a rejection of public opinion [it] was in fact a very subtle reading of it' (Aly, 2013).

After Abbott's accession to the Liberal leadership, climate policy – or the repudiation thereof – became an effective political tool to be wielded within and without the party. The CPRS was voted down in the senate for a second time giving the Labor government a double dissolution election trigger which it was expected to use in order to generate a 'fresh mandate' for change. The legislation was introduced for a third time in March 2010 and again rejected. That the 'fresh mandate' was not sought suggested that Labor stood for nothing, an impression which was reinforced when the CPRS was abandoned some months later.

The failure of the Copenhagen conference in December 2009 to deliver on the unrealistic expectations that the public – willed on by Rudd – had invested in it, 'stripped climate change of its political potency' (Macintosh, et al., 2010, p. 209) and was seen by the Coalition as validating their resistance to the CPRS. Indeed, Rudd's failure to personally secure a global deal and the subsequent unravelling of Labor's climate policy centerpiece was adduced by his opponents as, not only proof of the wrongheadedness of his climate campaign, but also evidence that climate change was a passing fad.²⁸ Then opposition leader Tony Abbott took advantage of the setback in constructing a meaningful global climate regime and the related rise to prominence for climate skeptics. The 'pause' in concern in Australia which was reflected in surveys showing declining willingness to accept the costs associated with action between 2008-2010 was likely affected by all of these factors and helped the self-confessed climate 'weathervane' Tony Abbott decide to pursue his populist campaign.

The deniers within the Coalition ranks are relevant because we are investigating the challenge to the climate regime and trying to explain its resilience in the face of public concern that science be heeded. The presence of deniers reminds us that 'policy paradigms embody political struggles' especially among the competing ideas that actors have 'about how best to address

²⁸ In 2009 for example, Abbott wanted 'to be careful that we're not jumping on a bandwagon or being taken in by a fad' while Minchin's protégé Cory Bernardi wanted 'the Australian parliament to examine the facts of climate change and not just the opinion polls' (Ferguson, 2009).

policy problems' (Beland & Cox, 2013, p. 193). The idea of climate change as a fad was used in conjunction with the idea that Australia's economy was utterly dependent on the resources sector, as weapons for institutional stasis. According to Rosewarne 'the concerted campaign by lobby groups and the conservative media challenging the science of climate change and the urgency for mitigation policies contributed to the more general erosion of public sentiment on the need for action' (2011, p. 18). But despite this 'erosion' the public still expected action.

Abandoning the CPRS

The announcement in April 2010 that the CPRS would be deferred indefinitely was met with public incredulity. According to the polls, Labor lost 'a million votes in two weeks' (Cassidy, 2010, p. x). Walking away from the 'greatest moral challenge' – or in Rootes' formulation: 'kicking a difficult but popular issue into the long grass' (2011, p. 411) – seemed to confirm suspicions that climate change had been little more than an opportunistic political project. Kelly wrote that 'The iconic Labor reform was carbon pricing to combat climate change, a highly fashionable idea' (2014, p. 70). Many assumed that failure to utilize the election trigger was due to Rudd's cowardice. According to Rootes (2011, p. 411) though, Labor's polling showed that claims made by business and the opposition about the impact that the CPRS would have on 'electricity prices had gained traction in Labor's marginal seats' and senior ministers did not support a fresh election triggered by climate change. Besides, there was a feeling that lasting climate reform required bipartisanship which a divisive election would be unlikely to deliver.

Abandoning the CPRS set in motion 'a chain of events that ultimately led to Rudd's removal as Prime Minister' (Macintosh, et al., 2010, p. 199). Panicked by public disaffection over this decision and the government's apparent inability to stand up to vested interests, recommendations from the Henry Taxation Review were suddenly incorporated into the May budget, in the form of the RSPT. This antagonized various mining companies who, astonished by the lack of consultation and galvanized by the success of their efforts against the CPRS, launched a noisy political offensive against the proposal. The prime minister's inability to deal with this political fallout generated fear within the caucus that Labor might lose the upcoming

election which convinced them that the RSPT was an electoral liability which they sought to neutralize by removing the Prime Minister (Bell & Hindmoor, 2013).

Scholars took much interest in this 'exemplary case' of business-government relations which was considered a 'landmark event in Australian political history' (Gilding, et al., 2013, p. 501) and 'the most ferocious lobbying campaign ever seen in Australia' (Mitchell, 2012, p. 39). It was also part of the somewhat fractious conditions between state and capital that characterized the Labor period – after four terms of Coalition government. Labor was effectively warned off antagonizing the multinational miners and the case was waved about for other countries to witness. At a major gathering of mining executives in London in the month following the government's back down, the chief of BHP issued a blunt warning to other governments that might be tempted by the idea of 'resource nationalism' (Gilding, et al., 2012, pp. 23-4). Hooke (2011) warned the MCA's annual general meeting of a deteriorating public policy environment which risks returning to a 'bygone era' where 'toxic norms' give rise to 'intervention' in business. This was a problematic because of 'increasing perceptions of increasing sovereign risk' which of course threatens 'compromising national prosperity'.

