

2014 ECONOMISTS' OPEN LETTER

SUPPORTING A PRICE AND LIMIT ON CARBON POLLUTION

We are writing this open letter as a group of concerned economists with a broad range of personal political views, but united in the judgment that a well-designed mechanism that puts a price and limit on carbon pollution is the most economically efficient way to reduce carbon emissions that cause global warming.

Such a mechanism is a necessary and desirable structural reform of the Australian economy, designed to change relative prices in a way that provides an effective incentive to consumers and producers to shift over time to more low-carbon, energy-efficient patterns of consumption and production.

Australia's major trading partners are acting on climate change and it is important to have an effective price and limit on pollution in place now to begin Australia's transition to a low-carbon economy.

A well-designed price and limit on carbon pollution has many benefits over alternative schemes, including:

- stable and long-term policy settings that improve certainty for business
- greater confidence that emission reduction targets will be met
- lower administrative cost and complexity
- the ability to link to other global schemes, such as emissions trading schemes operating in Europe, China and the United States
- incentives for consumers to reduce their demand for emissions-intensive goods
- incorporation of the cost of the damages caused by carbon emissions into business decisions, by requiring companies to pay to pollute.

The Intergovernmental Panel on Climate Change has made it clear that human influence, through activities such as accelerated and large scale burning of fossil fuels and clearing of forests, is warming the globe and that the impacts of climate change are being felt across the world. These findings are supported by the leading scientific bodies of the world, including the CSIRO and the Australian Academy of Science.

Australia can and should do its fair share to contribute to global emissions cuts, which will require Australia to make significant and sustained reductions in emissions and transition to a low-carbon economy. Clear short-, medium- and long-term targets to limit emissions would guide expectations.

It is important therefore to provide stable, long-term policy that can meet deeper cuts in the future, and that improves certainty for business and investors to begin an orderly transition to cleaner technology.

We urge all Members of Parliament and Senators to work in the national interest towards lasting agreement on a fair, economically efficient and environmentally effective policy to price and limit carbon emissions.

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* The signatories to this open letter have signed in an individual capacity and the views herein are not necessarily those of, and should not be attributed to, their employers.