

Power Failure:

A Study of Climate Politics and Policy under Rudd and Gillard

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Abstract

Employing an innovative synthesis of policy network theory with an analysis of leadership types and wicked public policy problems, this thesis is a detailed analysis of the failed political strategies behind the Rudd and Gillard Labor governments' attempts to introduce durable policies to price carbon emissions. The thesis is based on seventy-four interviews with politicians, political staff and public servants who were intimately involved in the climate policy development process in the years 2007 to 2013. Those interviewed include prime ministers Kevin Rudd and Julia Gillard; climate change ministers Greg Combet and Penny Wong; treasurer Wayne Swan; Greens leader Christine Milne; rural independent Rob Oakeshott; and government adviser Ross Garnaut.

The narrative moves from the 2007 election, when both major parties went to the polls committed to pricing carbon, through Rudd's proposed emissions trading scheme and its rejection in the Senate, to the development and implementation of the Gillard Labor 'carbon tax'. It concludes with the watershed 2013 election, which was won by the conservative Liberal-National Party Coalition on the strength of its unequivocal promise to dismantle Labor's carbon initiatives, a promise largely fulfilled in mid-2014.

The narrative is told in two parts, the first of which deals with the Rudd government and the second with the Gillard government. Building on the work of UK scholars Compston and Bailey, the thesis proceeds from the understanding that governments are in a position to grant policy concessions to those who want them, such as opponents in legislatures, business and green groups, in return for political resources such as formal approval of the policy, cooperation with implementation, private investment in the economy, and political support. This insight informs the structure of the thesis, which is designed for the most part to facilitate the close examination of the strategic successes and failures of the two governments in the context of the conceptual framework. Each chapter focuses on how well or badly government has collaborated with major players in the pursuit of resource exchange – or whether it has collaborated at all.

Throughout the thesis the narrative switches from Canberra's insulated world of policy deals to local perceptions of the policies in the Latrobe Valley, a coal-dependent Victorian region where carbon pricing was expected to produce adverse impacts. While the Valley had

unique characteristics, it was also representative of the extreme stresses in Australia's industrial regions, where livelihoods would be hit directly by the reforms. The downstream experience of these communities, where fear of the impact of carbon pricing often flourished unchecked, and where the climate change scepticism that swept through the Liberal-NP Coalition in 2009 gained its start, provides a powerful lens through which to crystallise the strengths and weaknesses of national policy making and politics. The regions, including the Valley, are important in themselves, but they also demand study because they were the initial source of the fire that eventually consumed the moderate leadership of the Liberal Party and then the CPRS.

Statement of originality

This thesis contains no material which has been accepted for the award of any other degree or diploma in any university or other institution and affirms that to the best of the student's knowledge the thesis contains no material previously published or written by another person, except where due reference is made in the text of the thesis.

Signed: 

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List of abbreviations

ACF	Australian Conservation Foundation
ACOSS	Australian Council of Social Service
ACTU	Australian Council of Trade Unions
AEMC	Australian Energy Market Commission
AIGN	Australian Industry Greenhouse Network
ARENA	Australian Renewable Energy Agency
CCA	Climate Change Authority
CEF	Clean Energy Future
CEFC	Clean Energy Finance Corporation
CFMEU	Construction, Forestry, Mining and Energy Union
CPRS	Carbon Pollution Reduction Scheme
DCC	Department of Climate Change
DPMC	Department of Prime Minister and Cabinet
DRET	Department of Resources, Energy and Tourism
EITE	Emissions-Intensive, Trade-Exposed industries
ESAA	Energy Supply Association of Australia
ETS	Emissions Trading Scheme
FAHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs
GFC	Global Financial Crisis
GTLC	Gippsland Trades and Labour Council
IPCC	Intergovernmental Panel on Climate Change
MPCCC	Multi-Party Climate Change Committee
NEM	National Electricity Market
NETT	National Emissions Trading Taskforce
OPEC	Organization of Petroleum Exporting Countries
PMO	Prime Minister's Office
RET	Renewable Energy Target
RSAF	Regional Structural Adjustment Fund
SCCC	Southern Cross Climate Coalition
SEC	State Electricity Commission
SPBC	Strategic Priorities and Budget Committee
WWF	World Wide Fund for Nature

Timeline

DATE	GOVERNMENT	PARLIAMENT	GARNAUT REPORTS
21 FEBRUARY 2008			INTERIM REPORT
20 MARCH 2008			ETS DISCUSSION PAPER
1 JULY 2008	GREEN PAPER (CPRS 1)		
4 JULY 2008			DRAFT REPORT
5 SEPTEMBER 2008			SUPPLEMENTARY DRAFT REPORT
30 SEPTEMBER 2008			FINAL REPORT
30 OCTOBER 2008	TREASURY MODELING OF ECONOMICS OF MITIGATION		
15 DECEMBER 2008	WHITE PAPER (CPRS 2)		
4 MAY 2009	MAJOR NEW MEASURES (CPRS 3)		
4 JUNE 2009		CPRS 1 PASSES HOUSE OF REPS	
13 AUGUST 2009		CPRS 1 FAILS TO PASS SENATE	
7 SEPTEMBER 2009	RENEWABLE ENERGY TARGET INCREASED TO 20 PER CENT		
16 NOVEMBER 2009		CPRS 2 PASSES HOUSE OF REPS	
24 NOVEMBER 2009	MAJOR NEW MEASURES (CPRS 4)		
2 DECEMBER 2009		CPRS 2 FAILS TO PASS SENATE	

11 FEBRUARY 2010		CPRS 3 PASSES HOUSE OF REPS	
22 FEBRUARY 2010		CPRS 3 INTRODUCED INTO SENATE BUT NOT VOTED ON	
APRIL 2010	CPRS ABANDONED		
24 JUNE 2010	GILLARD BECOMES PRIME MINISTER		
21 AUGUST 2010		FEDERAL ELECTION LEADING TO HUNG PARLIAMENT	
27 SEPTEMBER 2010	MPCCC ANNOUNCED		
24 FEBRUARY 2011	JOINT GOVERN- MENT-GREENS ME- DIA CONFERENCE ON AGREED FRAME- WORK FOR ACTION; GILLARD AGREES FIXED PRICE MAY BE TERMED A TAX		
31 MAY 2011			UPDATE OF REVIEW
10 JULY 2010	CARBON SUNDAY: RELEASE OF DETAILS OF CEF PACKAGE		
8 NOVEMBER 2011		CEF PACKAGE PASSES BOTH HOUSES OF PARLIAMENT	
MARCH 2012	MINISTERS ABAN- DON THE TERM "CLIMATE CHANGE"		
25 MARCH 2013	DEPARTMENT OF CLIMATE CHANGE DISBANDED		
26 JUNE 2013	RUDD BECOMES PRIME MINISTER		
7 SEPTEMBER 2013		ABBOTT WINS ELEC- TION	

13 NOVEMBER 2013	GOVERNMENT INTRODUCES LEGISLATION TO REPEAL CEF PACKAGE		
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Introduction

Political context

There is an overwhelming scientific consensus on the science of climate change. Ninety-seven per cent of all climate scientists agree that climate change is real, anthropogenic and it is already underway.¹ However, climate change is not just a scientific issue. Mike Hulme among others stresses that climate change is “simultaneously a social phenomenon”.² As such, the concept of climate change has the potential to affect almost every aspect of our lives, including our understandings of what it means to be human and our political views. In this broader cultural context, there is unavoidable contestation and conflict about the *implications* of climate science, as well as what climate change ultimately ‘means’—and, more importantly, what we should be doing about it.³

Reflecting this conflict, in July 2014 the Australian Parliament did something Australians believed was unique in the world.⁴ The Parliament voted to repeal 2011 Gillard government legislation establishing a fixed carbon price and promoting investment in renewable energy.⁵ It was not that the legislative package was not working, or was having unforeseen adverse effects. On the contrary, it had been successful in helping to engineer a significant reduction in the share of Australia’s energy provided by coal-fired power stations.⁶ For the government of Prime Minister Tony Abbott it was not relevant whether the measures introduced by his predecessors were effective in reducing carbon emissions. Abbott and many of his MPs were doubtful about the science of climate change, determined to ensure that Australia’s reliance on coal, both for cheap domestic energy and for export, was not undermined in the name of what they believed was an anti-growth ‘green’ ideology.⁷

¹ National Aeronautics and Space Administration (NASA), “Consensus: 97% of Climate Scientists Agree” (NASA: 2013), <http://climate.nasa.gov/scientific-consensus>. Accessed 29 March 2014.

² M. Hulme, *Why We Disagree About Climate Change: Understanding Controversy, Inaction and Opportunity*, Cambridge University Press, 2009, xxv.

³ T. Doig, Progress report for confirmation of candidature, “Hot, Cold, Hot: The lived experience of climate change in Australia”, 1 March 2013.

⁴ P. Hannam, “Australia backs coal as climate policy tumbles”, *Sydney Morning Herald*, 26 July 2014, p. 36.

⁵ The three-year fixed carbon price came to be known as a carbon tax, a term I will use in this thesis for the sake of clarity.

⁶ P. Hannam, “Carbon price helped curb emissions, ANU study finds”, *Sydney Morning Herald*, 17 July 2014, p. 13.

⁷ L. Taylor, Coalition U-turn on coal power station closures, *Sydney Morning Herald*, 21 July 2011, p. 8.

As we shall see, the act of repealing the carbon price followed six years of intense and deeply divisive public policy debate. The start of this period is marked by the election of 24 November 2007, which saw the Labor Party under Prime Minister Kevin Rudd swept to power in what is sometimes described as the world's first climate change election.⁸ Rudd's mandate to establish carbon pricing was overwhelming. Furthermore, there was bipartisan support, with the Liberal Party adopting a very similar policy. Even business, which had long been actively opposed to carbon pricing, was willing to compromise in the face of public enthusiasm and political consensus. In 2007 – 2008 action seemed both imminent and inevitable. But the prime minister squandered support and then, in April 2010, abandoned his signature policy, the Carbon Pollution Reduction Scheme (CPRS).

Rudd was overthrown soon after in a party room ballot by his deputy, Julia Gillard, who soon made her own attempt to get action on climate change. She was a profoundly different type of leader to Rudd and succeeded in that she was able to get her Clean Energy Future package (CEF), as her version of carbon pricing was called, through the Parliament. By October 2011, almost four years since Rudd was voted to power on a platform of climate change action, Australia had a mechanism to price carbon. But the damage to Gillard's political capital was enormous and, afraid of electoral annihilation, the Labor caucus returned Rudd to power in June 2013, three years after rejecting him. The disunity was a major factor in a solid election victory for the Liberal-NP under Abbott in September 2013. While the new government did not control the Senate, the cross benchers with the balance of power also opposed the carbon tax, which enabled Abbott to fulfil his "blood oath" to destroy the fruits of Gillard's tenacity.

By July 2014 Australia had travelled a long distance. Climate change, at least in part, had crushed the careers of three prime ministers (counting Rudd's predecessor, John Howard). It was also a big issue when two Liberal Party Opposition Leaders, Brendan Nelson and Malcolm Turnbull, were overthrown in 2008 and 2009 respectively. And looked at from the point of view of results, it was all for very little. Australia's climate change policy was barely more effective than it had been in 2007, when the country was notorious internationally for refusing to ratify the Kyoto protocol, an agreement to impose binding emissions targets on developed countries. How could it be that there was so little to show for six years of back-breaking effort?

⁸ V. Burgmann and H. Baer, "The World's First Climate Change Election", School of Social and Political Sciences, University of Melbourne, 2010. Accessed 15 December, 2012. http://apsa2010.com.au/full-papers/pdf/APSA2010_0161.pdf.

Research questions

This thesis identifies and explains the reasons for the successes and failures of the attempts to formulate and implement carbon pricing in the form of a carbon tax or an Emissions Trading Scheme (ETS) in the years of the Rudd and Gillard Labor governments of 2007 – 2013. It analyses the declining sense of inevitability and the ultimate fiasco of Rudd’s scheme, known as the Carbon Pollution Reduction Scheme (CPRS) during his first prime ministership. It then examines how Gillard was able to achieve legislative success with her version of carbon pricing, the CEF. But the political capital this cost established the conditions for the destruction of her legacy in the Senate vote to repeal her package.

The thesis addresses these principal questions:

What were the important successes and failures in the political strategies designed to bring about climate change action through the pricing of carbon in Australia in 2007 – 2013?

How did strategic failures contribute to the overall inability of the Rudd and Gillard governments’ attempts to achieve carbon pricing on a sustainable footing?

What lessons may be learnt for the future of climate change action from the experience of 2007 – 2013?

Literature and conceptual framework

As discussed below, the conceptual framework for this thesis is developed from an innovative synthesis of policy network theory with an analysis of leadership types and wicked public policy problems. A range of academic writing is considered relevant. That said, it is worth emphasising at the outset that my intention is to apply and refer back to those ideas sparingly and only where they are directly beneficial to enriching the analysis; this thesis is primarily an empirically-based study.

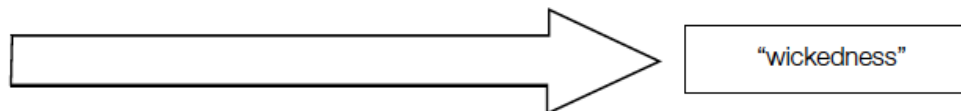
*

Some theorists have dubbed climate change a “wicked problem”: a conundrum “of massive complexity, characterised by ‘contradictory certitudes’ and thus defying elegant, consensual

solutions”.⁹ The Australian Public Service Commission, in a 2007 discussion paper, agreed with this analysis, noting it was a pressing and highly complex issue involving many causes and high levels of disagreement about the nature of the problem and the best way to tackle it. “The motivation and behaviour of individuals is a key part of the solution as is the involvement of all levels of government and a wide range of non-government organisations (NGOs),” the commission said.¹⁰ In recent years, climate change has been upgraded to a “super wicked problem”, in recognition of the fact that we are approaching a series of catastrophic and irreversible climatic ‘tipping points’, and are running out of time to deal with them.¹¹ In a very useful table reproduced below, Brian Head maps issues in terms of low, moderate or high levels of complexity, uncertainty and divergence. Wicked problems, on this formulation, are those rated high across the three dimensions.¹²

Table 1: Complexity, uncertainty and divergence

Complexity of elements, sub-systems and interdependencies	Low	Moderate	High
Uncertainty in relation to risks, consequences of action, and changing patterns	Low	Moderate	High
Divergence and fragmentation in viewpoints, values, strategic intentions	Low	Moderate	High



Getting legislation to act on climate change through the Parliament was always going to be difficult, no matter that, for a time, it seemed to many Australians to be inevitable. In 2008 the federal government’s adviser, eminent economist Professor Ross Garnaut, pronounced climate change mitigation a “diabolical” policy problem, the most difficult national and international policy problem human beings have ever faced. He said it was “harder than any other issue of high importance that has come before our polity in living memory” and was

⁹ S. Rayner, in Hulme, *Why We Disagree*, xxi-xxii.

¹⁰ Australian Public Service Commission, *Tackling Wicked Problems*, 2007, www.apsc.gov.au/__data/assets/pdf_file/0005/6386/wickedproblems.pdf, accessed 17 December 2012.

¹¹ See Kelly Levin *et al*, “Overcoming the Tragedy of Super Wicked Problems: Constraining Our Future Selves to Ameliorate Global Climate Change”, *Policy Sci.* 45, no. 2 (2012): 123-52.

¹² B.W. Head “Wicked Problems in Public Policy,” *Public Policy* 3, no. 2 (2008): p.103.

not amenable to a national, let alone a local, solution.¹³ For while effective action requires all bigger countries to make contributions, each country's national interest is served by doing as little as possible for as long as they can.¹⁴ Furthermore, the impacts and costs of action vary greatly both within countries, where affected communities often have the capacity (not necessarily fully exercised) to undermine policy formulation, as well as across different groups of countries, as the slow progress of international negotiations shows clearly. Ethical issues associated with levels of responsibility for causing the problem and associated obligations to deal with it add further complexity to policy debates. Private corporations, whose profits have grown on the basis of being able to externalise the costs of their pollution, often dominate national and regional economies and work against effective solutions.¹⁵ Climate change scientists have sought to pierce the fog of evasion by making increasingly worrying predictions of the likelihood of drastically increased global temperatures. But in some countries their efforts seem merely to have intensified denial. Australia is one of those countries.¹⁶

In Australia, the "wicked" or "diabolical" nature of the problem is exacerbated by a reliance on coal. Eighty per cent of electricity is obtained from coal-fired power stations. (In Victoria the figure is over 90 per cent.¹⁷) Australia is one of the world's largest emitters of greenhouse gases and the biggest per capita emitter among developed nations.¹⁸ At the same time, coal is the nation's biggest export earner.¹⁹ There has been a view that fossil fuel dependency makes climate policy failure inevitable because of the power of the vested inter-

¹³ R. Garnaut, *The Garnaut Climate Change Review Final Report*, Cambridge University Press, Melbourne, 2008, p. xviii.

¹⁴ R. Garnaut, "A Diabolical Policy Problem: Securing International Agreement", paper presented at the Festival of Ideas, Melbourne, Australia 16 June 2009. Accessed May 15, 2010. <http://www.rossgarnaut.com.au/Documents/Festival%20of%20Ideas%20Ross%20Garnaut%20160609.pdf>.

¹⁵ D. Snell and D. Schmitt. "It's Not Easy Being Green: Electricity Corporations and the Transition to a Low-Carbon Economy," *Competition & Change* 16, no. 1 (2012): 1-19.

¹⁶ As we shall in the course of this thesis, denialists never gained a majority; the largest proportion of people always continued to believe that human-induced climate change existed. But they lost faith in political solutions -- and as confusion mounted -- they relegated it to a position of lesser importance. Thus it was not a question so much of intractable beliefs as of a complete failure of politics and political mobilisation.

¹⁷ Department of Primary Industries, Victoria, "Next generation coal mines", 5 December 2012, www.dpi.vic.gov.au/earth--resources/coal/prospectivity/next-generation--coal--mines--in--latrobe--valley, accessed 2 February 2013.