These comments about sovereign risk are interesting in the light of the more recent politics surrounding wind energy. This is an example of the way that business power becomes molded through institutional settings. As Garnaut observes, 'established interests always have a big advantage in the political process over those who will benefit from reform' (quoted in Burgmann & Baer, 2012, p. 121).

The 2010 election and the 'institutional barrier'

In an ironic twist, Rudd's removal by his party in 2010 was due largely to his failure to deliver on climate change, while the Gillard government's historic enactment of legislation to price carbon after having (perversely) ruled it out, contributed significantly to that government's demise (Macintosh & Denniss, 2014, p. 195). After the 2010 election, Labor found itself in minority government. It controlled the lower house with the support of three independents and a Green, while the balance of power in the upper house was held by the Greens (McAllister, et

al., 2012, p. 190). The Greens had made their 'alliance' with Labor contingent on carbon pricing (Chubb, 2014, p. 148).

The government had not only failed to articulate the case for climate policy reform during the election campaign but Prime Minister Gillard had famously promised that there would be 'no carbon tax' under a government she led (Crowley, 2013, p. 379). Labor wanted to delay legislation to price carbon until it had built more community support yet the surge in the Green vote indicates that parts of the community were supportive of climate action. The Greens secured their highest ever primary vote leading Rootes to suggest that 2010 should be understood as the 'climate change election' – the electoral result forced Labor to adopt a stronger position on climate than that proposed by Rudd (Rootes, 2011, pp. 410,416).

If we accept Rootes' claim, we might once more utilize Culpepper's maxim that 'business power goes down as political salience goes up' (2011, p. 177). In this case, climate change remained sufficiently salient to force policies for the reform of climate governance on a vacillating government, demonstrating a diminution of the carbon lobby's power. Crowley makes the interesting argument that carbon only acquired a price because of an institutional barrier: 'By gaining agreement to move the political maneuvering around carbon pricing inside a Multi-Party Climate Change Committee (MPCCC), the Greens established a crucial institutional barrier to the lobbying efforts of the carbon industry' (2013, p. 376). The CEF legislation was 'contingent rather than engineered' (2013, p. 381) because Labor had to be 'prompted' by the Greens and independents to 'renew' its commitment to pricing carbon (Naughton, 2011, p. 122). Legislation to price carbon was enacted but long after Labor had stopped talking about climate change leaving it vulnerable to what Naughton refers to as 'Abbott's demagoguery and cynical opportunism' (Naughton, 2011, p. 123).

By the time of the 2013 election, which Wanna referred to as a 'most peculiar implosion', the Labor government was in tatters and 'suffered a major and humiliating defeat (losing 17 seats) that was largely inflicted upon itself by its own reckless behaviour and in-fighting' (Wanna, 2014, p. 272). There is little evidence for the claim that the election was a 'referendum on the

carbon tax’ – four per cent of voters identified this as the most important issue on which their vote was cast (McAllister, et al., 2015, p. 11). Yet the die was cast long before.

The politics of climate acquire a life of their own

Intriguingly, removing the carbon tax was, in part, an effort to be the friend of big business. The parties had been united on the same side of the battle against Labor’s ‘resource nationalism’. Hooke suggested the CPRS and RSPT were about ‘carving up the pie [rather] than growing it – founded in the politics of envy and class warfare’, ‘the super profits tax now morphed into a rent tax, and carbon pricing under the guise of climate change mitigation policy – neither are about reform – both are about redistribution of wealth’ (Hooke, 2011).

Mining and minerals companies are prominent funders of neoliberal think tanks. One of the most prominent creations of the resources industry, the Institute of Public Affairs (IPA), was closely associated with the Liberal party’s founding. What is interesting here is the ideological tie up between anti-environmentalism, taxation reform and government ‘intervention’ in markets. The idea that markets are natural and therefore function most efficiently and effectively when ‘free’ has a robust lineage in liberal thought. However, scholars like Karl Polanyi (1944) explain that markets are always conscious political constructs embedded in institutions whose contours are determined by social relations. It is politics then that provides the basis for governments to act on ‘toxic norms’ such as the impulses of redistribution and environmental protection.

