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## The Last Carbon Taxer

Carbon cap and trade is dead in America, the Chicago emissions trading exchange has folded, and European nations keep fudging on their Kyoto Protocol promises. But Al Gore's great green hope still has a champion: Australian Prime Minister Julia Gillard, who announced last week that her government will impose a cap-and-tax regime.

Her Labor Party-led coalition wants 500 of the country's "biggest polluters" to buy carbon permits issued by the government, starting next year. Canberra would then create new bureaucracies to re-allocate that money to interest groups and selected businesses, to the tune of billions of dollars annually.

The news has caused a public uproar—not least because Ms. Gillard ran and won last year on an explicit promise not to pursue such policies. She ousted her predecessor in a backroom coup after his popularity tanked because of climate-change boosterism and promises to raise taxes. But Ms. Gillard's Green coalition partners hold the balance of power in parliament and pushed hard for cap and trade. The PM caved and has now been labeled "Juliar" in the popular press.

The Gillard government estimates its plan will increase electricity costs by 10% and gasoline by 9%—increases it calls "modest." That's easy for politicians to say. In a nationwide poll taken after the announcement, 60% of voters opposed the tax and 68% said they'd be financially worse off

because of it. Ms. Gillard's popularity has plumbed new lows.



Bloomberg News

Julia Gillard

The plan is economically damaging enough that even the normally timid business lobby—many of whose members originally supported climate-change legislation—is speaking up. Opposition leader Tony Abbott slammed the plan as "socialism masquerading as environmentalism," and he has a point. The government plans to use some of the carbon tax receipts to triple the income threshold before the income tax hits. In other words, this is in part a scheme to redistribute income from energy users to Labor voters. It is an odd kind of tax reform that narrows the tax base.

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All of this for negligible environmental benefits. Australia emits 1.5% of the world's greenhouse gases. Even if the country cut its emissions to zero, the move would do little to reduce global emissions. Australia's per-capita emissions are high compared to other developed nations because it's a sparsely populated continent blessed with an abundance of natural resources. Aussies have developed profitable, world-class natural resource and energy businesses that have lifted incomes at home and helped supply developing countries like China and India. This is bad?

It is if you believe in the theology that loathes carbon fuels and wants government to allocate the means of power production. In a speech Thursday, Ms. Gillard vowed to press forward with cap and tax and said that her convictions are "very deeply held." We'll see if her government can survive them.

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