¹⁸ G. Combet, "Durban and beyond: building a comprehensive climate change regime", speech, 25 November 2011, www.climatechange.gov.au/Minister/greg--combet/2011/major--speeches/November/sp20111125.aspx, accessed 20 March 2012.

¹⁹ Department of Resources, Energy and Tourism, Commonwealth, "Australia's coal industry", 15 August 2012, www.ret.gov.au/resources/mining/australian_mineral_commodities/coal/Pages/australia_coal_industry.aspx, accessed 3 February 2013.

ests lined up against it.²⁰ This empirical study of climate policy development in Australia in 2007 – 2013 provides a compelling insight into the tenacity of fossil fuel interests, and their allies in politics and the media, when their power is challenged. This context made the political challenge of climate change action all the greater; my focus is to understand how politically effective the Labor governments were in that light. It is also notable that Gillard was able to overcome the vested interests and achieve action, although only for a limited period of time.

The cornerstone of the favoured approach to mitigating climate change in Australia has been an ETS, which involves using the market to put a cap on emissions through a price on carbon. But an ETS is an economy wide reform with clear short-term winners and losers intended to increase the cost of living in the present to the benefit of the future. Even then the projected advantage for the climate would not come about at all in the absence of similar action by other countries. And some of those countries where a response is most needed are those with the least interest in acting, either because they take too much enjoyment in the fruits of industrialisation or they would hobble themselves in their lunge for development.²¹ These are not settings where action would normally be popular with voters, which is how it tuned out in Australia.

An alternative way of framing the research questions to be addressed in this thesis is to say I am attempting to identify the political strategies that would reduce the risks of pursuing climate policies, thereby making success more likely. The place to begin the process of assembling the building blocks for the framework of the thesis is with the work of Australian political scientist, Brian Head and his analysis of wicked problems. Head discusses what the most widely recommended approaches to wicked problems are and points out three of them.²² These are better knowledge, better consultation and better use of third-party partners. He believes these deserve closer attention in future research, which is something this thesis attempts to provide. Head's short elaboration of the three approaches, while arguing that not one alone is sufficient to deal with wicked problems, highlights certain features of each that are relevant to my work. Better knowledge can assist with the development of consensus. Effective ongoing consultation and close collaboration among stakeholders is important. Third parties can assist in addressing difficult groups. The favoured approach involves high

²⁰ I. Bailey *et al*, "The fall (and rise) of carbon pricing in Australia: a political strategy analysis of the carbon pollution reduction scheme", *Environmental Politics*, vol. 21, no. 5 (2012): 692.

²¹ Garnaut, "A Diabolical Policy Problem."

²² B.W. Head "Wicked Problems in Public Policy," , p.115.

levels of consultation, collaboration and communication. The Australian Public Service Commission agreed with this general approach, suggesting the aim of government when dealing with wicked problems should be to achieve sustained behavioural change through collaboration.²³

Head built on his insights in a later paper written with Alford.²⁴ In this paper the authors argue that through collaboration, the nature of the problem can be better understood and there is an increased likelihood that provisional solutions to the problem can be found and agreed upon. Collaborative networks can tap into a wider body of specific knowledge and skills than can unilateral decision makers; collaborating parties are likely to engage in regular communication as a normal part of their collective endeavour; and collaboration entails a degree of trust and mutual commitment among the parties. Collaborative relationships will assist in dealing with wicked problems where multiple parties are involved that have different levels of knowledge, different interests or different values.²⁵ This thesis analyses the performance of the Rudd and Gillard governments in light of these ideas. In doing so it confirms them, but provides significant additional insights.

The advantages of collaborative decision making over a unilateral approach are explored in detail in Hill and Hupe's relevant and extensive review of policy implementation literature, which has a useful discussion of what is known as the policy network approach. The central assumption is that policy is made in complex interactions between a large number of actors which takes place within networks of interdependent actors. The actors are mutually dependent because they need each other's resources to achieve goals. "So policy networks can be defined as (more or less) stable patterns of social relations between interdependent actors which take shape around policy problems."²⁶ Networks "facilitate a consultative style of government, reduce policy conflict and make it possible to depoliticise issues".²⁷

This thesis extends the thinking on the factors that facilitate or impede co-ordination as an approach to wicked problems through a study of the strategies of the Rudd and Gillard governments. It becomes clear that one of the most profound differences between the Rudd and Gillard styles of leadership lay in their different attitudes to accessing policy networks.

²³ Australian Public Service Commission, *Tackling Wicked Problems*, 2007.

²⁴ B.W. Head and J. Alford, "Wicked problems: implications for public policy and management", *Administration and Society*, 28 March 2013, aas.sagepub.com/content/early/2013/03/27/0095399713481601, accessed 24 October (2013): pp18-19.

²⁵ *Ibid.*

²⁶ M. Hill and P. Hupe, *Implementing Public Policy: Governance in Theory and in Practice*, Sage Publications, London, 2002, p.77.

²⁷ *Ibid.*, p.60.

UK researchers Hugh Compston, Ian Bailey and colleagues have usefully applied a version of policy network theory and resource exchange to a study of climate change policy development in Australia.²⁸ They note that while there are different views in the literature as to exactly what policy networks are, many uses of the term share a particular feature: the relationships between network members are based on resource interdependencies, with each actor wanting something from one or more other actors and being prepared to exchange something of their own to get it.²⁹ This insight, which is very relevant for this thesis, regards policy making as largely a process of resource exchanges using “specific political strategies within understood ‘rules of the game’”.³⁰ A resource in this context is something that is controlled by a policy actor, is desired by another policy actor and can be transferred or exchanged. They note that rules are developed in the networks that regulate behaviour and resource distribution. As an example, in the Australian debate over carbon pricing, prime minister Julia Gillard devised a unique body to facilitate exchange and de-politicise the issue. This was the Multi-Party Climate Change Committee, which was a very effective embodiment of the prime minister’s determination to exchange resources in pursuit of agreement.

The starting point of the Compston and Bailey analysis is this:

Although the capacity of policy network theory to explain or predict policy outcomes has been keenly debated (Carlsson 2000), one of its chief attractions is its recognition that governments do not possess the political, technical or financial resources to provide effective responses to ‘super wicked’ environmental problems, such as climate change, that require economy-wide structural adjustments and shifts in social norms and behaviours.³¹

Governments must reach an accommodation with as many of the other actors in the climate policy network as possible to avoid spending so much political capital that action becomes impossible. Networks, which aside from government include political parties, business, civil society actors and others, may be willing to exchange political resources to further their

²⁸ For a persuasive study of these issues, see: H. Compston, “Networks, resources, political strategy and climate policy”, *Environmental Politics*, vol. 18, no. 5, 2009, pp. 727–46; I. Bailey et al., “The fall (and rise) of carbon pricing”; and H. Compston and I. Bailey, *Climate Clever: How Governments Can Tackle Climate Change (and Still Win Elections)*, Routledge, 2012.

²⁹ I. Bailey, *et al*, “The Fall (and Rise) of Carbon Pricing”.

³⁰ R.A.W. Rhodes. “Power-dependence, policy communities and interGovernmental networks.” *Public Administration Bulletin*, 49, 4-31, quoted in H. Compston. “Networks, resources, political strategy and climate policy” p.728.

³¹ *Ibid.* p. 693.

preferences. For example, the main resource available to a government for exchange is policy concessions; the main motivations include success in the formulation and implementation of its policies and ensuring it retains power. Another key actor is the electorate, whose defining political resource is the votes to be cast at the next election and the preferences expressed to pollsters in the meantime. Opposition politicians are motivated by avoiding political damage for themselves and inflicting it on their opponents. They may seek to challenge the government, but their principal resource is their capacity to support action leading to a consensus approach. Industry groups and corporations are motivated by shareholder value and may see this as enhanced by support for the government or opposition to it. Non-Government Organisations and unions, which often favour action on climate change, may also be willing to negotiate for their support.

In this thesis, I extend the findings of Compston and Bailey to argue that there are nine main types of political actors that stand out as major players in resource exchange over national-level climate policy. These are:

1. Government. This includes the prime minister and the Prime Minister's Office, the climate change minister, other members of cabinet and government MPs.
 2. Public servants.
 3. Other political leaders and MPs. These have the power to pass or reject climate legislation.
 4. Voters. Their support is a potent weapon for government. But any erosion of their support can be – although is not necessarily – fatal.
 5. Media. Favourable coverage can be vital.
 6. Business. Investment and cooperation with implementation are levers to extract concessions.
 7. Unions. Their concern to secure the jobs of members can lead them to become very power opponents.
 8. Environmental lobbyists and scientists. Through an ability to influence media coverage and MPs, these may be able to alter the balance of resource exchange.
 9. Governments of other countries. These are participants in climate talks designed to achieve binding targets for emissions. They can influence a domestic debate pro-
-

foundly by appearing to be willing to establish a competitive advantage by acting slowly.

The next step in the argument, as Compston notes, is that:

If resource exchange is to be used by policy actors to help them achieve their policy preferences, it follows that they must have a strategy, defined as a plan of action designed to maximise their chances of realising their policy preferences. Since policy network theory specifies that policy decisions are determined mainly by resource exchange, it follows that actors' strategies must include decisions about how available resources are to be deployed.³²

This concept of strategy is central to this thesis. Exchange involves collaboration and deal making with the objective of maximising benefits and minimising losses. The game can be played well or badly. Those who play the game well get stronger policies through at a lower political cost than those who play it badly. Also, there is a punishment side as well as a resource side and government must sometimes promote conflict and inflict damage on opponents to marginalise them and exclude them from the possibility of exchange.³³ Sometimes governments do not play the game at all, as we shall see below, and when this occurs the consequences are potentially dire. Building on the work of Bailey, Compston *et al.* I examine the successes and failures of the two governments' strategies for negotiating with the main players in the climate policy network.

This leads us to the next point: to achieve cooperation steering is needed.³⁴ The thinking on collaborative approaches only provides part of the assistance needed to identify and clarify the strategic successes and failures of 2007 to 2013. Resource exchanges can only work to reduce political risk and maximise success if the network leadership is effective. A certain type of political leader is required. Resource exchange thinking can help isolate and highlight the types of political leadership that will be most likely to succeed or fail in attempting to get action on climate change. This is a leader who can appreciate the necessity of operating through networks, and can utilise the levers they make available. The policy network literature rarely brings leadership into the frame. Theories of political leadership and policy networks have been deployed only in limited ways to shed light on each other to draw conclu-

³² H. Compston. "Networks, resources, political strategy and climate policy", p.736.

³³ H. Compston and I. Bailey, *Climate Clever: How Governments Can Tackle Climate Change (and Still Win Elections)*, Routledge, 2012 p.80.

³⁴ Hill and Hupe, p. 78.

sions about effective political strategy in real world settings where attempts are being made to resolve wicked problems.

Head, followed by Head and Alford, by contrast, provides assistance with the analysis in this thesis by seeing leadership as an important factor in tackling wicked problems. Head and Alford note that overlapping examinations of collaborative strategies and processes is growing attention to another factor in tackling wicked problems: the role of leadership.³⁵ The authors point to the importance of, firstly, broad thinking about variables, options and linkages and, secondly, new models of leadership that “better appreciate the distributed nature of information, interests and power.”³⁶ They argue that effective leadership can bestow a degree of coherence and mindfulness on the workings of collaboration.

But this understanding of the important role of leadership in establishing the collaborative processes needed to deal with a problem like climate change comes at a time when long-term trends are undermining the qualities required. The next step in the formulation of the conceptual framework for this thesis builds on the work of James Walter, Paul Strangio and others. Australians have to confront climate change policy choices at a time when political parties have become increasingly hollowed-out shells dominated by factional soldiers. In the process, voters have become less attached to parties, a development that has tended to elevate leaders as the embodiment of the party and government, and more central to the electoral contest. This process, known as ‘personalisation’,³⁷ has been marked by an increase in resources to the core executive, allowing leaders and their personal staff to dominate cabinet and the public service. The prime ministerial careers of Rudd and Gillard were a result of the forces of personalisation as much as their individual traits.

The trends identified here lead to an emphasis on unilateral decision making, rather than collaborative approaches.³⁸ According to Walter, “Prime ministers can be accorded an authority

³⁵ B.W. Head and J. Alford, “Wicked problems: implications for public policy and management”, p. 18.

³⁶ *Ibid.*, p. 12.

³⁷ I. McAllister, *The Australian Voter: 50 years of change*. UNSW press, 2011.

³⁸ Discussion of leadership in this thesis relies on the following works of James Walter: J. Walter, “Political leadership”, in G. Ritzer (ed.), *Blackwell Encyclopedia of Sociology*, Blackwell Publishing, 2007, Blackwell Reference Online, accessed 12 January 2014; J. Walter, “Personal style, institutional setting and historical opportunity: Prime Ministerial performance in context” in P. Strangio, P. ‘t Hart and J. Walter (eds), *Understanding Prime Ministerial Performance: Comparative Perspectives*, Oxford University Press, Melbourne, 2013, pp. 33–56; J. Walter, “Political leadership”, in A. Fenna, J. Robbins and J. Summers, (eds), *Government and Politics in Australia*, Pearson, Melbourne, 2014, pp. 242–58; J. Walter and P. Strangio, *No, Prime Minister: Reclaiming Politics from Leaders*, University of New South Wales, Sydney, 2007; See James Walter and Paul ‘t Hart, “Distributed Leadership and Policy Success: Understanding Political Dyads”, The Australian Political Studies Association Annual Conference, University of Sydney, 2014, accessed

that might be seen as stretching the traditional expectations of party leader.” Examples include reduced accountability to the party and the party platform; increased control over ministerial appointments, promotions and demotions; and relative autonomy in decision making. The existence of these outcomes of personalisation – along with their tendency to stand in the way of effective solutions to climate change – is very clear in the empirical analysis that follows.³⁹

These trends are reinforced by the media, which play a key role in this transformation in the understanding of the role of leadership. As noted by Boumans *et al.*, media have become more preoccupied with leaders as celebrities, and stories of personality conflicts rather than policy debates. Features of this approach include an interpretative style of news reporting, sensationalism, cynicism and the preoccupation with the “horse race”. This development is said to amount to the mediatisation of politics. Political leadership is seen as driven by communication strategies, with greater emphasis on image over substance and personality over ideology.⁴⁰ The power relationship between politics and media has changed. Political actors are forced to adapt to the logic of the news media.⁴¹ Mazzoleni and Schulz note that mediatisation feeds personalisation:

A media-driven democratic system is thought to cause the decline of the model of political organisation born with the liberal state, as the political parties lose their links with the social domains of which they have been the mirrors and with the interests the parties have traditionally represented.⁴²

The impact of mediatisation will be explored in the cases of the Rudd and Gillard prime ministerships. For example, the inability (she was willing, but incapable) of Julia Gillard to play the media game with the same skill as her opponents led not only to her downfall, but also the

http://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalbrowse&journal_id=2437146 20 September 2014.

³⁹ These points are made in the knowledge that this is contested territory. For example, see P. Weller, *Malcolm Fraser PM: A Study in Prime Ministerial Power in Australia*, Ringwood, Vic, Penguin, 1989; P. Weller, *Cabinet Government in Australia, 1901 – 2006*, UNSW Press, Sydney, 2007; A. Blick and G. W. Jones, *Premiership: The Development, Nature and Power of the Office of the British Prime Minister*, Exeter: Imprint, 2010.

⁴⁰ J. W. Boumans, H. G. Boomgaarden and R. Vliegthart, “Media Personalisation in Context: A Cross-National Comparison between the UK and the Netherlands, 1992–2007”, *Political Studies*, 2013 Vol 61(S1), 198–216.

⁴¹ J. W. Boumans *et al.*, *Ibid.*

⁴² G. Mazzoleni and W. Schulz. ““ Mediatization” of politics: A challenge for democracy?.” *Political Communication* 16, no. 3 (1999): 247-261.

destruction of her carbon pricing legacy.

The emphasis on personalised leadership has led to the erosion of the checks and balances that Australians believe are firmly embedded in their system of government.⁴³ As Walter has noted, political leaders work within institutions—parties, Parliaments and so on — and must deal with other centres of power— courts, business, media. Liberal democratic theory assumes that leaders will be driven by self-interest, but democratic institutions will keep extremes in check by dispersing power to ensure competition between different power centres, each monitoring and challenging the others.⁴⁴ The lesson, then, is that good leadership depends upon good institutions, institutions that preserve that diffusion of power described as ‘the lattice of leadership’.⁴⁵

The breakdown of the checks and balances was a factor in the failure of the attempts to achieve carbon pricing. Australians were left prey to the political personalities of their leaders, a point which is examined in detail in this thesis. Neither leader brought to the transaction the qualities required to develop the strategies needed to work effectively with the major players in the policy network. This was so in part because of the historical trends identified above, but also because of the psychological dynamic driving them. Some of their leadership characteristics and political strategies were antithetical to those required to formulate and implement a complex, major, multi-stakeholder reform like carbon policy. These points are explored in detail in the thesis as the synthesis of ideas involving wicked problems, policy networks and leadership types gradually takes shape.

Summary of central contention of the thesis

Building on the work of Compston and Bailey in particular, the aim of this thesis is to draw out some of the implications of a resource dependency version of policy network theory for identifying political strategies for governments that wish to take vigorous action against climate change while avoiding serious political damage. The utility of resource-exchange thinking hinges on its ability to diagnose real-world successes and failures and offer workable

⁴³ See interview extracts below with Terry Moran, formerly secretary of the Department of Prime Minister and Cabinet. Also see J. Walter and P. Strangio, *No Prime Minister*.

⁴⁴ J. Walter, “Political leadership”, in A. Fenna, J. Robbins and J. Summers, (eds), *Government and Politics in Australia*, Pearson, Melbourne, 2014, pp. 242–58.

⁴⁵ J. Walter and P. Strangio, *No Prime Minister*. Also see A. Brown, *The Myth of the Strong Leader: Political Leadership in the Modern Age*, Basic Books, 2014.

strategies. Drawing on the empirical analysis undertaken for this thesis and also on the insights of Head, Alford, Walter and Strangio, it is possible to identify the causes of the failures to achieve carbon pricing and project alternatives. The thesis closely examines the interaction of Rudd and Gillard with the major players in the nation's climate policy networks, as listed on pages 19—20 above.