As previously argued, the BCA’s position on carbon pricing was a contradictory amalgam of pragmatism and confusion, infused with frequent iterations of the self-interest of key members. The principle was frequently endorsed and the detail always opposed. In the early days of the Gillard government there was a notable intervention when BHP Billiton CEO Marius Kloppers, along with several business associations including the Australian Bankers’ Association, argued a carbon price that addressed investor uncertainty was long overdue (Rosewarne, 2011,

p. 19). But leading up to the 2013 election neither Klopers nor his allies advocated for the retention of carbon pricing – a case of the dog that didn't bark.²⁹

Yet prior to the 2013 election the thought of the carbon price being repealed induced trepidation in business leaders (Grattan, 2011). Even the power generators were warning against 'direct action' (Priest, 2013). Mikler and Harrison (2013, p. 423) report that 'key office-holders in Australia's most carbon-intensive industry sectors' thought that a change of government and the possibility of the carbon price being repealed would be a 'disaster'. This was not because of their partisan alignments but due to the policy uncertainty associated with a change in government and the substantial adjustment costs related to policy change that industry must bear. The issue was so controversial though, that any self-interested stakeholders who might agree with the principle remained silent. Modelling of the effect of Australia's Paris targets suggested that policy uncertainty was the greatest ongoing cost to business – its impact on the economy would be greater than the pledges of other nations (McKibbin, 2015).

This all suggests that climate politics have acquired a life of their own. The most obvious symptom of this being the imposition of a muscular 'direct action' policy by an avowedly pro-business government who declared Australia 'open for business' and 'the age of entitlement' over (Hockey, 2012). Reversing the neoliberal consensus that the perspicacious market should be the arbiter of all decisions is a sign that climate politics have acquired a degree of autonomy from the context that might otherwise propel and contain them. This idea was entertained by E E Schattschneider (1960) who acknowledged that the structure of political competition gives politics a degree of independence from the social situation from which it arose and this helps to determine the ongoing terms of reference of political contestation. Politics does not simply reflect social alignments and divisions but gives them meaning and coherence. In this sense, politics 'may develop its own momentum, and political divisions may possess a degree of inertia

²⁹ Process tracers will recognize this as a 'straw-in-the-wind' test. The analogy comes from a Sherlock Holmes story about a stolen racehorse, Silver Blaze. The guard dog was silent the night the horse disappeared, suggesting that the horse thief was known to the dog. Such tests 'can increase the plausibility of a given hypothesis or raise doubts about it, but are not decisive ...[being]...neither a necessary nor a sufficient criterion for accepting or rejecting a hypothesis, and they only slightly weaken rival hypotheses' (Collier, 2011, p. 826). Twisting slightly the analogy, the fact that big business did not bark in support of carbon pricing (yet did bark against CPRS and RSPT) supports the claim that they were against it and could have done something had they been so inclined.

which more or less constrains the options available to the political debate’ (Mair, 1997, p. 949). We see this in the way that the climate debate becomes an argument over which party can deliver lower electricity prices. This is the autonomy of the political or the idea that there is a ‘language of politics’ that translates issues into a certain form when they enter debate. This is the mobilization of bias that includes some issues, casts others aside and transforms all politics into a familiar, palatable format. In the process, climate change becomes a left/right issue.³⁰

Niemeyer argues that ‘The highly adversarial nature of Parliamentary debate is particularly problematic, and these dynamics *have spilled over* into public debate on climate change’ (My emphasis, Niemeyer, 2013, p. 429). If Blyth is correct in claiming that ‘party leaders are ideational entrepreneurs who actively modify agents’ beliefs about what their interests are’ (Blyth, 2003, p. 698) then we can understand how elite polarization driven by the autonomy of the political trickles down into the public sphere. Tranter considers that polarization makes climate policies more difficult to implement by eroding public confidence of the need to act. He cites the following statistics: ‘In 2006, 68 per cent of Australians agreed “global warming is a serious and pressing problem. We should begin taking steps now even if this involves significant costs”, yet by 2012, support had dropped to only 36 per cent’ (2013, p. 398). The CPRS and the RSPT debates took place in a polarized atmosphere where the whole idea of climate change was subjected to ‘fabricated uncertainty’. It was ‘assumed that households were one electricity bill away from bankruptcy’ (Megalogenis, 2010, p. 5). Australia’s economy was envisaged as little more than a quarry – utterly reliant on the extraction of mineral resources – which would be ‘clobbered’ by the imposition of a carbon price. That was however, a minority view. Carbon pricing failed, in the end, not so much because of a groundswell of opposition but due to a series of ‘events’ (in the Harold Macmillan sense). Business heavily shaped the way that these events unfolded.

³⁰ While it is beyond the scope of this study, it would be interesting to analyse the polarization that climate change elicits in the context of recent controversy over political party ideological convergence (Goot, 2004; Lavelle, 2004).

