Green Stimulus and Pink Batts

The Environmental Politics of Australia’s Response to the Global Financial Crisis

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Crisis as opportunity

• GFC was a ‘critical juncture’
  – Large public spending programs possible (stimulus packages)
  – Market fundamentalism questioned and green economy presented as possible alternative
Proposals for Green Keynesian Response

• Center for American Progress
• United Nations Environment Programme
• Green Parties (EU, US, NZ etc)

• In Australia: a coalition of the Australian Conservation Foundation, the Australian Council of Trade Unions, the Australian Council of Social Service, the Climate Institute, the Australian Institute of Superannuation Trustees, the Property Council of Australia and the Australian Green Infrastructure Council.
Green Stimulus Compared

- 3 year DECRA project
- What explains differences in size and composition of green stimulus packages?
- What was achieved?
- What opportunities were missed?
- Impacts on governance?
The Australian Context

- Climate change: Rudd elected in 2007, calls CC the “great moral challenge of our generation”, quickly ratifies Kyoto
- GFC: Rudd denounces neoliberalism and embraces Keynesian response
Australia’s Green Stimulus?

Australia has only recently begun to engage seriously with climate change. Under the premiership of Kevin Rudd it ratified the Kyoto Protocol in 2007 and now plans to cut greenhouse gas emissions dramatically, partly through the introduction of a carbon cap and trade system by 2010.

Australia’s A$42bn ($27bn) stimulus plan – announced in February 2009 – did not directly allocate any money to tackle carbon emissions or water shortages, but instead its environmental focus was on energy efficiency, with 9 per cent of the spending earmarked to provide free ceiling insulation to 2.7m homes. The plan could effect the same reduction in greenhouse gases as taking 1m cars off the road.

In May the government announced an additional $6.8bn in funds for green measures as part of its budget. These include $3.4bn towards investments in carbon capture and storage, solar technology and renewable technology research, plus $3.5bn for metropolitan rail networks in six major cities.
HSBC Report

Green Stimulus Packages Compared

- Green Stimulus as percent of total stimulus

Categories: Japan, Canada, UK, South Africa, US, Australia, China, EU, South Korea
<table>
<thead>
<tr>
<th>Program</th>
<th>Funding in 2009 (AUD)</th>
<th>Funding spent by 2014 (AUD)</th>
<th>Outcomes</th>
<th>Status of Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Insulation Program (HIP)</td>
<td>$2.8 billion</td>
<td>$1.45 billion</td>
<td>1.1 million homes insulated</td>
<td>Cancelled in February 2010</td>
</tr>
<tr>
<td>Low Emissions Assistance Plan for Renters (LEAPR)</td>
<td>$637.4 million</td>
<td>$14.5 million</td>
<td>19,591 rental properties insulated</td>
<td>Rolled into HIP in August 2009</td>
</tr>
<tr>
<td>Solar Hot Water Rebate (SHWR)</td>
<td>$514.4 million</td>
<td>$173 million</td>
<td>255,000 households assisted (since 2007)</td>
<td>Rolled into Renewable Energy Bonus Scheme in 2010 (ended in 2012)</td>
</tr>
<tr>
<td>CCS Flagships</td>
<td>$2 billion</td>
<td>$122 million</td>
<td>Two projects in preliminary scoping phase</td>
<td>Funding cut several times, $190 million remains in 2014/15 Budget</td>
</tr>
<tr>
<td>Solar Flagships</td>
<td>$1.5 billion</td>
<td>$167 million</td>
<td>One project under construction</td>
<td>Funding rolled into ARENA (future uncertain)</td>
</tr>
<tr>
<td>Renewables Australia (renamed Australian Centre for Renewable Energy/ACRE)</td>
<td>$465 million</td>
<td>$690 million</td>
<td>Funded a portfolio of small projects in renewables sector</td>
<td>Incorporated into Australian Renewable Energy Agency (ARENA) in July 2012</td>
</tr>
<tr>
<td>National Energy Efficiency Initiative (NEEI)</td>
<td>$100 million</td>
<td>$100 million</td>
<td>Smart Grid Smart City Project (trial of smart grid technologies)</td>
<td>Trial ran from 2010-2014, final reporting not yet available</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$8.2 billion</strong></td>
<td><strong>$2.9 billion</strong></td>
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Green Stimulus Criteria

- **Significant** - the measure should have a stated environmental objective that is substantial (e.g. on par with job creation) and not incidental

- **Supplementary** - the measure must entail funding that is additional to what would have been available in the absence of the crisis (i.e. it must be a genuine stimulus measure and not a regular budget item).

- **Suitable** - the design of the measure should be reasonably linked to the environmental objective
Home Insulation Program (HIP)

- Cost: AUD$2.8 billion
- Aim: to provide free ceiling insulation to 2.7 million homes over two years
- Governance: proposed by PM&C (with assistance on costing from DEWHA staff), implemented by DEWHA with oversight by OCG
- Outcome: 1.1 million homes insulated; program terminated after 1 year due to safety issues that resulted in around 100 fires and 4 deaths; Environment Minister Garrett demoted; massive debacle for the government
HIP: Significant?

- Twin goals at the outset: job creation and energy efficiency appear to be on equal footing
- Implementation of the scheme: job creation goal outweighs energy efficiency
- First Assistant Secretary responsible for the Renewables and Energy Efficiency Division in DEWHA has noted:

> My recollection is that it was impressed on us by the OCG that any delay was not in the government's mind, in terms of the stimulus effect, and the need to get stimulus out at a household level and to get employment opportunities out at a dispersed level. Energy efficiency outcomes were not, in my observation, equally important. The primary objective was about creating economic stimulus and providing for jobs.
There was an inevitable and predictable conflict or tension between the two aims of the HIP. One aim was to insulate 2.2 million homes and the other was to stimulate the economy. Both were doubtless admirable aims but there was an inherent conflict between them: the first required detailed and careful planning over time, and the other required speed. In the case of the HIP, planning was sacrificed to speed.
HIP: Supplementary?

- Energy efficiency measures in households and insulation specifically would have likely received funding in the Rudd Government’s climate change programs in the absence of the GFC

- However, nothing of the scale or speed of the HIP would have been contemplated in the absence of the crisis
HIP: Suitable?

- An estimated 1.65 tonnes of carbon dioxide equivalent (CO2-e) are saved each year for every house that is insulated.
- About 40% of household energy in Australia is devoted to heating and cooling and, in turn, homes account for about a quarter of the country’s total energy consumption.
- Prior to the HIP about 40% of Australia's housing stock was un-insulated.
- However, energy audits might have been more suitable.
Conclusions

- HIP fits the green stimulus criteria and it was ‘successful’ in achieving a positive environmental outcome, but ‘timeliness’ and job creation were the fundamental drivers.
- Overall the opportunity for a ‘green recovery’ from the GFC in Australia was missed – relatively small amount of investment was directed to green programs and even less was actually spent.
- This is not inconsistent with literature on critical junctures, but Australia’s experience does raise some questions about the links between crisis and institutional change.
Thanks!

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