The thesis identifies Rudd and Gillard as providing profoundly different case studies of how power is exercised and which political strategies to deal with wicked problems are more likely to be successful. The process of resource exchange in policy networks to deal with wicked problems comes to be viewed as a necessary strategy. The advantages of collaborative leadership are pointed out with great clarity by Head and Alford. For them there are three effects of collaboration of which two are especially relevant here. These are, firstly, that the nature of the problem can be better understood and, secondly, that there is an increased likelihood that provisional solutions to the problem can be found and agreed upon. This is because "a wider network offers more insights but also because greater cooperation improves the prospect that diverse parties (who may have differing interests concerning the issue) may reach an understanding about what to do." In line with Head and Alford and Compston and Bailey, this thesis contends that collaborative arrangements and resource exchange enable alternative views to be recognised; can tap into wider bodies of knowledge and skills; will probably involve regular communication among the parties; and will foster trust and mutual commitment.⁴⁶

But it is clear that only certain types of political leaders are capable of exercising their power in ways that enhance the prospects of success along these lines. Julia Gillard was arguably such a leader, whereas Kevin Rudd most certainly was not. But historical forces are tending to create leaders more in Rudd's image than Gillard's. The effect could be very serious for Australia's future, as several commentators have noted. In his book *Triumph and Despair*, the *Australian's* Paul Kelly supports the view that the tendency to centralised and personalised leadership in the modern era has made necessary reform harder. Kelly declared that, "There is no guarantee that politics can emerge from its current trough to meet the challenges of the next decade."⁴⁷ The type of political leadership that can assist in overcoming the freezing of reform is clear, although Kelly fails to see this. He was unable to get past dominant mascu-

⁴⁶ B.W. Head and J. Alford, "Wicked problems: implications for public policy and management", *Administration and Society*, 28 March 2013, aas.sagepub.com/content/early/2013/03/27/0095399713481601, accessed 24 October (2013): pp16-19.

minist judgments of Gillard's prime ministership – a fault that seriously compromises the soundness of his analysis. But this author still finds it difficult to escape the logic of Kelly's despairing vision of the overwhelming nature of the challenge required for productive reform and viable solutions to wicked problems. Australia is at a turning point, as I believe this thesis demonstrates. The danger is that the country has already turned the corner into a dead end.

Other relevant writing on the Rudd and Gillard governments' climate policies

This thesis has made use of a large range of independent, private, government and Labor Party reports, research papers, academic articles and books. Most of the documents were publicly available, while some confidential papers surfaced through Freedom of Information requests and some from leaks.

There have not been any books written specifically on climate change strategy in the Rudd and Gillard years. Academics and journalists have however produced various books with relevant chapters on the 2007 election campaign,⁴⁸ the global financial crisis (GFC),⁴⁹ the Rudd prime ministership,⁵⁰ the 2010 election campaign,⁵¹ the Gillard prime ministership,⁵² and the Rudd – Gillard leadership struggles.⁵³ All of these sources contain a discussion about the climate policy and/or leadership debate which, where relevant, will be brought in and evaluated at appropriate places in the thesis. A major point of difference between most of these works⁵⁴ and this thesis is that the thesis includes interviews with many senior ministers, in-

⁴⁷ P. Kelly, *Triumph and Demise*, p. 510.

⁴⁸ N. Stuart, *What Goes Up: Behind the 2007 Election* (Scribe Publications Pty Limited: Melbourne, 2008); M. MacCallum, *Poll Dancing: The Story of the 2007 Election* (Black Inc: Melbourne, 2007); N. Stuart, *Kevin Rudd: An Unauthorised Political Biography* (Scribe Publications: Melbourne, 2008); P. van Onselen and P. Senior, *Howard's End* (Melbourne University Publishing: Melbourne, 2008).

⁴⁹ L. Taylor and D. Uren, *Shitstorm: Inside Labor's Darkest Days* (Melbourne University Publishing: Melbourne, 2010).

⁵⁰ C. Aulich and M. Evans (eds.). (2010). *The Rudd Government: Australian Commonwealth Administration 2007-2010* (Vol. 10). ANU E Press; N. Stuart, *Rudd's Way: November 2007-June 2010* (Scribe Publications Pty Limited: Melbourne, 2011); J. Button, *Speechless: A Year in My Father's Business* (Melbourne University Publishing Digital: Melbourne, 2012); D. Marr, *Power Trip: The Political Journey of Kevin Rudd, Australian Quarterly Essay 38* (2010).

⁵¹ M. MacCallum, *Punch & Judy: The Double Disillusion Election of 2010* (Black Inc: Melbourne, 2010); M. Simms and J. Wanna, (eds) *Julia 2010: The Caretaker Election*. ANU E Press, 2012.

⁵² T. Bramston, *Rudd, Gillard and Beyond*, Penguin Specials, Melbourne 2014.

⁵³ P. Kelly, *Triumph and Demise*, (Melbourne University Publishing: Melbourne, 2014). G. Combet, *Fights of my life*, (Melbourne University Press: Melbourne, 2014); W. Swan, *The Good Fight*, (Allen and Unwin: Sydney, 2014); A. Patrick, *Downfall: How the Labor Party Ripped Itself Apart*, HarperCollins, Sydney, 2013; K.A. Walsh, *The Stalking of Julia Gillard: How the Media and Team Rudd Contrived to Bring Down the Prime Minister*, Allen & Unwin, Sydney, 2013.

⁵⁴ Paul Kelly's *Triumph and Demise* also includes a large number of interviews, although they are not specifically about climate policy.

cluding the two prime ministers. In particular, the thesis represents the only occasion on which Julia Gillard has been interviewed about the problem of climate change, including the devastating events of the first half of 2010 which culminated in the abandonment of the CPRS and the defeat of Rudd. As such, this is the first time her position has been explored.

⁵⁵On balance, as will become clear, her positions differ from those of her predecessor greatly. Where this occurs I generally find her views more persuasive. Both at the national and regional level the media attention was colossal. Just as awe-inspiring was the number of consultants' reports to all levels of government. Most of the reports demanded attention, although in most cases it was necessary to read consultants within a framework of knowledge as to which body was funding them.

This latter consideration does not of course apply to Ross Garnaut (he was separately appointed twice, by both Rudd and Gillard), who was the most important consultant of all and about whom it could never be argued that he lacked independence or courage. Rudd established a policy-making process that to a degree bypassed Garnaut, whose withering scorn for the coal-fired electricity generators created embarrassing choices for the government. But even if Garnaut's influence on Rudd and Wong was not as great as he might have expected when he was appointed, his eminence ensured it was very important in the public debate. His various interventions in the Gillard era were more directly persuasive, although he was still not able to exert his will against the generators.

The government reports that relied on the consultants were likewise voluminous. The work of the Department of Climate Change (DCC) was quite extraordinary both in its quantity but also its quality, given the demands that both governments directed its way. The DCC also published a large amount of other material about climate change and climate policy. There were other government departments involved in the debate, most notably Martin Ferguson's Department of Resources Energy and Tourism (DRET). The DRET website was the repository of a daunting amount of useful information. Simon Crean, Minister for Regional Australia, Regional Development and local government, became very heavily involved in dealing with the impact of the CEF on the regions and his department was also a source of very important studies and insights.

⁵⁵ My conclusions were subsequently supported by Kelly, *Triumph and Demise*, pp 288-294.

The departmental websites contained consultants' reports, media releases and ministerial speeches as well as important background information. The Garnaut website, as well as his reports, contained his speeches, which were always insightful, often strongly worded and which demanded attention. Other information was drawn from a variety of sources, including Facebook pages and various climate blogs and local and national media websites.

By August 2014, as this thesis was being finalised, a number of books by insiders to the policy and strategic processes of the Rudd and Gillard government had emerged. These included work by Gillard's Minister for Climate Change, Greg Combet, and a key independent in the Gillard era, Rob Oakeshott, who was an important figure in the climate negotiations.⁵⁶ Neither of these books, however, added in any significant way to the sum of my knowledge or insights.

Finally it should be noted that a special issue of the *Australian Journal of Politics and History* in December 2013 was devoted to the politics of climate change in Australia. In their introductory essay Mark Beeson and Matt McDonald frame the purpose of the exercise in a way that closely aligns with the aims of this thesis: "The authors of the papers in this special issue ultimately share a concern with the question of how to make sense of the limits to strong action on climate change in Australia, and what possibilities exist for overcoming those limitations."⁵⁷ The contributors, however, are not primarily focused on the political strategies of the two prime ministers that made the difference to success or failure in both cases. They are not therefore relevant to this thesis.

Mass media, a special note

The thesis relies on the mass media extensively to assist with creating the narrative "skeleton". Newspapers in particular are a key source of information. The events of 2007 – 2013 received saturation coverage. This creates both opportunities and challenges. A particular feature of the Australian media is the concentration of its newspaper ownership. Rupert Murdoch's News Corp owns seven of 11 national and capital city dailies, with four of these papers being the only daily in their respective cities. A second company, Fairfax Media, owns all but one of the other four newspapers, including the only two quality metropolitan

⁵⁶ R. Oakeshott, *The Independent Member for Lyne*, Allen and Unwin, Sydney, 2014.

⁵⁷ M. Beeson, M. and M. McDonald, M. (2013). The Politics of Climate Change in Australia*. *Australian Journal of Politics & History*, 59(3): p. 332.

dailies, the *Age* (Melbourne) and the *Sydney Morning Herald*. The *West Australian* newspaper is owned by a company associated with Perth-based entrepreneur Kerry Stokes.

In 2007 – 2008 newspapers from both major companies echoed the enthusiasm of Australian voters for action against climate change. This also occurred because the two major political parties were in broad agreement both about the need to act and about what to do – introduce an ETS as the lowest cost way of curbing emissions. Studies of newspapers' coverage of climate change by Manne⁵⁸, Bacon *et al.*⁵⁹ and this writer⁶⁰ show there was a marked shift in editorial tone and content, both in the news and opinion pages, against Rudd and his prime ministership. This became more and more pronounced as 2009 progressed. By 2010 Rudd was under very serious attack for being incompetent and lacking values, as we shall see in chapter 3 below. The newspapers played a major role in undermining his leadership by focusing on the decline in his popularity and by playing an active role in articulating and fanning the discontent – sometimes the anger – that was genuinely intensifying among both Labor MPs and ministers and also within the extra-Parliamentary wing of the Labor Party.

The media initially greeted Gillard's ascension to the leadership of the Labor Party in June 2010 positively. But a bitter, destabilising campaign of leaks by Rudd led to a poor performance during an election campaign she called several months before it was necessary. This, along with a disciplined campaign by Opposition Leader Tony Abbott, saw the newspapers turn from her with increasing resolve. The outcome of the August election – the first hung national Parliament in Australia for 70 years – led to a dramatic escalation in the fury of public discourse, with Abbott believing he was just a heartbeat away from becoming Prime Minister and pursuing every sign of weakness with a sustained ferocity rare in Australian history. Newspapers mirrored this permanent election campaign and drove it. They gradually, in the case of some very influential examples, became active participants on the side of both of Gillard's opponents: Abbott and Rudd. With them were many corporations and industry associations that had also flocked to Abbott's banner. This suited the ideological underpinnings of the pro-business media, which became aggressively opposed to the government's

⁵⁸ R. Manne, "A Dark Victory: How Vested Interests Defeated Climate Science," *The Monthly* 22 (2012).

⁵⁹ W. Bacon, *A Sceptical Climate: Media Coverage of Climate Change in Australia. Part 1 - Climate Change Policy* (Australian Centre for Independent Journalism and Global Environmental Journalism Initiative, University of Technology Sydney: Sydney, 2011).

⁶⁰ P. Chubb, "Really, Fundamentally Wrong: Media Coverage of the Business Campaign Against the Australian Carbon Tax", in E. Eide and R. Kunelius, *Media Meets Climate* (Gothenburg: Nordicom, 2012); P. Chubb and W. Bacon, "Australia: Fiery Politics and Extreme Events" in E. Eide and R. Kunelius, *Global Climate—Local Journalisms. A Transnational Study of How Media Make Sense of Climate Summits* (Bochum: Projektverlag, 2010).

climate change policies because, it was claimed, they reduced international competitiveness.⁶¹

As noted above, the feverish tone of much of the newspapers stemmed also from the fact they were functioning in an era when they faced existential threats from the destruction of their old business models by the explosion of free news and opinion on digital devices and the world wide web and from the related development of the so-called 24-hour news cycle. These contextual issues meant that journalism was more than ever driven by a thirst for rapidly escalating conflict. Also, during and following the GFC, newspapers thrived on cost of living stories. These developments made Tony Abbott a very appealing type of leader, because the same dynamics drove him.

It is important in drawing on newspaper coverage for knowledge and understanding of the way the climate change debate unfolded in the Rudd – Gillard years to allow for the biases described above. Sometimes this became so obvious – and so compelling – that it demands analysis in this thesis. For instance, several examples of egregious bias are identified and discussed in chapter 7, while analysing the nature and source of the opposition to Gillard’s Clean Energy Future package. In the Gillard era in particular, the debate progressed by way of hostile media leaks that, in themselves, became a key element of the story. The biggest and most damaging leak of all, though, came while Rudd was still prime minister. This was the one of 27 April 2010 to the *Sydney Morning Herald* that dropped the bombshell that the leader had abandoned his Carbon Pollution Reduction Scheme.⁶²

Methodology

While the enormous number and range of policy inputs and commentary were important to understand the topic of the study, the primary means of obtaining information and insight were 107 interviews with 74 people who, in most cases, were central to government climate change policy in the years 2007–13. Very few of those approached preferred to remain silent and a number agreed to be interviewed more than once. One of these was former prime minister Julia Gillard. The other former prime minister, Kevin Rudd, made himself available for a single interview.

⁶¹ P. Chubb, “Really, Fundamentally Wrong”.

Federal ministers who gave their time generously included both ministers for climate change (Penny Wong and Greg Combet), treasurer Wayne Swan (also deputy prime minister in the Gillard government), Craig Emerson, Nicola Roxon, Mark Dreyfus and Simon Crean. Combet was also Wong's parliamentary secretary for climate change and Dreyfus was Combet's. Other political figures interviewed who were important to this story included Greens leader Christine Milne and NSW rural independent Rob Oakeshott. Former Victorian premier John Brumby provided valuable insights. I interviewed twelve people from the Latrobe Valley whose community would be hit hard by carbon pricing. Others who participated in interviews included senior public servants, ministerial advisers and consultants working on policy or political strategy. The interviews were structured to gain insight into the central research themes, to cover factual and theoretical aspects of the thesis and to gain in-depth information around the research topic.

All of the politicians interviewed spoke on the record, with one exception. The exception was Kevin Rudd. Leaving Rudd aside, all final and follow-up interviews with government ministers central to the story were concluded by October 2013. Gillard was interviewed in December 2012 at the Lodge, and again by phone from Melbourne on 20 September 2013, just after the election that saw Labor ejected from office by disillusioned voters.

Rudd was unable to meet until 7 February 2014. He made many points in the course of the conversation and sent me additional information afterwards. His views were injected into the thesis. But readers will find no direct quotes from him. This is because the former prime minister spoke on a "background" basis only, meaning that he wanted me to use what he said but not attribute it to him directly.

The perspectives Rudd provided were useful, but it also should be pointed out that his general position has long been well known on all of the key issues. While Gillard has not been prepared to make her views clear until the interviews conducted for this thesis, Rudd and his core supporters dominated discussion and analysis of the climate policy narrative, almost always through the device of "backgrounding" journalists. On some important issues, his views have thus become, to this point, received wisdom. The most aggressive formulation of Rudd's position was in the account *Tales from the Political Trenches*.⁶³ The

⁶² L. Taylor, "Jittery leaders put saving their skins above saving the planet", *The Sydney Morning Herald*, 27 April 2010, p. 4.

⁶³ M. McKew, *Tales from the Political Trenches*, Melbourne University Publishing, Melbourne, 2012.

author, Maxine McKew, a former ABC presenter, was the victor over John Howard in his seat of Bennelong in 2007, became the parliamentary secretary for early childhood development, and was a passionate Rudd supporter. McKew's arguments about some central issues are the same as Rudd's arguments. They are dealt with in Chapter 4.

An interview I did with Rudd's climate change minister, Penny Wong, also helps us understand why Rudd acted as he did during the period in question. In defending some of her own positions, Wong sometimes inevitably defended Rudd's; the interview with her played an important balancing role in the thesis, even though the experience of 2007–2010 converted her to being an opponent of the former prime minister's leadership. (Wong shifted her position on the leadership back again in June 2013 to support Rudd in the final showdown with Gillard, and was rewarded with the job of government leader in the Senate.)

The results of interviews as a technique in social science always require careful evaluation. Trevor Lummis quotes an editorial in *History Workshop*⁶⁴ that states the problem clearly:

The difficulty lies in the fact that memory does not constitute pure recall; the memory of any particular event is refracted through layer upon layer of subsequent experience and through the influence of the dominant and/or local and specific ideology.

The process of maximum triangulation with other sources, both oral and written, was used to establish general reliability. It is necessary to search for similar and contrasting facts and themes that can then be examined in light of the research questions. In this thesis, where the information gathered is not necessarily considered reliable, it is either discarded or quoted directly. The latter occurs in instances where it may be important to establish that the interviewee believes what they say, or claims what they claim, without it necessarily being credible. Sometimes it is more important that people believe something to be true, or even claim it to be true whether they believe it or not, than that it is demonstrably true. Political events are often shaped by public narratives and it is important to understand what gives rise to them, whether true or not, or capable of being proven or not. The narrative takes on a life of its own. An example is in some of the very strong statements contained in

⁶⁴ T. Lummis, "Structure and validity in oral evidence", *International Journal of Oral History*, vol. 2, no. 2, 1981, pp. 109–20.

chapter 4 about Gillard and Swan's alleged culpability for the demise of the CPRS in 2010. Whether they are actually true is important, but so is the fact that many people in the community believe them to be true and a very powerful narrative has been constructed based on them. This narrative, however, is -- as I shall show -- false.