Summary

This period might be thought of a 'critical juncture' where the normal processes of institutional reproduction were upended giving rise to the possibility of institutional transformation. But the Rudd government failed to deliver on its climate mandate. Of the setbacks it faced, many were self-induced and government clearly did not use its resources well. But the effect of business power on the outcome is unmistakable. The GFC dimmed the salience of climate change and the failure at Copenhagen raised questions about unilateral domestic action, but it was the comprehensive lobbying campaign which gradually eroded the CPRS and divided its supporters that laid the foundations for the comprehensive repudiation of not just carbon pricing but climate change too. When disaster loomed for a divided Coalition besieged by the 'fad' of global warming, Tony Abbott emerged as a unifying force carrying the weapon that climate change was 'crap'. This outcome was not determined by business but it did leave an indelible mark. Business power impacted directly, indirectly, inadvertently, and importantly, it was withheld at a crucial point when it could conceivably been used in the service of 'investor certainty'. Business power was a necessary, but not sufficient condition for the recent retreat from climate policy reform.

Conclusions

‘The fitful starts, somersaults and reversals of Australian national climate policy offer a set of interlocking puzzles for analysts attempting to understand policy formation and implementation in this domain’ (Christoff, 2013)

Business power has provided the most widely accepted explanation of the inability for policymakers to constrain GHG emissions in Australia. Animated by this theory and the contradictory nature of Australia’s climate policymaking, this dissertation set out to determine the extent to which business power explains the recent reversal of climate policy in Australia. It found business power to have been an important driver of this retreat from climate action.

This was not, though, a simple story of lobbyists exerting power over government. Business power is by nature diffuse and its ‘considerable and highly variable time lags’ (Block & Piven, 2010, p. 207) make its extent difficult to grasp or quantify. The multiple dimensions of business influence require that theories account for structural, institutional and ideational (or cultural) mechanisms. Direct political involvement – instrumental power deployed through institutional settings – is not necessarily the most potent form of power. The structure of Australia’s economy suggests that businesses engaged in the extraction of fossil fuels enjoy a ‘privileged position’. They yield power as much as they wield it. The ideas of the public and their cultural constitution are also an important locus of power. The centrality of mining to the national psyche, and the widespread belief that cheap energy is the fulcrum on which Australian prosperity turns, interact to enhance the ‘privilege’ of business when policies are proposed that might harm the mining and energy sectors. These ideas are also amplified by advertising campaigns which utilize the ‘new paradigm’ of contesting policy through the popular media to manipulate the ‘volitions’ of the public and policymakers alike. These are important considerations in the evaluation of business influence. But they do not imply that business is a hegemonic force. Business does not always ‘get what it wants’. Even the ‘greenhouse mafia’

lost a crucial battle when the Howard government went to the 2007 election promising the swift introduction of carbon pricing.

As the ‘blowback’ metaphor suggests business power is unwieldy and produces unintended consequences. Businesses who have long accepted the principle of carbon pricing while resisting all specific proposals, are now finding long-term investment decisions hamstrung by endemic uncertainty – which itself imposes considerable costs on business. So business can deploy its resources but cannot be sure that doing so will allow it to ‘get what it wants’. The metaphor of astroturf producing verdant shoots alludes to the way that climate denial, originally wielded by interested parties as a weapon to delay climate action, acquired a life of its own during this period. Growing into a cultural phenomenon, climate denial proved to be an important element shaping policy outcomes in the period under review. Tony Abbott’s public repudiation of climate science and his subsequent elevation to the party leadership marked a crucial turning point that sent Australia’s climate policy regime down its current path.

The juxtaposition in the title alludes to not just contrasting policies, but competing paradigms. Rudd’s emphatic engagement with climate change which his critics impugned as a crusade was reflected back at him, the Labor party and the voting public who had called for action. The reflection took the form of Abbott’s antagonism to carbon pricing – ‘socialism masquerading as environmentalism’; his repudiation of the idea of climate change – a political ‘fad’ advocated by those seeking ‘a political objective they would not otherwise gain’ (Abbott, 2009, p. 171); and his claim that ‘coal is good for humanity’ – which by appealing to energy poverty was no less normative than Rudd’s appeal to the moral imperative of climate action. Even if the suspicion did linger that Abbott was reciting industry lines.

However, business power theories suggest that there is more to political influence than ‘revolving doors’ and ‘greenhouse mafia’. Abbott’s coal advocacy reflects a deeply structural dynamic which will challenge leaders in Paris in December. Business power theories – which were galvanized by the financial crisis – are well placed to rise to the looming environmental crisis.

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