

## **Addressing the Global Financial Crisis**

### **Climate Change Solutions and Economic Recovery**

Climate change is not an environment policy issue it is an economic issue. Many things that damage the environment can be dealt with without fundamentally altering the structure of economy. If there is an oil spill there are measures available to clean it up, to prosecute those culpable and to assess the adequacy of regulation. It doesn't alter the economic structure.

The worlds' only hope of dealing with the challenge of climate change is to have an unprecedented level of cooperation between national governments, an inconceivable amount of government intervention and regulation of national economies and a massive overinvestment of public and private finance into new technology across the full range of industry sectors.

It will be a new world. Our economy will change. Our trading partners economies will change. Terms of trade will change.

The Global Financial Crisis sparked a significant level of cooperation between national governments on the question of fiscal stimulus and to a lesser extent, financial regulation. What is required to address climate change will make that pale into insignificance. The other important difference between the response to the GFC and the response to climate change is that the objective of the response to the GFC is to restore the worlds' economies to what they were. The objective of the climate change response is to fundamentally alter the economic basis of every country on the planet.

The United Nations Framework Convention on Climate Change (UNFCCC) meets every year in December. It used to be a gathering of Environment Ministers, their advisors and various stakeholders. The meeting is now being attended by Finance Ministers, Industry Ministers, Trade Ministers and Heads of Government. This is because these so called Climate Change negotiations are effectively the biggest trade treaty ever negotiated.

This brings me to the role of trade unions. When a single industry in a single country is being restructured no one questions the full involvement of trade unions. Yet here we have multi industry simultaneous restructuring occurring on a global basis and many unions are not represented at all and others are represented by junior policy officers with an interest in the environment. Not good enough. Increasingly the senior leadership of unions must take this issue for what it is. It is a rare opportunity to shape an economy.

As far as jobs in Australia go, there is little doubt that an economy such as ours will continue to grow throughout the century and by midcentury we may be three times wealthier as a nation. The jobs market will grow, the mix of sectors will change. Some sectors like renewable energy will grow by as much as 2,500% off a very low base. Mining will grow substantially despite a carbon price. Forestry will grow strongly. Manufacturing and heavy industry run the greatest risk without a level playing field between nations. But there are also opportunities for those industries if we agitate for decent industry policies.

There is no doubt that Australia will invest heavily in solar thermal, wind turbines, carbon capture power stations and public transport. If we want to know where the jobs are, just follow the money. The Renewable Energy Target (RET) represents a \$20 billion subsidy to a range of renewable energy technologies, the bulk of which will be wind. The 2009 Budget set aside \$1.5 and \$2 billion dollars respectively for solar thermal and CCS power stations.

This is only the beginning. The transformation of the national electricity sector requires the rollout of a new smart grid to accommodate new forms of energy production and energy use such as the electric car. CCS will require an infrastructure network of steel pipelines between sources and the sinks.

The glaring omission in the governments' policy response so far is the complete absence of any industry policy. It's not good enough to watch Australian engineering firms lose contracts to supply towers to wind turbines to China. It's not good enough for BP Solar to close its factory in Western Sydney and supply a publicly funded guaranteed market share with overseas products. The bulk of jobs available in strongly growing sectors will be manufacturing jobs.

Now that Kevin Rudd has written off neo-liberalism, the door is ever so slightly ajar on the question of industry policy. Businesses are quite happy making money in growing markets whether or not they employ people. Environmentalists give their absolute priority to the environment outcome and lack the expertise to develop an industry policy. It is only the trade unions who historically occupy the space of job creation for Australian workers. It is up to us to go to that door, that is ever so slightly ajar, and bash the bloody thing down.

The future shape of the Australian economy and the jobs that might be available to future generations depends on what we do today.