A major issue to consider when reflecting on the use of sources is anonymity. Many senior public servants and ministerial advisers agreed to be interviewed on condition that their names be withheld. These people were constrained by the confidentiality of cabinet, public service and other deliberations, discussions and decisions. They also required anonymity because their professional reputations and futures require them to be dependably discreet. Those interviewed for this thesis generally did not have permission to speak. Certainly they did not have permission to speak freely, which was what was being asked of them.

The widespread use of anonymous sources raises important issues and is, as the *New York Times* stylebook puts it, a last resort.⁶⁵ But it also was a necessity. Public servants and ministerial advisers are vital participants in events and often clear-eyed witnesses to history. Some of the most important journalism in the public interest has required confidential sources. There are many such examples that have changed the world for the better.

That said, the very fact of anonymity means that sources' answers to questions must be treated cautiously for more than the usual reasons of faulty memory or impure motives. This understanding led me to establish a set of rules for how to deal with them while writing the thesis. The first concerns anonymous direct quotes containing strong or colorful criticism of the behaviour of others, especially either prime minister. These were excluded. Quotes of this type must be clearly and openly sourced. The second concerns anonymous opinions. These were only included in the thesis when it was clear to me that they were reasonably representative of a legitimate point of view. The decision whether to include them was assisted if there were others saying something similar on the record. The third concerns facts put forward by anonymous sources. These were only ever included if they were corroborated by others to the point where I was convinced of their accuracy. That meant that "facts" had to be provided by more than one source and the sources had to be independent of each other. Where I was convinced of the accuracy of a "fact",

⁶⁵ M. Sullivan, "The disconnect on anonymous sources", *The New York Times*, 12 October 2013, www.nytimes.com/2013/10/13/opinion/sunday/the--public--editor--the--disconnect--on--anonymous--sources.html, accessed 14 October 2013.

but where others disagreed, I did my best to note this clearly. The clearest example of this concerned Rudd's failure to prioritise the CPRS in 2010, a major issue that is dealt with chapter 4.

All of this raises the question of the motivation of anonymous sources. The answer is that their motivation is the same as that of most of the politicians who are in a position to speak on the record. I am convinced that in the vast majority of cases their interest was in trying to ensure that history be written according to the truth as they genuinely saw it. They were often willing to argue hard for their version of events. In the final analysis, I am presenting this thesis as my considered view of a very important part of Australia's story. I have done my best to form that view on the basis of all the verbal and documentary evidence I have been able to gather and evaluate.

Case Study – Victoria's Latrobe Valley

In the search for answers this thesis also investigates events in Victoria's Latrobe Valley, the region considered by a range of consultants, including Garnaut, as likely to be most directly affected by Canberra's policy of pricing carbon. The Valley, two hours east of Melbourne, is among the most heavily polluting regions in Australia. With its incongruous mix of green dairy paddocks, picturesque villages, forbidding power station chimneys and heavy industry, the region supplies 90 per cent of Victoria's electricity from four main power stations (and one much smaller one) that burn the world's dirtiest fossil fuel, brown coal.⁶⁶ Australia's economic success over the past century has been built in no small measure on the cheap power supplied from here.

While the Valley had unique characteristics, it was also representative of the extreme stresses in Australia's industrial regions, where livelihoods would be hit directly by the reforms. The downstream experience of these communities, where fear of the impact of carbon pricing often flourished unchecked, and where the climate change scepticism that swept through the Liberal-NP Coalition gained its start, provides a powerful lens through which to crystallise the strengths and weaknesses of national policy making and politics. The regions, including the Valley, are important in themselves, but they also demand study because they were the initial source of the fire that eventually consumed the moderate leadership of the Liberal Party and then the CPRS.

⁶⁶ G. Borschmann, "Brown coal phase-out may be scrapped", *ABC Environment*, 9 August 2012, www.abc.net.au/environment/articles/2012/08/09/3564105.htm, accessed 20 November 2012.

The Latrobe council and some local unions developed far-sighted policies to promote economic diversification ahead of the carbon pricing reforms. These were dealt with in profoundly different ways by Rudd and Gillard, ways that reflected their approach to strategy and leadership. But ultimately they ended up with the same failure on regional assistance, bringing into sharp relief their underlying similarities that destroyed them both.

Thesis structure

The work of Compston and Bailey is the first and most useful empirical analysis of Australian climate policy. The authors demonstrate that “the utility of resource-exchange thinking hinges on its ability to diagnose real world climate policy successes and failures and to offer workable strategies to overcome constraints”.⁶⁷ On the basis of a much more comprehensive and detailed empirical inquiry, as well as the application of theoretical insights into wicked problems and effective political leadership, this thesis will substantiate the proposition that major failures of political strategy were the principal reasons for the policy fiasco of carbon pricing in Australia in the years in question.

The empirical work is organised for the most part to facilitate the close examination of the interaction of the two leaders with the major players in the nation’s climate policy networks that I identified earlier (see page 18).

The narrative is told in two parts, the first of which deals with the Rudd government and the second with the Gillard government. Building on Compston and Bailey, the thesis proceeds from the understanding that governments are in a position to grant policy concessions to those who want them, such as opponents in legislatures, business and green groups, in return for political resources such as formal approval of the policy, cooperation with implementation, private investment in the economy, and political support.⁶⁸ This insight informs the structure of the thesis, which is designed for the most part to facilitate the close examination of the strategic successes and failures of the two governments in the context of the conceptual framework established above. Each chapter focuses on how well or badly government has collaborated with major players in the pursuit of resource exchange - or whether it has collaborated at all.

⁶⁷ I. Bailey, *et al*, "The Fall (and Rise) of Carbon Pricing" p. 707.

⁶⁸ H. Compston, Hugh, and I Bailey. *Climate Clever: How Governments Can Tackle Climate Change (and Still Win Elections)*. Routledge, 2012, p.65.

The thesis is presented in 11 chapters plus a conclusion, as follows:

Chapter 1. A dysfunctional government

The thesis begins with an examination of the government's internal relations. This establishes the key points and impact of Rudd's drive to destroy the checks and balances in Australia's system of government and notes how this left Australians prey to his dysfunctional leadership. Rudd, for example, failed to see value in communication with voters about the meaning of carbon pricing. This was the error from which all others flowed. The impact of the silence was most obvious in the Latrobe Valley, which was ignored despite its status as the nation's most at-risk region.

Chapter 2. The rush for the golden doors

This chapter looks at the strategies the Rudd government employed in its dealings with business, unions and environmentalists. It focuses principally on Victoria's brown coal generators in the Latrobe Valley. The campaign by the generators was vicious and endless. It undermined public confidence in the CPRS and achieved large compensation payments as hush money. But the campaign was only able to succeed because of failures by the government in the process of initiating clear policies to deal with the generators' demands.

Chapter 3. Squandering consensus

Rudd initially enjoyed a great gift. This was the existence of a broad consensus on the need to act on climate change. The media, unions and most elements of business were in agreement. Even the Liberal-NP Opposition accepted that carbon pricing was a necessary reform. But Rudd squandered the opportunity to work with his political opponents. Instead he used the consensus as a weapon to destroy moderate Liberal leader Malcolm Turnbull. It is arguable that Tony Abbott, with his anti-science slogans, was thus Rudd's creation. The prime minister then flew to Copenhagen, believing he could he could achieve a binding international agreement, only to suffer an emotional breakdown following the failure to reach an accord that left him in no fit state to deal with his colleagues' advice to call a double dissolution climate change election on his return.

Chapter 4. Conviction founders

By 2010 Rudd was isolated except for a small handful of young and inexperienced staff grappling with the policy fiascos he had constructed that led ultimately to his failure and defeat. He had alienated and completely marginalised all the major players in the climate policy network. These included most cabinet ministers and Labor MPs, the public service, environmentalists, business, the media, his political opponents and, finally, voters. Then in April that year he abandoned his CPRS. The government that had swept to power on a promise to act on climate change was now entirely devoid of a climate policy. When Rudd publicly admitted this after a newspaper leak his approval rating plunged sharply. Julia Gillard wrested the prime ministership from him in a rebellion partly driven by her own and other senior ministers' dismay with his leadership failures. He has always claimed that the blame for the CPRS debacle lay with Gillard, but this is shown on analysis to be wrong. This chapter argues that the impact of his leadership failure explored in chapters 1 – 3 became more clear in early 2010, and was eventually seen in bold relief. Rudd had become incapable of effective political strategy.

Chapter 5. Two leaders

The reasons for Rudd's failure to implement climate policy after such an encouraging start are analysed. The chapter provides details of the interviews conducted with Rudd and Wong and then introduces the contrasting style of Gillard's leadership, establishing the framework for the chapters to come.

Chapter 6. The seeds of destruction

Gillard's initial approach to climate policy was to argue the need to restore public support. The mechanism she chose, a citizens' assembly, was ridiculed and dismissed as further evidence of the government's lack of commitment to action. It was in fact a sign of her more consultative approach. The proposal along with the storm of criticism that followed also provided observers with their first glimpse of what was to be a recurring theme. Gillard lacked strategic ability when it came to communications and in this area often failed to consult. It was as if she was trying to be two different types of leader, a consultative negotiator and an authoritative director, a point explored in detail. The August 2010 election resulted in a hung Parliament, requiring all of her negotiating skills to maintain Labor's hold on power. Eventually she achieved enough support among independents and Greens to form a new government. The generally more collaborative approach she brought to policy making was

evident soon after the election, when she established an innovative Multi-Party Climate Change Committee (MPCCC). But then she made several more mistakes in communication that set up her failure. These, in the face of a massive scare campaign by a number of major players, including business and the Liberal-NP Opposition, created the conditions for her own destruction. She struggled to represent herself as both a consultative, collaborative and effective operator within the network as well as the type of centralizing leader demanded by the media and voters.

Chapter 7. A media campaign

By March 2011, as Opposition Leader Tony Abbott's fear campaign reached a crescendo, the media joined him. The coverage was so one-sided that it helped shape and amplify his messages of doom.

Chapter 8. Dead silence

While the conduct of the media and business was quite extreme, between February and July 2011 the government pursued a fundamentally flawed strategy. Gillard made a deliberate strategic decision to focus on her priority, which was policy development, and ignore the fact that her credibility was being destroyed by the scare campaign every day. By the time she lifted her head to engage with major players in the network, including business, the media and voters, it was too late.

Chapter 9. A fleeting triumph

While the scare campaign was in full flight, Gillard was focused on engaging with other players – Greens and rural independents – who had joined the government on the MPCCC. The committee was working hard in a collaborative spirit to develop a new carbon pricing and renewable energy policy for the country. The result was the triumph of the Clean Energy Future package. This chapter examines in detail how the policy was developed, in particular how the negotiations were conducted. It concludes with an evaluation of Gillard's positive role in making the process work. The package passed the House of Representatives in October 2011 and the Senate in November.

Chapter 10. Cutting through

Immediately following the announcement of the Clean Energy Future package on 10 July 2011, the government swung into action to sell it to voters. The contrast with the silence of

the Rudd era, and Gillard's own silence since February 2011, could not have been clearer. The cabinet fanned out around the country in a process modelled on an election campaign. But it was a disaster. The public was not listening. By March 2012 the government decided the best approach was to stop talking about the issue at all. Australia had moved from a country where there was tremendous momentum for action on climate change to a country where the government dared not say the name.

Chapter 11. The lived experience.

The scare campaign had been spectacularly successful. But when the individual elements were analysed they were shown to be mostly untrue. The CEF also showed early signs that it was working. Emissions from coal-fired power generation were down. But Gillard's credibility had been destroyed. This was very obvious in the Latrobe Valley. In a move that sheds light on its national failure, the government, having deluged the Latrobe Valley with visits after July 2011, finally turned its back. In the process it drastically undermined its own legacy in the regions.

In response to the endless chaos, in June 2013 Labor MPs finally capitulated to Rudd's relentless campaign and restored him to the leadership.

Conclusion

The threads of the earlier chapters are drawn together. A table demonstrates how the strategies of Rudd and Gillard differed, and identifies their strategic strengths and weaknesses. In the process this develops recommendations for strategic choices that may be more successful in the future.

Part one

The Death of Innocence

1

Dysfunctional government

Introduction

Rudd was determined to centralise power and inclined to ignore the traditional roles of both cabinet and caucus. He overturned a century of tradition by removing from caucus the power to elect the ministry. Then he undermined the authority of cabinet, which is at the heart of Australian executive government. By tradition, prime ministers are constrained by the fact they are treated as first among equals in cabinet.⁶⁹ While it is true that practical observance of this has fluctuated, Rudd took an extreme position. Cabinet also sets up a network of subcommittees to examine important issues in more detail. This structure is vital to the good operation of government, as it ensures decisions are made only after deep, orderly and confidential scrutiny. While under Rudd's prime ministership some of cabinet's subcommittees worked reasonably well, his impatience with the processes of cabinet was highlighted by his decision in early 2008 to disband cabinet's climate change subcommittee.⁷⁰ This left climate policy-making primarily in the hands of Rudd and Wong, a move which had several damaging impacts that are explored in this chapter. In particular, the normal checks and balances in the Westminster system of government, already under threat from long-term trends, were further eroded by the practices of by Rudd and his key staff. The prime minister and his office became increasingly isolated, arguably leading to groupthink and silence about the need for and nature of carbon pricing that began to erode voter support and the vital political consensus that was available to him in 2008. This was nowhere more obvious than in Victoria's Latrobe Valley. When viewed in the light cast by the wicked problem, policy network and leadership literature described above it emerges that, for Rudd, failure was always much more likely than success.

Walter, drawing on Lasswell, identified Rudd as a "theorist". The characteristics of this type of leader include a preoccupation with big ideas and a related tendency to delay while think-

⁶⁹ While in practice it may never have operated in this 'pure' way (see P. Weller, *Cabinet Government in Australia, 1901-2006: practice, principles, performance*. (UNSW Press: Sydney 2007), its departures from the ideal were quite extreme during Rudd's period as prime minister.

⁷⁰ The principal example of Rudd's impatience was the Strategic Priorities and Budget Committee, which as we shall see, came to be seen by many in government as having supplanted cabinet itself.

ing things through. “Intellectualisation avoids having to be too close and personal: you change the world by changing the ways in which people think rather than by working directly with them.” Rudd strengthened the role of advisers *as against* the public service. From the beginning he was so concerned with leaks that he feared open communication. This in turn reinforced “groupthink”, which is defined as a failure to encourage alternative viewpoints or reality checks.⁷¹ These characteristics were all crushingly familiar to Rudd’s colleagues.

Historical context of climate change policy

Is climate change a diabolical, or wicked, problem? Yes. That much has been proven again and again until it is now obvious to all. A measure of this is that it has been around as a political issue (it was initially called global warming) for nearly 30 years, first emerging in 1985.⁷² Progress in dealing with it was slow as it came up against vested interests. Plans were put to cabinet in 1989 and 1990, which finally agreed that emissions should be stabilised at 1988 levels by 2000 and then reduced by 20 per cent by 2005. The major proviso was that reductions in emissions would not be at the expense of the economy. In 1992 Australia signed the UN Framework Convention on Climate Change. In December that year, the Keating Labor government’s National Greenhouse Response Strategy provided for a range of voluntary measures.

Government interest then waned. In 1996 Liberal John Howard, who harboured significant scepticism about the science of climate change, was elected prime minister, ousting the Labor government after 13 years. The following year the Kyoto protocol, an international agreement to reduce emissions by setting “binding” targets for industrialised countries, was signed by all but the United States and Australia. Howard’s resistance gradually but increasingly became controversial in Australia and eventually became deeply unpopular.

In 1999, the Australian Greenhouse Office released discussion papers on emissions trading which from then became the favoured approach of both sides of politics to tackling climate

⁷¹ J. Walter, “Political leadership”, in A. Fenna, J. Robbins and J. Summers (eds) *Government and Politics in Australia*, Pearson, Melbourne, 2014, pp. 242–58.

⁷² Helpful descriptions of the early history of the Australian debate about climate policy and emissions trading on which the researcher has drawn are included in three important publications: Ben-David, “An early history”; G. Pearse, *High and Dry: John Howard, Climate Change and the Selling of Australia’s Future*, Penguin, Melbourne, 2007; and C. Hamilton, *Scorcher: The Dirty Politics of Climate Change*, Black Inc., Melbourne, 2007.

change.⁷³ In 2003, Howard ruled out a proposal for a national ETS, apparently on advice from industry.⁷⁴ But he was soon to be caught in a trap that contributed to his ultimate defeat in 2007. The Labor Party was in power in all the states and territories, a rare event that provided political opportunities to embarrass the prime minister. Leaders saw climate change as a suitable battlefield and established the National Emissions Trading Taskforce (NETT) in January 2004, which was an important event in the debate about climate policy and continued to have an impact for a number of years.

The momentum to act against climate change meanwhile received another boost when, in December 2006, the federal caucus of the Labor Party elected Kevin Rudd as its leader. The following February state and territory ALP leaders adopted a Declaration on Climate Change which provided that if the federal government failed to introduce an Emissions Trading Scheme then they would do so.

By this time most Australians accepted human-caused climate change and the need for action.⁷⁵ They believed they had seen it and felt it. The worst droughts on record gripped many of the most populous parts of the country. In southern regions from Western Australia to Tasmania there had been little rain for a dozen years. The great dry spell was made worse by scorching temperatures. The baked, parched, rock-hard rural paddocks and dying suburban gardens were alarming to country folk and city dwellers alike. By mid-2005 forecasters were predicting catastrophic consequences, including wiping out up to a third of Australia's economic growth.⁷⁶ Prime Minister John Howard pronounced the drought one of the worst "in our history". The drought began to represent more of a cultural than temporal shock.⁷⁷ The weather was doing wild things elsewhere, too. In August 2005 the television news carried disturbing pictures of Hurricane Katrina and the floods that followed in the south east of the United States, which killed nearly 2,000 people and destroyed property worth more than \$US80 billion.⁷⁸ Six months later Severe Tropical Cyclone Larry, battered Queensland, which

⁷³ This was the case until Liberal leader Tony Abbott in 2010 adopted a policy of "direct action", which essentially involved the government regulating to change the way farmers work and the way buildings are built, and to promote tree planting.

