

The Australian

High cost of old car scheme

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Comparing the cost per tonne of the various policies to reduce carbon emissions

Cash for clunkers	\$394
Solar panels	\$250
Wind	\$76
Gas instead of coal power	\$67
Planting permanent forests	\$26
Planting harvest forests	\$10
CPRS*	\$26

* Carbon Pollution Reduction Scheme

Source: The Australian

LABOR'S plan to buy old cars to reduce carbon emissions will cost almost 20 times more than the going market price per tonne of CO₂ saved

The plan to spend \$394 million buying cars more than 10 years old is expected to reduce emissions by one million tonnes over 10 years, for a gross cost of \$394 a tonne.

This compares with the price at which permits to emit carbon are trading in Europe under its system of about \$20 a tonne, and is also vastly more expensive than the various alternative forms of reducing carbon emissions.

In fact, the cost per tonne of carbon saved from Labor's proposed "cash-for-clunkers" scheme is likely to be higher than \$394 a tonne as many old cars would have been traded for scrap without the offer of a \$2000 rebate from the government.

"Any time you give consumers a rebate for anything, there is a reasonable chance they would have done it anyway," said Grattan Institute executive director John Daley.

"The most visible changes are often not the most effective, so there is a real need to insist that when you put up government programs, you must include a cost-benefit analysis."

The government lifted the idea for the \$2000 rebate from a report on possible ways to reduce carbon emissions by the research institute Climateworks, which is jointly funded by the Myer Foundation and Monash University.

Climateworks executive director Anna Karbek conceded it was an expensive measure, and was mainly intended to communicate the benefits of carbon efficiency.

"You can cut carbon emissions by 25 per cent by doing things that cost not much more than \$100 a tonne of carbon, but things like the cash-for-clunkers scheme can give you a role in signalling behaviour," she said.

She said the government's commitment to introduce new standards requiring motor vehicle manufacturers to reduce vehicle emissions would be a lot more cost-effective.

Manufacturers will be required to cut emissions from 222g of carbon per kilometre travelled to 155g/km, the level already achieved in Europe, by 2024.

The rebate for motor vehicles will be even more expensive in reducing carbon emissions than installing solar panels on roofs.

With a high capital cost, solar panels cost about \$250 for every tonne of carbon saved.

The Climateworks research, which builds on a study conducted by McKinsey and Co, shows that wind farms are a lot more efficient, bringing the cost of saving a tonne of carbon emissions down to \$76 a tonne. Ms Karbek said much bigger savings could be achieved by building gas rather than coal-fired power stations.

Planting trees is the cheapest way of saving carbon, working out at about \$26 per tonne, with this reduced to little more than \$10 for plantation forests.

Australian Farm Institute executive director Mick Keogh said Treasury's modelling suggested that the land area devoted to plantation forests would have risen from its present two million hectares to between four and 25 million hectares if farmers were rewarded by the carbon pollution reduction scheme.

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