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What can we learn from Australia's carbon tax?

Is the Australian policy of a carbon tax, or a price of carbon, a good policy? What is the likelihood that the rest of the world will move in the same direction? Bjorn Lomborg joined Peter Van Onselen and Paul Kelly at [Sky News Australian Agenda](#) for a discussion.



BL - If you ask any climate economist, they will tell you; yes, a low carbon tax is actually an academically correct argument. But it is politically incredibly divisive, and it won't actually do very much. It is really barking up the wrong tree, and I think we have seen exactly that happen in Australia. Both in the sense Australia has shown the world, it's very hard to get a compromise on a Carbon Tax, but also it takes attention away from what would have actually worked, namely focusing on innovation so that we could make green energy so cheap that everyone would want to buy it.

PVO - To what extent is the world looking at this Australian project at the moment, the new Australian carbon pricing scheme, given that Tony Abbott has pledged to repeal this scheme. To what extent will the politics that happens in this country have a significant global impact?

BL - I think that the Australian politics will have a very big impact. Because essentially what the Australian case is teaching us is: It is very hard to do anything, we have seen in Europe that a cap and trade does not work, and the same in the US, and now we have seen in Australia that a carbon tax is also going to be incredibly politically divisive, [...] it is actually telling business and everyone else it is going to be hard to know what is going to come even in the next couple of years. So this really tells us we need a different solution, we need to tackle this in a way that will actually fix global warming, and that is through cutting the cost of green energy, and you do that through innovation. That is how we solve pretty much any problem civilization has ever faced.

*The US innovates,
EU goes down the Al Gore route*



PK - Could you expand on that? [...] How can governments better spend their resources in your view?

BL - If you want to do something about Global Warming, you should follow a strategy that actually works. We have been trying the wrong strategy for the last 20 years. To tell people can you please stop using fossil fuels? That is going to be very difficult, because fossil fuels essentially power everything we like about modern civilization. So it has to be about making green energy much cheaper, and the US has actually done this in a very innovative way, through the fracking of natural gas. Making huge availability of very cheap natural gas, which much less CO2 emitting

PK - In Australia fracking of natural gas is probably as divisive a subject, as the issue of a carbon tax [...] because of its effect on farming.

BL - You have to ask: What would you rather have. In the US there have been very few problems, and you, of course, need regulation. [You get] a huge boon in the sense you get much cheaper energy AND much less CO2 emissions. That is a win-win situation and that has enabled the US as the only economic power to reduce their emissions significantly. Unlike Europe, who has gone down the Al Gore route of cap and trade, which [as a solution] is similar to a carbon tax.

BL - Fundamentally what innovation shows us is if we focus on tackling the issue of high costs of green energy and actually bring that cost down, we will have solved the problem. We will reduce emissions dramatically. But we have to work with market forces not against them.