⁷⁴ Pearse, *High and Dry*, p. 59.

⁷⁵ V. Burgmann and H. Baer, "The World's First Climate Change Election", School of Social and Political Sciences, University of Melbourne, 2010. Accessed 15 December, 2012. http://apsa2010.com.au/full-papers/pdf/APSA2010_0161.pdf.

⁷⁶ T. Lee, "Forecasters offer alternatives to dry winter prediction", ABC *Landline*, 29 May, 2005, quoted in D. Anderson, *Endurance*, PhD submission, University of Melbourne, September 2011.

⁷⁷ D. Anderson, *Endurance*.

⁷⁸ US National Climatic Data Centre, "Hurricane Katrina", 29 December 2005. Accessed 23 November 2012. <http://www.ncdc.noaa.gov/special-reports/katrina.html>.

had endured its own severe drought not long before.

Warnings about the threat of climate change rang out. In May 2006 former US vice president Al Gore's film *An Inconvenient Truth* commenced its mission to help create a crusade of climate activists.⁷⁹ In October that year Nicholas Stern's grim UK study of the impact of climate change on the world economy was released. A few months later, in February 2007, the UN Intergovernmental Panel on Climate Change delivered its fourth report with its most unequivocal findings on the connection between climate change and human activity.⁸⁰ Climate change became the subject of popular television shows and an everyday talking point.

Labor, both federally and in the states, was working hard to turn the politics of climate change to advantage by painting prime minister Howard as intransigent and out of step with the aspirations of a modern nation. Labor branded Howard a sceptic and used his usual assets of caution and reliability against him.⁸¹ Howard was a victim of a worldview shaped by his knowledge of Australia's reliance on coal, his instinctive suspicion of a policy that could compromise free market fundamentals and a conservative temperament that rejected threats from environmentalism. He was backed by elements of industry that would be affected should a price be placed on carbon. Furthermore, there were powerful voices within his own party urging him not to act. Their ideas were influential then and two years later they created havoc in the Liberal Party, events which are the subject of chapter 3 of this thesis.

Another important step in the debate came in March 2007 when Rudd declared climate change to be "the great moral challenge of our generation". His aim was "to forge a national consensus on climate change" and examine how "we best reorganise as a nation to deal with this". He told an ALP-sponsored summit of business, union and political leaders in Canberra that climate change was "a great environmental challenge, a great economic challenge, it's a social challenge" and announced several measures he would take should he win government at the election due later that year.⁸² These included pledges to restructure Aus-

⁷⁹ *An Inconvenient Truth: A Global Warning*, DVD. Hollywood: Paramount, 2006.

⁸⁰ Intergovernmental Panel on Climate Change, *Fourth Assessment Report: Climate Change 2007*. Accessed July 20 2010.
http://www.ipcc.ch/publications_and_data/ar4/syr/en/contents.html.

⁸¹ P. Kelly, "Green light on the hill is hard to miss", *The Australian*, 4 April 2007, p. 12.

⁸² J. Koutsoukis, "Rudd plans China talks on climate", *The Age*, 1 April 2007, p. 2.

tralia's economy, remake its energy industries and create a new environmental diplomacy. Commentator Paul Kelly argued that Rudd had “enshrined climate change as the new moral passion for the Labor Party in a way that recalled Ben Chifley's invocation of the Light on the Hill.”⁸³ Climate change had become an inspirational rallying point for Labor, something of a modern day *raison d'être*.

Rudd's strategy in calling the summit was to establish an unstoppable momentum that would propel him to the prime ministership at the coming election, while highlighting the widespread view that Howard had failed to provide leadership on climate change. Rudd was a very effective Opposition leader using climate change “both as an issue and as a symbol. He has taken a simple strategic decision; he will own climate change as a policy issue and a political crusade.”⁸⁴ Along with six Labor premiers and two territory leaders, he appointed Ross Garnaut to make recommendations on the best approach to action. Rudd demonstrated in a trip to Washington soon after the Canberra conference that he was keen to play a role on the international stage and promote US-China-Australia discussions on climate change, an ambition that was later to prove ruinous, as will be explored in chapter 3.⁸⁵

Howard could see that the politics were breaking against him and he commissioned a group headed by Peter Shergold, the secretary of the Department of Prime Minister and Cabinet, to reconsider the possibility of an ETS for Australia. The Shergold Report, released in May 2007, came to the same conclusion as the NETT before it and Garnaut afterwards. This was that an Emissions Trading Scheme was the lowest cost and most effective mechanism to deal with climate change. Even Tony Abbott, a fierce opponent of emissions trading after he became Opposition Leader in December 2009, noted in his book *Battlelines* that he supported Howard at the time: “The Howard government [in 2007] proposed an Emissions Trading Scheme because this seemed the best way to obtain the highest emission reduction at the lowest cost.”⁸⁶

⁸³ P. Kelly, “Green Light on the Hill is Hard to Miss”.

⁸⁴ *Ibid.*

⁸⁵ M. Gawenda and M. Grattan, “Rudd Urges Embrace of China on Climate,” *The Age*, 21 April, 2007.

⁸⁶ T. Abbott, *Battlelines*, Melbourne University Publishing, Melbourne, 2009, p. 171.

Prime Minister Howard and Environment Minister Malcolm Turnbull, a fervent advocate of climate change action, declared on 3 June 2007 that the government would introduce an ETS in 2011. The 2007 election was looming. While Howard had sympathy for the arguments of the climate change sceptics, he also understood that politically he had to take the policy based on the Shergold report to the election on 24 November 2007.⁸⁷ The two main parties now had similar plans to act against climate change (although Labor's was to commence in 2010). This political consensus was very important throughout 2008 – 09 but in 2007 voters' trust in Howard, who had been in power for 11 years, was spent.

As noted earlier, the November 2007 poll was sometimes described as the world's first climate change election.⁸⁸ The 2007 election campaign was all about Rudd. The ALP projected *Kevin07* as the harbinger of 'new leadership', but never had a party campaigned with such a personalised slogan, and the party gave its fortunes into his hands. Certainly climate change was a big issue. A postal survey of 1873 voters by the ANU's Australian Election Study showed only eight per cent supported the Howard position of not ratifying the Kyoto protocol.⁸⁹ Earlier in the year ARG, on behalf of the Climate Institute, examined perceptions and attitudes in nine key marginal seats in three states.⁹⁰ More than 90 per cent of voters surveyed wanted to see climate change policies given either 'strong attention' (47 per cent) or 'some attention' (45 per cent) during the election campaign. There was a clear preference (66 per cent) for the government to move quickly to renewable energy alternatives to create jobs in clean energy industries. Seventy-five per cent preferred Australia to agree to greenhouse pollution reduction targets rather than wait until developing countries also committed to reduce emissions. More than seven out of 10 voters (73 per cent) claimed climate change would have either a 'very strong' (34 per cent) or 'strong' (39 per cent) influence on their vote at the next election. Among undecided voters, climate change was a 'strong' or 'very strong' influence for more than six out of 10 (63 per cent).

⁸⁷ C. Peddie, "How to Get Expelled: Climate Sceptic Recruits Kids", *The Advertiser*, 13 December, 2011. Accessed December 6, 2012. <http://www.news.com.au/national-old/climate-sceptic-targets-teachers/story-e6frkw0-1226220417543>.

⁸⁸ J. Glover, "The lucky country?", *The Guardian*, 23 November 2007, www.theguardian.com/environment/2007/nov/23/climatechange.australia, accessed 17 August 2010.

⁸⁹ The Australian National University's Australian Election Study, quoted in M. Davis, "What made battlers turn the tide", *The Sydney Morning Herald*, 24 May 2008, p. 6.

⁹⁰ V. Burgmann and H. Baer, "The World's First Climate Change Election", School of Social and Political Sciences, University of Melbourne, 2010. Accessed 15 December, 2012. http://apsa2010.com.au/full-papers/pdf/APSA2010_0161.pdf.

Howard's failure to ratify the Kyoto protocol had become a potent symbol of his inadequacy and at the election he was humiliated by Rudd, losing both government and his own seat, only the second time in Australian history that a Prime Minister had suffered this crowning indignity. He fell to a leader who proudly declared his climate change idealism. Rudd's reign started with high hopes centred on his Kyoto policy. The *Age* leader of 1 December 2007 captured this mood, which was heightened by the fact that the UN Climate Change Convention in Bali commenced the following week:

At last, Australia can be a leader in fighting the effects of climate change ... The importance of these talks cannot be overstated. The future of the world's environment, and thus, its economy and its people, is at stake. The climate for change is here, now and urgent ... After a decade as a climate change laggard, Australia enters these talks as an empowered and credible participant. This welcome change of status follows Prime Minister-elect Kevin Rudd's commitment to ratify Kyoto ... After a decade of resistance, if not obstruction, Australia is in the position to embrace mandatory emission and renewable energy targets, and carbon trading.⁹¹

Rudd put in train the ratification of Kyoto as his first official act. It was a moment full of symbolism and hope. He was greeted with great enthusiasm in Bali. According to the *Australian*

The Prime Minister's signature brought to an end Australia's long resistance to the protocol, and received a rapturous reception at the Bali climate change conference, which began yesterday ... a clearly delighted conference host, Indonesian Environment Minister Rachmat Witoelar, said: "I think I speak for everyone here when I express a sigh of relief" over Australia's ratification decision.⁹²

Rudd was an international hero, a place Australians would become aware that he thoroughly enjoyed.

Garnaut was now consulting to the federal government and his interim report in February 2008 received saturation media coverage. The head of his secretariat, Dr Ron Ben-David,

⁹¹ Editorial, *The Age*, "The climate for change is here, now and urgent", 1 December 2007, p. 8.

⁹² S. Fitzpatrick and M. Warren, "Signature wins wild applause in Bali", *The Australian*, 4 December 2007, p. 6.

now chair of the Victorian Essential Services Commission, recalled sitting at Adelaide airport the day of the release and being struck by “something quite unprecedented taking place all over Australia ... In all fairness, while it was a good report, it was still only very preliminary ... So what was going on? Why was the level of interest so intense?”⁹³ It was as though intelligent and non-partisan debate about climate change had been legitimised. This was to last through 2008.

In July 2008, Newspoll reported that 84 per cent believed climate change was “currently occurring”; with 96 per cent of those believing it was entirely or partly caused by human activity.⁹⁴ Lowy Institute polling in 2007 showed voters thought addressing climate change was the most important domestic policy priority. In 2008 60 per cent of those polled supported climate change policies even with “significant” costs, while a further 32 per cent supported policies with “low” costs.⁹⁵

The intense public interest and overwhelming support meant that action seemed not only desirable, but also inevitable and urgent. The decision to “move early” to implement the emissions trading scheme by 2010 was the only economically and morally defensible action, Rudd argued. In February 2008, the newly installed Prime Minister told Parliament that “the costs of inaction on climate change are much greater than the costs of action” and that “Australia must ... seize the opportunity now to become a leader globally”.⁹⁶ While quick action was vital, the government promised that a thorough policy development process would be followed, involving the Garnaut Review, a green paper on ETS design issues set for July 2008, Treasury modelling to inform mitigation target decisions and a final white paper, set for December 2008.⁹⁷

While the undertaking to introduce an ETS by 2010 lay at the heart of Rudd’s climate agenda, he recognised that emissions trading alone would not enable Australia to achieve its re-

⁹³ R. Ben-David, “An Early History of Emissions Trading in Australia,” p.23.

⁹⁴ D. Shanahan, “Support for Rudd as Newspoll Says Don’t Wait for World on Climate Change”, *The Australian*, 29 July, 2008.

⁹⁵ M. Wesley, “Climate views have moved on”, *The Australian*, 2 July, 2012.

⁹⁶ A. MacIntosh, D. Wilkinson and R. Dennis, “Climate change”, in C. Aulich and M. Evans (eds), *The Rudd Government: Australian Commonwealth Administration 2007–10*, Australian National University ePress, Canberra, 2010, eprints.anu.edu.au/apps/bookworm/view/The+Rudd+Government%3A+Australian+Commonwealth+Administration+%092007+--+2010/5091/ch11.xhtml, accessed 20 November 2012.

⁹⁷ *Ibid.*

duction goals. The government also foreshadowed complementary measures to encourage research and development, increase the use of low emissions technologies and address market failures, such as in the area of energy efficiency. The target of a 20 per cent share for renewable energy in Australia's electricity supply by 2020 was also an important part of the overall climate policy. (This policy was known as the Renewable Energy Target, or RET.) The government would provide big sums of money: \$1 billion to help Australians to make their homes and communities more energy efficient and to help Australian businesses to reduce their impact on the environment and \$1.7 billion to support Australia's scientists and researchers in their work to improve energy efficiency and clean energy options. This included support for early-stage commercialisation of low carbon technologies, such as clean coal and renewables.⁹⁸

“The successful introduction of this [ETS] scheme will be the most significant economic and structural reform undertaken in Australia since the trade liberalisation of the 1980s,” said Wong in early 2008.⁹⁹ This became the commonly accepted view. Climate policy was major reform, full of promise and excitement. Change had not captured the public imagination of Australians in this way since the early 1970s. Everybody in the country, it seemed, wanted the same big thing, including all the politicians. But the sense of a grand national project masked deep divisions and fear that had never been overcome, even as the momentum for action gathered pace.

In the course of the policy debate, it became clear that ratifying Kyoto was a largely symbolic act and that it would be the high point of Rudd's achievement. How could such promise be wasted? This journey into the barren years, 2008 –2010, of Australia's climate policy-making begins at the government's internal relations. Interviews with dozens of ministers, key backbenchers, public servants and ministerial advisers who worked at the heart of the Rudd government virtually all point in the one direction: Rudd was a leader determined to centralise all authority in his own hands, and the consequence of that was deep dysfunction.

Rudd's push for domination began when he grabbed the Labor leadership in 2006, and it took solid shape following the 2007 election. A grateful Labor caucus, having tried three leaders (one of them twice) since losing government to Howard in 1996, rewarded Rudd by succumb-

⁹⁸ Ibid.

ing to his demand that it renounce its traditional right to elect the ministry, handing this power to him and enabling Rudd's domineering tendencies to flourish.

Rudd undermines checks and balances

The push to sideline the caucus was important, but it was followed by an even more serious undermining of tradition and practice. Rudd also took a far-reaching and critical approach to the operations of cabinet, which lies at the heart of Australian executive government. Cabinet's role is to direct government policy and make decisions about national issues, which are then binding on its members, who are all senior ministers. As noted earlier, by tradition the authority of prime ministers is somewhat constrained by the fact they are treated as first among equals in the cabinet. Cabinet also sets up a network of subcommittees to examine important issues in more detail. This structure is vital to the good operation of government, as it ensures decisions are made only after deep, orderly and confidential scrutiny.¹⁰⁰

The catalyst for the long slide towards a policy fiasco was Rudd's decision to disband cabinet's climate change subcommittee. In the beginning the subcommittee had nine members, including ministers, senior public servants and staff, who were looking forward to sitting down and charting a new and exciting journey together. For Rudd there were two problems. The first was that the issues were technical, so it seemed possible that not everybody would be able to keep up during the non-stop, all-day sessions. The second was that Rudd was fearful of leaks and was suspicious of both the bureaucracy and his ministerial colleagues and their staff. In particular he did not trust the minister for resources and energy, Martin Ferguson, convinced he was a climate change sceptic opposed to action.

One observer recalled that it was early in 2008 when he saw the first pile of papers on the development of an ETS come out of the Department of Climate Change. The subcommittee members "were all sitting in the cabinet room waiting for Kevin to arrive, as was often the case. When he arrived he was in a frightful mood." Before the meeting got properly underway, Rudd threw out all but one of the department heads, including Terry Moran from Prime Minister and Cabinet and Ken Henry from Treasury; the only department head to remain was Martin Parkinson, from the DCC. All ministers were excluded except for Wong and the treas-

⁹⁹ P. Wong, "Climate change budget overview 2008–09", www.climatechange.gov.au/publications/budget/budget--overview2008--09.aspx, accessed 20 November 2012.

¹⁰⁰ P. Weller, *Cabinet Government in Australia, 1901-2006: practice, principles, performance*. (UNSW Press: Sydney 2007).

urer, Wayne Swan. In a serious undermining of normal cabinet process, the subcommittee never met again. The key departments of Prime Minister and Cabinet and Treasury, along with Finance, were kept out of the climate change loop.

Policy-making became the domain of Rudd, Wong and Swan, known internally as the troika. Swan was preoccupied with the economy and did not participate fully. Beginning in early 2008, Rudd and Wong, the only ones who completely understood the policy, moved from a world of churning out formal cabinet submissions to no longer producing cabinet submissions at all. In a far-reaching move, they also stopped consulting with other departments and the inter-departmental committees. In an interview for this thesis, a senior adviser observed that Rudd “killed at birth the normal process of debate among departments and ministers”, which was a tried and true system of testing the policy and political strength of decisions.¹⁰¹ Those who observed Rudd’s methods closely are virtually unanimous in noting that there was a lack of depth and variety in the advice he received. The impact of this approach was to become very obvious to the public over time, although the reasons for it were never made clear.

The lack of communication with the cabinet also meant that it was hard to ask senior ministers to share responsibility for climate policy decisions. Some were very capable policy thinkers, but they had not completely absorbed the reason for taking action. They mostly accepted the headline conclusion that climate change was real and something needed to be done. Some of them had been in politics for fifteen or twenty years, however, and climate change was a relatively new issue. Some of these ministers did not see it as something that a Labor government was compelled to deal with. This was particularly so because solutions seemed to threaten jobs. The exclusion of these ministers was one problem.

Then there was another group of ministers, who grasped fully the need to do something but were frozen out of the process, so they did not appreciate the intricacies of the policy that Rudd and Wong were developing. A more collaborative way of working may well have led to improvements both to the policy and to the way it was sold to stakeholders and voters. Just as importantly, it may have led to the development of a plan B. Rudd’s plan A, to get legislation through both houses of Parliament with the support of the Liberal Party, was his only plan.

Internal government communication in general was abysmal, and it was often unclear who was

¹⁰¹ The adviser did not wish to be identified. Direct quotes from sources wishing to remain anonymous will not henceforth be footnoted.

doing or saying what in the labyrinth of Canberra. This was highlighted even by a Rudd favourite, Maxine McKew. Speaking as his friend, she said: “The problem was that we weren’t listening or talking with each other. Too little information was shared ...” She quoted veteran NSW politician Bob Debus saying, “there wasn’t much collegiality. There weren’t enough informal conversations where Ministers swapped information. That shocked me.”¹⁰² Debus would no doubt have been even more shocked had he known the truth: ministers did not swap information because most did not have any.

In 2008 a genuine crisis occurred, which triggered all of Rudd’s impulses for dominance: the worst recession since the Great Depression of the 1920s–30s threatened the global financial system. Rudd responded by confining decision-making to the now notorious Gang of Four, the Strategic Priorities and Budget Committee (SPBC), which comprised himself, Gillard, Swan and finance minister Lindsay Tanner.¹⁰³ These meetings often included another minister or two, along with public servants and staff. Rudd’s main role was as a leading light internationally and a deal-maker. He stayed up into the early hours ringing the leaders of the G20 countries, explaining problems, talking about what needed to be done, encouraging them. Advisers amused themselves speculating about what would have been discussed in the late-night conversations between the church-going Rudd and the party-loving Italian prime minister, Silvio Berlusconi.

The concentration of power in the Gang of Four gathered pace after a meeting in mid-October 2008 that designed the first stimulus package of \$10.4 billion and bank guarantees. Tanner, another Rudd loyalist, said afterwards that “In hindsight, the central mistake that ultimately cost Kevin Rudd the Prime Ministership was his failure to change gear once the immediate threat of the global financial crisis had receded.”¹⁰⁴ But Tanner was wrong. The trajectory of Rudd’s authority was already clear. There was no room for comfort that anything would have been greatly different had the Global Financial Crisis (GFC) not intervened. Rudd was what he was, despite the views of a handful of colleagues who agreed with Tanner’s claim that Rudd’s reputation for dysfunctional leadership was exaggerated.¹⁰⁵

Rudd’s leadership style encouraged mutual suspicion among MPs, which often ran very deep. Relations between the bureaucracy and the Prime Minister’s Office (PMO) also became completely dysfunctional. They deteriorated slowly, but then rage and rancour became so all-

¹⁰² M. McKew, *Tales from the Political Trenches*, pp. 113–15.

¹⁰³ J. Walter, “Understand power in prime-ministerial performance”.

¹⁰⁴ L. Tanner, *Politics with Purpose*, Scribe Publications, Melbourne, 2012, pp. 340–42.

¹⁰⁵ P. Kelly, *Triumph and Demise*, MUP, Melbourne, 2014, pp. 139 ff.

consuming that the PMO was effectively operating independently, without the benefit of advice from the nation's bureaucracy. (The mood of malevolence also affected some of the senior personnel across departments, as we shall see.) "And it meant that the bureaucrats could say fuck off to us after that, even if you did reach out to them," said a former staffer. "It got really bad. And it did have broader implications that meant poor decisions were made."

Experienced bureaucrats interviewed for this thesis said there was, as one put it, "more of a chasm between the senior levels of the public service generally and the Rudd government than has been the case previously in Canberra". One said, "They never quite understood how to govern. That sat on top of difficulties with political management and communication, and that was all combined with a sense of isolation."

Much of the antagonism between Rudd's office and the bureaucracy originated not just from the fact that power was centralised, but also because of who exercised it. There was an issue of principle, but it was also personal, tied in with the youth, inexperience and unchecked authority of the prime minister's two most senior staff. These were chief of staff Alister Jordan and economic adviser Andrew Charlton. Bureaucrats believed that by late 2009 Rudd was really talking only to those two. "Kevin forgot the basic rules of governing. But his private office never knew them and led him astray," said a public service adviser. The then special minister of state, Gary Gray, said, "Jordan was intelligent, thoughtful and hardworking, but he was given a role nobody should have been given."¹⁰⁶

Rudd's elevation of his personal staff to positions of such unaccountable power, while not unique, was extreme and represented another departure from traditional practice. "Advisers and public servants need to understand that each has different but complementary roles to play," said one former senior public servant. The argument is that public servants should be able to use advisers to gain a broader understanding of the issues concerning the minister; at the same time, advisers need to appreciate that ministerial decision-making benefits from being exposed to the different perspectives that public servants can bring to an issue.

Interviewed for this project, the head of the DPMC under both Rudd and Gillard, Terry Moran, who was completely excluded from the PMO and some policy deliberations in 2010 by Jor-

¹⁰⁶ M. McKew, *Tales from the Political Trenches*, p. 115.

dan,¹⁰⁷ said:

Advisers were expected in the past to convey a view only if they knew it was the Minister's or had a strong reason to believe it was the Minister's. It was also the case that if a senior public servant conveyed a view or advice to an adviser, he or she could assume it had been passed on to the Minister by the adviser. All of these rules have fallen away, not entirely but to a significant extent. This is why I think accountability within a legislated framework is so important. At the moment there are no checks on an adviser's performance of his or her duties other than a public disaster.¹⁰⁸

Moran said there was an issue of even greater concern.

Many younger advisers have the Josh Lyman syndrome from *The West Wing*. Clever and empowered, they can direct people down a certain path in government. This has been apparent in Canberra for some time on both sides of politics. The problem is that the strength of the checks and balances in the American system are not available in Australia. More than that, we have consolidated more power at the Commonwealth level, and most of that within the executive branch and ever more of that in the hands of the Prime Minister. A breakdown in the conventions governing the activities of political advisers, who have no real accountabilities, means that there is an embedded danger to good government near the top of the system – a black hole!¹⁰⁹

The black hole Rudd created was the one that carbon pricing eventually fell into.

Where's Penny? Rudd and Wong ignore the hearts and minds of voters

Kevin Rudd's unilateralism led to many mistakes. Important among them was the assumption that support for his climate policy among voters, business and even political opponents was immutable and that success was inevitable. But achievement of an Australian emissions reduction scheme was always going to be a highly complex and difficult undertaking. Above all, every-

¹⁰⁷ R. Aedy, "Terry Moran AC, former secretary of the Department of Prime Minister and Cabinet", *ABC Local*, 27 January 2012, www.abc.net.au/sundayprofile/stories/3417218.htm, accessed 28 November 2013.

¹⁰⁸ T. Moran, email correspondence with the author, 14 August 2012. Close observers acknowledge that there is a history to the exercise of unaccountable power by prime ministerial staff. See A. Tiernan, *Power Without Responsibility: Ministerial Staffers in Australian Governments from Whitlam to Howard*, UNSW Press, 2007. It is considered by senior public servants interviewed for this thesis, however, that the behaviour of the Rudd off ice was extreme by any standards.

¹⁰⁹ *Ibid.*

thing depended on the views of voters. Maintenance of the high levels of enthusiastic public support that swept Labor to office was essential if Rudd and Wong were to create the conditions for effective engagement with important stakeholders. They needed to be able to negotiate from a position where an early election to resolve a political impasse represented a plausible threat.

This seems like an obvious point to make, but it was not so to Rudd. Many watched in dismay as his strategy unfolded. The view of the head of the secretariat of the Garnaut review, prominent public sector economist Ron Ben-David, has widespread support. Ben-David argues strongly that the political leadership was marked by a hubris that led to a destructive lack of humility and respect “for the hearts and minds of the people”.¹¹⁰

While Rudd and Wong ignored the need to bring voters with them on their journey to carbon pricing, their opponents hammered away to create doubt and weaken the resolve to act. Then, as voters’ passion for action dulled, the enemies of reform became even more emboldened and damaging. Interviewed in December 2012, then prime minister Julia Gillard shared the view that “It was increasingly apparent we’d had this hothouse argument within Parliament House but hadn’t been doing the public campaigning work to keep people with us” through 2008–09. “The political backdrop was changing, and against that backdrop we hadn’t done enough work.”¹¹¹

The existence of a broad political consensus in the lead-up to the 2007 election and its continuation afterwards is usually seen as the main reason that the government, despite strong advice from the bureaucracy, failed to develop a comprehensive communications strategy to convince voters of the need to act on the threat of climate change. “We had bipartisan support for an emissions trading scheme,” argued Mark Dreyfus. A longtime proponent of climate action, Dreyfus was appointed parliamentary secretary for climate change in 2010. “So I think we shouldn’t look at the past period through today’s eyes.”¹¹²

But even at the time it was clear to many observers that Rudd’s inexplicable failure to engage with voters was inviting heartbreak. One of the prime minister’s speechwriters in 2009, James Button, reported how Rudd’s silence struck him. Button noted that in December 2008, when

¹¹⁰ Ben-David, “An early history”, p. 12.

¹¹¹ J. Gillard, interview with author, Canberra, 12 December 2012.

¹¹² M. Dreyfus, interview with author, Melbourne, 21 December 2012.

Rudd launched the white paper on his version of an ETS – the CPRS – he described it as one of the biggest reforms to the economy in a generation, and climate change as one of the greatest challenges the world faced. “As 2009 advanced, and with it fierce negotiations with business, the preparation of legislation and divisions in the Opposition over climate change, the need to lock in public support seemed obvious. Yet Rudd scarcely said a word on the subject. He seemed uninterested.”¹¹³ Not all insider accounts obtained for this project agree with the assessment that Rudd seemed uninterested, but most accept that he and Wong did little to leverage the prime minister’s phenomenal popularity to persuade voters of the need for the government’s climate change policy.

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The failure to communicate with voters was most direct, devastating and obvious in the regions of Australia where economic and social wellbeing is based on coal and emissions-intensive industry. These communities are right at the heart of the changes that will flow from pricing carbon. Residents shoulder a heavy burden, fully aware of what they are up against but lacking political influence. Governments do not have a good record in assisting with effective transition arrangements for regions undergoing traumatic adjustments. Communities have struggled to deal with the wreckage, finding that initial support, if it existed at all, was not geared effectively to help them develop alternative sustainable economies. Above all, they know that by the time money arrives, it is usually too late. These people are painfully aware their history is littered with instances where they have been the victims of high-stakes political and economic games by big-time players with whom they have little in common.

While national commentators were seeing the new leader as having the chance to be one of Australia’s great prime ministers and to establish a decade of Labor power in Australia,¹¹⁴ the power station workers in Victoria’s Latrobe Valley saw something different. They knew already what it was taking other Australians much longer to grasp: that there would be losers from Rudd’s plans.

Bernard van Rossum, thirty-one, followed in the footsteps of both his father and father-in-law by working in the power industry, starting in 2005. He said he “saw an end to the industry. I

¹¹³ J. Button, *Speechless: A Year in My Father’s Business*, Melbourne University Publishing, Melbourne, 2012, p. 69.

¹¹⁴ D. Shanahan, “New PM on the Edge of Greatness”, *The Australian*, 26 November 2007, p. 2.

thought I'd made the wrong career choice." As an assistant unit controller at Hazelwood, reputedly one of the dirtiest coal-powered generators in the advanced world, he was angry about the government changes:

I entered into a career believing that I would have a very secure long-term job with plenty of room for advancement, and with my engineering degree a clear asset to enable me to move beyond a plant operator, [but] it became very clear to me that my promising future at Hazelwood and within the brown coal industry was no longer promising and there would be little career progression and no more training opportunities.¹¹⁵

Hazelwood unit controller Mark Richards, forty-two, is another whose father worked in the industry. He was born in Morwell, the region's main town, and has done every job on the operational side. He was one of the youngest-ever appointees to the senior position he now holds.

When Rudd came in, the workers definitely understood the price of electricity would be going up. I thought there was trouble coming, but I thought they were going to do things like put in new technology to make us more efficient. I didn't think it would be a case of us trying to keep our heads above water to survive. Most of us didn't fully understand they'd be shutting us down.¹¹⁶

The message from an avalanche of government and consultants' reports was clear: Latrobe would be the place in Australia most drastically affected by carbon pricing. Ross Garnaut's landmark report in 2008 was just one forbidding example. Garnaut, as we shall see, was opposed to claims of compensation for coal-fired electricity generators, in Victoria or anywhere else. But he was sympathetic to the impact of climate policy on the Latrobe Valley. He argued it was the one geographic area where targeted transitional assistance could turn out to be warranted. The Valley was home to "one of the most emissions-intensive industries in Australia, and the expected consequences may be severe ... and concentrated in the region". He also noted that there would be "limited opportunities for the employment of people who may be made redundant in the event of industry decline".¹¹⁷

¹¹⁵ B. van Rossum, interview with author, Morwell, 3 December 2012.

¹¹⁶ M. Richards, interview with author, Morwell, 3 December 2012.

The people whose way of life stood to be destroyed were uncertain how to respond because they did not understand what the changes would mean. Ben Farmer, an assistant unit controller at Hazelwood, expressed his fear this way: “I’m only thirty with four young kids, so for me it’s about whether I jump now and risk losing a job that I’ve worked hard to get, or whether I stay loyal to the company – which I really want to do – but then find at the end that I’m fighting for a job like everybody else.”¹¹⁸

The fear was not just for jobs that would be lost, but the future of the region as a whole. Neville Darragh, born and bred in the Latrobe Valley, with his parents and grandparents working in the power industry, spent a lifetime as a maintenance fitter. He voiced a common fear: “It’s not just the power stations that’ll be shut down. Three major towns within the region [Morwell, Moe and Churchill] will be hit, and there are all the people that support the power station workers in retail and other industries.”¹¹⁹

Fear of carbon pricing was heightened by a fierce, orchestrated and relentless campaign by the Latrobe Valley’s foreign-owned electricity generators for billions of dollars in “compensation”. The campaign, designed to undermine public confidence in the government’s plans both at the regional and national levels, was one of the most successful run against Rudd’s plans. The generators mounted their case that blackouts were imminent so skillfully that they were to be a big factor in the ultimate destruction of the scheme.

Faced with these threats, the Latrobe community struggled in vain for information, clarity, government understanding and help. In 2008–09 an anguished question rang out in the Valley: “Where’s Penny?” The local *Express* ran “Where’s Penny?” headlines for weeks on the front page. “I think there was also some play on the words ‘Wong’ and ‘wrong’ and such silliness,” recalled Latrobe City Council’s General Manager, Economic Sustainability, Allison Jones.¹²⁰ But the problem was deeply serious.

The local council, Labor Party, media and unions tried hard to get Rudd or Wong to visit the Valley to hear first-hand about the desperation the government’s climate change policy was creating. Then mayor and ALP councillor Lisa Price said the government’s absence was being

¹¹⁷ Garnaut, *Final Report*, p. 398.

¹¹⁸ B. Farmer, interview with author, Morwell, 14 December 2013.

¹¹⁹ N. Darragh, interview with author, Lightning Ridge, 23 January 2014.

¹²⁰ A. Jones, interview with author, Morwell, 30 October 2012.

read as an ominous sign. “The sky is falling. That’s all the community is hearing.”¹²¹ Allison Jones said, “This really would affect everybody in our community. We were trying to be very proactive in how to deal with it but we weren’t getting any help ... We needed the government to get on board and be a bit more supportive of our attempts to take a lead and help the community understand.”¹²² Union vice-president, ALP councillor, power station worker and 2010 Labor state Parliamentary candidate Graeme Middlemiss recalled, “The local ALP branches ran into a brick wall. It was as though Wong and Rudd didn’t care or didn’t know what to say.”¹²³

Allison Jones noted that “For much of 2008–09, the introduction of an emissions trading scheme appeared both inevitable and imminent”. The Latrobe council saw itself as slow to get moving on the threat, but it was soon striving, as Jones put it, to “move from behind the eight ball to ahead of the game”.¹²⁴ The first step the council took was to examine the scheme to understand what its effects would be on Australia’s regions. Not much study was required to realise that the government had done no work whatsoever on the local or regional impacts. “So it was pretty clear that we needed to get in and do something,” said Jones. In October 2008 the council called on Rudd to understand “the widespread predictions of major economic disadvantage to be suffered by this city upon introduction of a Carbon Pollution Reduction Scheme”.¹²⁵

While the generators trumpeted threats of electricity shortages and blackouts, many others in the community faced a dilemma in how to respond to the government’s plans. They could align themselves with their biggest local employer and fight Rudd and Wong flat out, or they could commence the search for a different future, one not dependent on coal. Capturing national media attention by demanding that all Australians understand their plight would have been easy, had the first option been chosen. The story was dramatic.

This was especially so because the Valley was only barely emerging from a devastating bout of restructuring in the 1990s. The Kennett Liberal government broke the old State Electricity Commission (SEC) into as many pieces as possible and sold them to overseas-owned companies that operated with fat profit margins. From the 1920s the SEC had played a dominant

¹²¹ R. Millar, “Down in a troubled valley”, *The Age*, 12 December 2009, p. 1.

¹²² A. Jones, interview with author, Morwell, 30 October 2012.

¹²³ G. Middlemiss, interview with author, Morwell, 20 November 2012.

¹²⁴ A. Jones, interview with author, Morwell, 30 October 2012.

¹²⁵ Latrobe City Council, minutes of meeting, 20 October 2008, p. 58.

role in the Valley, creating and sustaining the regional economy and society, providing the local leadership and abundant training opportunities. Mark Richards joined the Hazelwood power station in 1987. “The SEC provided jobs. Not just any jobs but secure jobs that directly employed people, and this ensured they remained in the local community and became a part of it.”¹²⁶

For Bernard van Rossum, growing up with a father employed by the SEC, there was a great sense of community.

The SEC picnics around Christmas time were huge. They were 100 per cent free. Also, the SEC provided free gifts to all employees’ children. For many (including my family and my partner’s family), these were the only Christmas presents they received. I remember this with a bit of a sad heart as I know there are hundreds of families in the Valley today who are in similar financial shape as my family was twenty years ago, and their kids will not get to experience a show and may miss out on a Christmas present this year.¹²⁷

In the aftermath of privatisation, the region encountered a profound crisis. In the late 1980s, around 10,400 of the SEC’s employees worked in the Latrobe Valley; by the end of the 1990s it was about 2600. Another thousand jobs were lost in the construction industry as the building of new power stations stopped.¹²⁸ The impact on retail businesses was equally profound.

The sense of community wellbeing that had been built up gradually over seventy years was shattered. For the people of the Latrobe Valley who lived through the aftermath of the reforms, the horrors of plunging house prices, unemployment, domestic violence, crime, alcohol abuse, child abuse and suicide are persistent themes in their conversations. They are ever-present, too, when they discuss their fears for a future dominated by the next threat to overwhelm their lives: climate change policy. Neville Darragh said, “Suicides here in the Valley were the highest of anywhere.” He recalled:

There was a guy I knew, not real well, but he had said he was going to work until he died, and then out of the blue he turned around all of a sudden and said he was leav-

¹²⁶ M. Richards, interview with author, Morwell, 3 December 2012.

¹²⁷ B. van Rossum, interview with author, Morwell, 3 December 2012.

¹²⁸ B. Birrell, “Latrobe Valley: Victim of Industrial Restructuring”, Centre for Population and Urban Research, Monash University, Clayton, 2001.

ing. So he felt the peer pressure that was going around to get out. He left the SEC and he got out. Then a little while later he was in the paper because he'd gone missing. He'd tied himself up and drowned himself. He had a family and kids.¹²⁹

This was the backdrop against which Rudd and Wong's silence was being interpreted in the industrial regions of Australia. There were always doubts locally that a federal Labor government would be particularly careful to ensure a smooth transition. A meeting of the Latrobe City Climate Change Consultative Committee listened with interest as acting chair Ed Vermeulen warned that the government owed them nothing and to be prepared for the implications of that (in May 2011). There are two federal seats that take in parts of the Latrobe Valley and two state seats. The political reality alluded to by Cr Vermeulen is clear. No seat is within reach of the Labor Party. Dramatic swings of 2010 and 2013 in the state seats of Morwell, long considered by Labor as its own property, and Narracan, are explored in the conclusion to this thesis. The federal seat of McMillan, a west Gippsland electorate that extends from the south-east edge of Melbourne to include a collection of rural towns as well as the mining and industrial districts of the Latrobe Valley, has been held by the Liberals since 2004 while the federal seat of Gippsland is National Party dominated. Labor has much more at stake in the black coal seats of NSW and Queensland and there was a fear in the Latrobe Valley that the government may be inclined to send scarce resources there. Federal Ministers interviewed for this project deny the suggestion. Regional Affairs Minister Simon Crean said, "Neither side of politics can afford to ignore the Valley. They hold the seats and we should, and although I don't think we'll get them back next time we've got to lay the foundations for the election after that."

But Latrobe City CEO Paul Buckley noted the clear disadvantage his region suffered.

It is really difficult when you don't have a local member that is in government. It means you have to work harder at a federal level through the different bureaucracies to get to ministers. I'd have to say over the last two or three years the amount of times that I've been in Canberra with the mayor and others banging on doors and traipsing the halls trying to get an audience, it has been a tough slog. If you haven't

¹²⁹ N. Darragh, interview with author, Lightning Ridge, 23 January 2014.

got a local member that is in government, then it means you've got more work to do yourself in terms of knocking on doors and trying to get audiences with ministers.¹³⁰

Interviewed later, Gillard argued that the people of the regions deserved to hear what was happening. But also, and at least as important, she believed that “In the court of public opinion about what carbon pricing was going to mean ... people would look at those workers and say, ‘If they lose their jobs, what does it mean for me?’ They mattered in their own right and they mattered in the minds of so of many working Australians as an example of what they feared could happen to them.” Wong’s successor as climate change minister, Greg Combet, made a similar point: “the experience of [the Latrobe community] will be central to how the rest of the country sees climate change policy in practice.”¹³¹

In common with most regions, and without any encouragement from the national leadership in 2008–09, the Latrobe community understood that change was coming and burning brown coal for power generation would not continue indefinitely. It wanted to try to work with the government to diversify the region’s economy away from its dependence on coal in advance of shutdowns and sackings. As Gippsland Trades and Labour Council (GTLC) secretary John Parker was often heard to say: “Let’s get the new industries in place before the chains go on the gates of the old ones.”¹³² It was a dangerous option. Community leaders were not aware of any other region in the world that had ever attempted it. While they were alive to the past and wary of the future, they strove to press their view that it was better to work with the government – rather than fight it – to avoid being marginalised. Often feeling overwhelmed and inadequate, they continued their efforts in the face of the generators’ campaign and the fears of the power station workforce.

In response to the decisions by federal leaders not to visit the Valley, Latrobe Council took the lead in encouraging six other coal councils to form a new organisation known as the Coal Councils of Australia Alliance. The councils – Central Highlands, Isaac and Whitsunday in Queensland, Muswellbrook and Newcastle in New South Wales, and the Valley’s neighbouring Wellington Shire Council – agreed to pool their resources for a joint lobbying effort. The alliance developed a three-year agenda, including an analysis of the social impact of the ETS on

¹³⁰ P. Buckley. Interview with author, Caulfield, Australia, 17 July, 2011.

¹³¹ G. Combet, “Address to ‘Just transition’ one day conference: opportunities and innovation in Gippsland’s low-carbon economy”, Morwell, 18 May 2011, www.climatechange.gov.au/sites/climatechange/files/media/March%202013/sp201110518.pdf, accessed 20 May 2011.

¹³² J. Parker, interview with author, Morwell, 30 October 2012.

each region.

Latrobe Council hoped this initiative would draw Wong down to visit. But all attempts failed. Neither Rudd nor Wong ever did make the journey from Canberra to the Latrobe Valley to help the community understand. Locals felt frustrated and abandoned. But what they did not realise was that they were not alone in being ignored by the federal government. The failure to communicate the political and policy logic of the CPRS was much more extensive. In fact, it was as big as the country itself.

Firing blanks: advertising as the cancer on democracy

Rudd's failure to talk to Australians about the real meaning of his scheme had adverse consequences that were to become obvious in 2009. The problems were made worse by the fact that in the run-up to the election in November 2007, he severely damaged his ability to get messages to voters through standard government advertising. The soon-to-be prime minister called political advertising "a cancer on democracy".¹³³ The new government went on to give oversight of all advertising worth more than \$250,000 – a tiny amount – to the auditor-general.

Despite this, there was some communication undertaken in 2008 that complied with the tough new guidelines. The government devised a \$13.8 million "Think Climate. Think Change" campaign to coincide with the release of a green paper in July 2008. The aim was to reinforce understanding that the government would be introducing measures such as the CPRS to address climate change. Campaign elements involving all media were developed as a package and worked together to direct audiences to the DCC website for more information or to "have their say".¹³⁴ The campaign included asking school students in years three to nine to use short stories, poems and art work to answer the question, "What does climate change mean to me?" First prize included a trip to Canberra, which to some observers seemed unlikely to generate an avalanche of enthusiastic youngsters.

The campaign was widely seen as a humiliation by many in the government. July 2008 benchmarking research was compared to November 2008 tracking research. While there were

¹³³ M. Franklin, "Labor locks in campaign ban on ads", *The Australian*, 10 October 2007, p. 7.

¹³⁴ DCC, "Climate change household action campaign", Canberra, September 2009, www.climatechange.gov.au/en/about/~media/about/accountability/Campaign--evaluation--Household--action--20090901--PDF.pdf, accessed 22 January 2013.

said to be some successes, the results were devastating. A third of the population did not know what the government was doing, that number having doubled since July 2008. The number of those believing the government was doing nothing increased. There was a limited understanding of what the scheme was or how it would work.

A later DCC assessment released under a Freedom of Information request showed that by the end of 2008 the community was a blank canvas about climate change, with a low recall of climate change messages, regardless of who they were coming from. People had little awareness of government action (no more than 9 per cent for any individual initiative). Because the community had stopped hearing about climate change or seeing money allocated to address it, they questioned how important it really was and did not wish to pay for it.¹³⁵ These findings show, among other things, that any government advertising campaign requires leadership support through a media strategy involving appearances, doorstops and debates, but Rudd and Wong were mysteriously absent and the remainder of the cabinet blindfolded by dysfunctional processes. In November 2008 the government decided it would not run phase two of the advertising campaign, which meant that the total spent was \$8.7 million, a relatively modest amount. In 2009 the issue became far more difficult to manage in the face of belligerent campaigns by industry, climate change sceptics and environmentalists. There was widespread recognition, even at the time – including within the DCC – that silence was a very destructive option.

The “Think Change” campaign was greeted with anger and frustration in parts of the bureaucracy. For some public servants, the campaign failure was indicative of a lack of competence at the political level, affecting not just climate change. One senior public servant interviewed for this project argued that the government’s advertising was “mostly hopeless”. He said, “What does that tell you? It tells you that in legitimately doing its job, the public service couldn’t get people at the political level to do the rudimentary things necessary to put out some decent communications campaigns. This was bizarre. I have never come across this before in my life.” A steep decline in public support for the government’s climate change policy was measured by a CSIRO review of studies of Australians’ views of climate change between 2008 and 2010. The review, commissioned by Garnaut, became very influential later, but at this stage of the narrative its importance lies in demonstrating how voter support for action was draining away.

¹³⁵ DCC, “Carbon pollution reduction scheme communications campaign strategy”, December 2009, released under FOI.

Newspoll showed an 11 per cent drop in belief in climate change. In terms of belief in the human causes of climate change, the Australian Gallup Poll showed a drop from 52 per cent to 44 per cent. Those who believed climate change was due to natural causes rose from 21 per cent to 31 per cent.¹³⁶ Lowy Institute polling showed that by 2011 the majority of Australians opposed climate change policies with significant costs; the proportion of the population that was firmly opposed had more than doubled. When expressed in terms of higher electricity prices, the Lowy polling data demonstrated a growing level of opposition to any policy with associated costs. While 21 per cent of those polled in 2008 were not prepared to pay for climate change measures with higher prices, in 2011 that proportion had grown to 39 per cent.

The plainest expression of the disaster that had befallen public perceptions of climate change action came from the head of the DCC, former Treasury bureaucrat Martin Parkinson, who was appointed after the election in 2007. Being in charge of the DCC at that time was a difficult job, particularly so for a head recruited from Treasury, which was seen by some in other parts of the bureaucracy as arrogant, divorced from reality and attached to “free market purity as if to a fundamentalist faith”, as one rival put it.

But Parkinson, in a 2009 in-confidence brief released after a Freedom of Information request, was clear about the effect of the government’s lack of a coherent communications strategy and willingness to spend more money to address it. The brief pointed out that voter research had uncovered that people were “looking for leadership”. Voters who had trusted Rudd now believed the government was “all talk, no action”.¹³⁷ Australians believed they did not have sufficient information about the issues and what they could do to make a difference. They found it hard to distinguish good from bad information, a problem that seemed to stem largely from the unchallenged prominence given in the media to some climate change sceptics.¹³⁸

The DCC drew up plans for a major advertising and public relations campaign with an initial draft budget of \$30.6 million, possibly rising to more than \$60 million. The task was urgent and the campaign was to roll out in the first three months of 2010. According to department documents, an effective information campaign had to start with a focus on the big picture.

¹³⁶ Z. Leviston et al., *Australians' Views of Climate Change*, CSIRO report, Canberra, 2012.

¹³⁷ *Ibid.*

¹³⁸ For instance, see the discussion of Christopher Monckton's visit to Australia in Chapter 4 of this thesis.

This meant talking to people about what climate change is, why it matters, what the government is doing and what “we can all contribute”. The department recommended that this phase be followed by the specifics of the Rudd CPRS and what it meant for Australians. Key messages were to implicitly combat “misinformation being circulated by critics of the scheme”, such as that “the CPRS is a great big tax” that would “deliver no tangible outcomes”.

In 2010 the government descended into chaos, planned campaign launch dates were postponed and costs chopped. In the end there was virtually nothing left of the original proposal except for some minor public relations stunts. In May 2010 a new competition for young Australians was announced; in June the AFL agreed to a “green game”. But it was, of course, all too late. While DCC officials were busy firing off emails trying to get some communications momentum, Rudd’s downward spiral was unstoppable.

Some public servants and advisers say the government was simply naive in believing public support would last in the absence of effective political and communications strategies. One said, “It’s a tax, it’s a cost, it’s forcing people to change their preferences. Anybody who thought that popular support for action on climate change translated across to a willingness to have an extra cost imposed on them was naive.” But for others it was hubris rather than naivety that best explained Rudd’s failure.¹³⁹

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There were reasons for the weakening of voter support aside from Rudd’s silence amid the noise from opponents. While the government was mute before cabinet, caucus and voters, it dithered with an extraordinarily complex process that was confusing and set up competing voices. Movement was slow and required a large number of stages: a green paper, Treasury analysis, a white paper and two sets of major changes. At the same time, the Garnaut review was analysing the same issues and sometimes coming up with conflicting recommendations, such as on assistance for coal-fired generators. How the two processes locked together was never clear to the government, let alone to voters. A more decisive approach would have been more successful.

While Gillard, in keeping with the views of most people interviewed for this thesis, was highly critical of the absence of an effective process and communications strategy for the CPRS in

¹³⁹ Ben-David, “An early history”.

2008–09, she also recognised that the breaking of the drought, which began in 2009, was an important factor. “That made a big difference to public perception. For a lot of people in the Australian community the drought was climate change, climate change was the drought.”¹⁴⁰ Other possible causes for the decline in support for measures to deal with climate change include the onset of the GFC in mid-2008, the disappointment of the Copenhagen conference in December 2009, the rise in organised climate change scepticism and the transition to greater dominance of conservative political positions (although this occurred at least partly in response to the government’s botched strategy). The Pew Global Attitudes survey showed reduced concern and priority across many countries, with the decline being most marked in wealthy nations.¹⁴¹

However, virtually all interviewees questioned about the issue for this project saw Rudd’s disinclination to use his immense leadership authority to maintain support as a key factor in Australians turning away. By early 2009, as we shall see, it seemed that everybody hated the Rudd scheme. This included environmentalists, climate change scientists, emissions-intensive and trade-exposed (EITE) industries and coal-fired generators. The breadth of the disaffection laid bare the extent of the failure of policy and political strategy.

Furthermore, by its inability to persuade supporters of action and voters to maintain their enthusiasm, the government gave its enemies an opening to go all out, which they did. The unbridled antagonism that resulted could only have occurred in a context where opponents believed they had nothing to fear from public opinion, especially once voters came to understand fully that the scheme would have cost-of-living impacts. One of the most effective campaigns of opposition in 2008 and 2009 was run by the Latrobe Valley brown-coal-fired electricity generators. We now turn to their story and that of business more generally.

¹⁴⁰ J. Gillard, interview with author, Canberra, 12 December 2012.

¹⁴¹ Leviston et al., *Australians’ Views of Climate Change*.

2

The rush for the golden doors

Introduction

Business is a major player in the policy network. The principal focus in this chapter is on Victoria's privately-owned brown coal generators, which ran an aggressive national campaign to destroy carbon pricing policy or maximise the amount of "compensation" they could extract from the government. What to do about the generators' claims was one of the most difficult problems the government faced. The government completely mishandled the campaign by failing to answer the threshold question of why compensation should be paid, before moving on to determine the amount. This made it clear that the only public policy purpose served by paying the generators billions of dollars was to silence them. This in turn meant that their demands for more were endless. As the sums agreed to changed and increased, the government's credibility was damaged. And while the final response did not quieten them, it still managed to alienate another major stakeholder, the environmental lobby, which was appalled by the size of the handout. The inability to handle the generators, and to some extent business generally, became a major cause of the fiasco that unfolded in 2010.

Hazelwood – slaying the polluting dinosaur

For environmentalists, the eight tall chimneys of the Hazelwood power station are a hated symbol of the lack of progress on dealing with climate change in Australia, a source of outrage at the dominance of electricity generators. In 2005 the World Wide Fund for Nature (WWF) analysed 953 power stations in thirty countries, including Australia, Europe and the United States. It found Hazelwood's greenhouse gas emissions were higher than any other large-scale coal-fired power plant.¹⁴²

Since 2005, when fifty anti-carbon demonstrators unfurled a "Quit Coal" banner as twelve of them occupied the brown-coal pit and two locked themselves to coal-dredging equipment, the plant has been a major target of anger. The favoured form of protest for activists has been

¹⁴² World Wide Fund for Nature, "Hazelwood tops international list of dirty power stations", 12 July 2005, www.wwf.org.au/news_resources/?2320/Hazelwood--tops--international--list--of--dirty--power--stations, accessed 22 July 2012.

chaining themselves to conveyor belts to disrupt the movement of coal between the mine and the power plant. In the biggest demonstration, in 2009, more than 400 marched to the gates to post a symbolic “community decommission order”. An estimated 250 police monitored the “Switch off Hazelwood” demonstration from jet skis (the lake used for cooling the power plant is also used for recreation), trail bikes, horses and helicopters.¹⁴³ An officer was allegedly knocked to the ground, one person was charged with assault and twenty-two were arrested.

Hazelwood assistant unit controller Ben Farmer recalls watching what was going on that day. “They were trying to jump the fence, push the fence over and hassle coppers. They were just trying to wreck things.”¹⁴⁴ The power station’s then owners, the UK-based International Power, soon afterwards erected several kilometres of fencing. Perhaps in recognition of this, a “Replace Hazelwood” lunchtime protest in 2010 was held two hours away, at Melbourne’s State Library. This was addressed by eminent University of Melbourne climate scientist David Karoly. He argued that replacing Hazelwood would be an important symbol to the nation and the world that Australia was prepared to clean up its energy supply. But it would be more than a symbol. It would also reduce future climate change and the numbers of people affected by flooding resulting from sea level rise. Basic maths suggested Hazelwood would cause the flooding of 10,000 people every year by 2100.¹⁴⁵

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The demonstrators have not fulfilled their aim of shutting Hazelwood. They have, however, been very effective in creating a strong public image of it as a “polluting dinosaur”. As climate change policy development has gathered pace in Australia over the past ten years, the power station’s owners have taken two positions. The first has been what one government official described as “theological”, suggesting that the owners brought a fundamentalist-type conviction to the pursuit of as many billions as could possibly be prised out of government hands. They were among the most relentless and determined lobbyists of any business in Australia, and the most difficult to deal with of any of Australia’s coal-fired generators. The second has been a willingness to close if they are paid enough, leaving up to 1000 workers – plus many

¹⁴³ AAP, “Hazelwood power plant protesters arrested”, *The Herald Sun*, 13 September 2009, www.heraldsun.com.au/news/victoria/hazelwood--power--plant--protesters--arrested/story--e6fir7kx--1225772394265, accessed 24 September 2012.

¹⁴⁴ B. Farmer, interview with author, Morwell, 14 December 2013.

¹⁴⁵ D. Karoly, “Wrong to dismiss the dirt on Hazelwood”, *The Age*, 6 November 2010.

more in supporting businesses – in a state of semi-permanent fear.

Political leaders have twice shown a willingness to accept this challenge. The first instance involved Victorian premier John Brumby, who announced a comprehensive climate change policy that would close a quarter of Hazelwood just a few months before the November 2010 state election. “For places like the Latrobe Valley, the worst possible option was just to put our heads in the sand and let markets rip,” he said.¹⁴⁶ The second was an attempt by the Gillard government in 2012 to pay the owners to shut down under a policy known as contract for closure. As we shall see later in this thesis, this effort was a failure and had serious consequences for local people.

The Brumby move was greeted with enthusiasm by environmentalists (which was just as well, because the political purpose of it was to shore up the green vote in four at-risk inner-Melbourne seats). Power station workers on the other hand were stunned. The already profound level of uncertainty and anxiety in the Valley increased steeply. The ALP candidate in the seat of Morwell was Graeme Middlemiss, an assistant unit controller at Hazelwood’s neighbouring Loy Yang power station. He said, “I think it was just a whim that came out of a late-night brainstorming session in Brumby’s office, it was handled so poorly.” Middlemiss was blissfully ignorant at work on the day Brumby announced the policy:

By an amazing coincidence of rostering, I was with the union secretary Greg Hardy to drive the same machine. We were sitting together in the control room and Greg opened his laptop and he said, “My God they’ve announced the closure of Hazelwood.” This was 10 o’clock in the morning. And I said, “Rubbish.” I said, “I am the candidate. Do you think they wouldn’t tell me?” And he said, “Well, look at this.” And I looked and said, “My God.” I was just sitting there. I was stunned. I was thinking, “What do I do? Do I just pull out?”

Middlemiss remained in the contest, watching in horror as the National Party ran a “Hands off Hazelwood” television campaign. “People were pushing our card back, saying, ‘No, I’m for saving Hazelwood.’”¹⁴⁷ The government suffered a major swing against it in the Valley seats. It also lost the election.¹⁴⁸ The incoming Liberal premier, Ted Baillieu, who had supported the

¹⁴⁶ J. Brumby, interview with author, Melbourne, 14 June 2012.

¹⁴⁷ G. Middlemiss, interview with author, Morwell, 20 November 2012.

¹⁴⁸ In 2010 the tradeoff was successful from Brumby’s point of view, in that the government held the four inner-city seats, and while it suffered major swings in the Valley, these seats had started to drift away at the previous election and there was no prospect Labor would win them.

policy to close part of Hazelwood, added to the atmosphere of profound insecurity by going back on his promise in April 2011.

The sky will fall in

Against this background of bitter divisions about the future of coal-fired power and Hazelwood in particular, the power generators fought back with everything they had, which proved to be a lot. They ran a disciplined and ruthless campaign to undermine public support for Rudd's scheme. The strategy was to delay it through lobbying and media campaigns focused on costs to households, regional and national economic decline and job losses. It was to create a sense that anarchy was imminent; that a great country would soon be brought to its knees. The only way this future could be avoided was for the generators to be paid sufficient "compensation" to stave off blackouts.

The industry's umbrella body, the National Generators Forum, started issuing warnings of blackouts at the end of 2007, soon after the new federal government was elected, in response to a speech by the government's adviser, Ross Garnaut, where he first made clear his fundamental position. This was that the biggest risk to climate action was that vested interests could get control of the policy process, along the way distorting the incentive structure to enrich themselves rather than solve the problem. Garnaut implied that his top priority was to design an ETS that could not be rorted.¹⁴⁹ It would be hard to maintain public support for a scheme that failed to achieve this. The Forum's executive director, John Boshier, said emissions cuts would not occur "if you have big companies in trouble".¹⁵⁰ Two months later he attacked Garnaut's interim report for not understanding how the electricity system worked and the need for a reliable electricity supply. He said the penalty on carbon would force the closure of coal-fired power stations, which underpin Australia's base-load, or minimum, energy requirements. "There's no guarantee there will be enough electricity. There will be real problems in maintaining a reliable electricity supply," he said.

Richard McIndoe, managing director of Hong Kong-based TRUenergy, the company that operated the Valley's Yallourn power station, was also a leading figure in the national campaign, demanding free pollution permits as "compensation".¹⁵¹ Without payment in full, he warned, the Rudd scheme would force some power companies to collapse, triggering national black-

¹⁴⁹ T. Colebatch, "Climate worse than we thought", *The Age*, 30 November 2007, p. 4.

¹⁵⁰ J. Breusch, "Mixed messages on emissions cuts", *Australian Financial Review*, 1 December 2007, p. 5.

outs: “If existing incumbents are financially impaired or made bankrupt, then there will be a need to attract new investors to a sector that has been financially decimated.”¹⁵² He warned that the generators would be effectively bankrupt and therefore unable to operate from 31 December 2008, because the value of their assets would be so diminished. The value of emissions-intensive generators (primarily the Victorian ones) could plunge by up to 90 per cent, he claimed.¹⁵³ Energy markets would descend into chaos following a reduction in the adequacy, reliability and affordability of supply.

What to do about the generators’ claims was one of the most difficult problems the government faced. There was a lot at stake. Most significantly, the amount available to help families nationally and industries in strongly affected regions would be determined by the outcome. This had profound political consequences. As the July 2008 green paper observed, every carbon pollution permit provided free to an electricity generator was one less permit to be sold, meaning less revenue for assistance.

Also at stake were the government’s leadership credentials, the integrity of its policy and public support for its plans. All emerged battered beyond recognition. Most of those interviewed for this thesis accept the view that the generators’ claims were mismanaged so severely that Rudd and Wong permitted demands to escalate relentlessly for two years. They agree about this irrespective of which side they take in the bitterly contested battles over whether the huge sums eventually paid in “compensation” were too much or not enough. Rudd and Wong had no coherent strategy to deal with a problem they should have anticipated.

The generators were well known to have spent a decade positioning themselves for a battle they understood was coming, and they won important skirmishes along the way. Some executives were members of the so-called Greenhouse Mafia, a collection of leaders from high-emitting industries who had been influential on John Howard over a long period. They were said to have convinced him to overturn a decision by senior ministers to support an ETS in 2003.¹⁵⁴ The question in the Rudd era was whether they would be able to beat back reform again, giving new life to fears that climate policy was just too hard in a fossil-fuel-dependent country like Australia.

¹⁵¹ The company is now known as EnergyAustralia.

¹⁵² L. Murray, “Companies brace for the low-carb economy”, *The Sydney Morning Herald*, 21 June 2008, p. 41.

¹⁵³ M. Fyfe, “Victoria: it’s time to come clean”, *The Sunday Age*, 6 July 2008, p. 1.

¹⁵⁴ Pearse, *High and Dry*.

The campaign exposed acrimony and sometimes disarray inside the policy-making processes. A number of intensely held and different views emerged as the government grappled with how to deal with the generators. Suspicion flourished. The government kept changing its mind on how much money to dole out. In the green paper of July 2008 it started cautiously, then moved rapidly to throwing around billions in the white paper six months later. Then in May 2009 it reduced the amount. Finally, in a last desperate lunge for the finish line in November 2009, it flung open what Ben-David called the “golden doors” and more than doubled the offer.

As the new figures tumbled out, sometimes bigger and sometimes smaller, the government was never able to explain the changes persuasively. By the end of 2009 climate change policy-making appeared to have become a farce, mired in relativity and handed over to a set of superficial political calculations doomed to fail.¹⁵⁵ The wild swings in the fortunes of the generators made it obvious there was confusion behind the scenes. It undermined public confidence in the policy process, which contributed to a perception of a lack of leadership and eroded voter support. The generators continued to press their advantage. The government’s final response did not quieten them but still managed to alienate another major stakeholder, the environmental lobby, which was appalled by the size of the handout. The inability to handle the generators, and to some extent business generally, became a major cause of the fiasco that followed in 2010 when the CPRS was dumped.

Other companies and industry associations were prominent in demanding significant financial support. These included the Minerals Council and the Coal Association. Emissions-intensive, trade-exposed businesses, such as those producing steel, aluminium, cement and paper, had serious policy disagreements with the government, but unlike the generators, they were not big enough to destroy Rudd’s scheme.

The brown-coal generators were joined in their campaign by their black-coal counterparts in New South Wales and Queensland. But because those in the northern states had remained state-owned, they did not have the same freedom to be publicly critical of government policy. They were also not as carbon-intensive and were therefore less vulnerable. These distinctions were to become very important as ways to pacify the Victorians were explored between 2008

¹⁵⁵ Ben-David, “An early history”.

and 2011. In the end the Victorian generators got virtually all the money that was going. The generators in New South Wales and Queensland were absolutely furious, but they were too late. The golden doors had finally been pushed shut.

Wet coal and pollution

Right from the beginning of the brown-coal electricity industry, in the 1920s, there was a problem. While the coal was conveniently close to the surface, as well as plentiful, it was very high in moisture, with up to two-thirds of every tonne mined being water. The first major challenge of the SEC, established in the early 1920s under the guidance of the civil engineer and war hero Sir John Monash, was how to burn it efficiently for electricity. There was a great deal of tension in the early days. Failure was distinctly possible. It was as though the industry was trying to learn how to burn wet newspapers. The solution came after much anguish, but it created another problem: the process of driving the moisture off was extremely energy-intensive. The pioneers understood they were using up an unusual amount of energy. They just didn't know it would come to be seen as a threat to the planet and mark their power stations out as among the country's most polluting industrial assets.

Gradually, Monash developed an organisation that reflected his capacity for military-style leadership. The SEC became an extremely successful state-owned enterprise, with a good ability to meet the objectives for which it was established. The mentality of the time was growth-unlimited, funded by debt with an emphasis on fostering demand and building power stations before they were needed. The Latrobe Valley community settled in to the comfortable knowledge that its vast bed of brown coal would last 500 years, at any reasonably foreseeable rates of consumption.¹⁵⁶

At the beginning of the 1980s the SEC was still offering rewards for increased power consumption. But by the end of the decade it had revolutionised its thinking and was a partner with the then Labor government in an important campaign to reduce energy use.¹⁵⁷ In July 1989 the commission published a groundbreaking discussion paper, the first attempt by Australian industry to set out a plan to tackle the greenhouse effect, including generation and network efficiency; end-use efficiency and demand management; fuel switching to less carbon-intensive or carbon-

¹⁵⁶ M. O'Brien, "Carbon capture and storage: government initiatives", *Hansard*, 28 February 2012, www.michaelobrien.com.au/MediaCentre/PortfolioSpeeches/tabid/75/articleType/ArticleView/articleId/63/CARBON--CAPTURE--AND--STORAGE--GOVERNMENT--INITIATIVES.aspx, accessed 23 November 2012.

¹⁵⁷ T. Evans, "The corporatisation of a bureaucracy: The State Electricity Commission of Victoria 1982 to 1992", PhD thesis, Monash University, Clayton, 2001.

free options; capture, treatment and disposal of carbon dioxide emitted from power stations; biological sequestration through tree planting; and advanced fossil-fuel combustion technologies.¹⁵⁸ All of these points would resonate strongly in the second decade of the twenty-first century. Two years later an update was produced, which documented greenhouse knowledge and measured progress in implementing a nine-point plan. It was agreed that improvement had been modest but useful.

The SEC's greenhouse discussion papers recommended that Hazelwood be shut in stages between 1995 and 2004. The plant was regarded as old even then and was used sparingly. But the Kennett government, in establishing the market framework for privatising the industry in the early 1990s, reprieved the dirty dinosaur, deciding to fatten it for sale by providing it with new business opportunities and destroying greenhouse initiatives. Instead of mothballing or even decommissioning it, the government gave it a new life by selling it for the massive sum of \$2.35 billion.¹⁵⁹ It was a move that had a major impact on the future volume of greenhouse gas emissions in Australia.

Hazelwood figures derived from the National Greenhouse Gas Inventory show that its 1990 emissions were 44.2 million tonnes, while 2010 emissions were 65 million tonnes – a direct increase of 47 per cent. Taking into account the planned Hazelwood replacement, which was anticipated to be a mixture of gas and a new, more efficient coal-based power station at nearby Driffield, the increase under the SEC management's plans would have been kept to only 52 million tonnes.¹⁶⁰

The difference of 13 million tonnes of greenhouse gases a year has significantly worsened the power station's damage to the environment. Amid the extra pollution, what was destroyed has still not been replaced: Victoria still lacks energy or environmental policy cohesion. It is obvious that when the SEC was broken up and sold in the 1990s, the world was alert to the greenhouse issue. This was especially so in the Latrobe Valley. The SEC's work meant the new power station owners must have known that they were buying into heavily polluting businesses with limited futures. The SEC's then environment manager, Dr Harry Schaap, now a widely respected energy consultant, is clear that "they all knew about climate change, they all knew about greenhouse impacts, and they all knew about the carbon intensity of Latrobe Valley power stations

¹⁵⁸ State Electricity Commission of Victoria, *The SECV and the Greenhouse Effect*, Melbourne, 1989.

¹⁵⁹ D. Walker and S. Oldfield, "Hazelwood from rags to riches", *The Age*, 24 July 1996, p. 4.

¹⁶⁰ H. Schaap, interview with author, Melbourne, 23 October 2012.

... but I don't think it had much of a weighting in buying the plant".¹⁶¹

The owners of Hazelwood take a different view. Asked whether International Power, the UK company that bought Hazelwood in 1996, foresaw the possibility of having to account for its carbon emissions, its spokesman Trevor Rowe said, "Absolutely not, not in 1996." He said the company had anticipated a business life of forty years. "The investment was made on that basis ... and it's not unreasonable to say that the rules have been changed."¹⁶² This was an important justification for the industry campaign for "compensation" in 2008–11.

The generators make plans

Despite the destruction of the SEC, by 2012 the Valley power generation industry remained vital to the region and the nation. It had become a flexible organisational network comprising five lead firms (generators, including mines) and about forty major contractors (covering technical services, maintenance, supply and construction).¹⁶³ Using ABS data, a 2012 study identified 3449 employees in the Latrobe Valley employed in the coal and electricity sector. Separate modelling indicated that for every dollar of output from the industry, an additional 30 cents is spent in the Valley. This suggests that each job in the energy sector generates an additional four to five local jobs.¹⁶⁴ While direct employment dropped sharply in the 1990s, the generators maintained a virtual monopoly over the production of electricity. This was a position of strength they were determined to use.

Their plans were complicated by the stature of their opponents. The most dangerous of these was Garnaut, who became engaged in a bitter dispute with them and other interests he saw as waging illegitimate campaigns to raid the public purse. In a March 2008 discussion paper, he argued that the allocation of free permits would be "highly complex, generate high transaction costs and require value-based judgments". The large amounts of money at stake would encourage pressure on government, along with the "dissipation of economic value in rent-seeking behaviour".¹⁶⁵

Compensation was being sought by generators for loss of capital value as a result of reform. "This was a new idea in Australian reform, with huge implications. If accepted as a principle, it

¹⁶¹ Ibid.

¹⁶² B. Cubby and F. Duxfield, "Polluting plant asks for public buyout", *The Sydney Morning Herald*, 16 October 2009, p. 6.

¹⁶³ Latrobe Valley Transition Committee, *Report to Government*, June 2012.

¹⁶⁴ Ibid.

¹⁶⁵ Garnaut Climate Change Review, *Emissions Trading Scheme Discussion Paper*, 2008, p. 33.

would make all future reform costly, perhaps impossibly so,” said Garnaut. He saw this as an element of “the Great Australian Complacency of the early 21st century”.¹⁶⁶ Companies considered themselves as having a right to compensation for correction of policy mistakes from which they were benefiting. There would be winners and losers from the changes. The plan was that losers be compensated but winners be allowed to keep their gains. If one company owned some plants that “won” (below average carbon intensity) and some that “lost” (above average), they would keep the gains and be compensated for the losses. Garnaut argued that the general approach was the same as that often said to be favoured by former National Party deputy prime minister John McEwen, who was notorious for supporting industry to take profits from its victories but requiring the state to subsidise losses.

Garnaut made these points again and again, throughout 2008–09. He was joined by other prominent economists, environmentalists and the Greens (who found comfort in some of his thinking but were not his natural political allies). Yallourn’s Richard McIndoe responded to his arguments by saying they were “foolish” and “like a corporate hanging”.

The debate over industry assistance had been a hot topic in policy-making circles for many years. In 2004 the Labor states and territories set up the National Emissions Trading Taskforce (NETT) to take the political initiative on climate policy away from John Howard. The NETT reported in 2006, favouring free permits for emissions-intensive, trade-exposed businesses and generators.¹⁶⁷ This was the point at which Garnaut and his supporters, including Ben-David, believed it became obvious that the policy-making process had been captured by interests benefiting from the status quo.

Ben-David argued that the primary political objective was to demonstrate that an ETS could be achieved despite the private interests at stake, so the NETT had to avoid a fight with those interests: “Placation had to be the order of the day,” he said. “This appeasement came mainly in the form of tens of billions of dollars of so-called free permits to incumbent emitters.” This created a process that led to payments based on a political calculation. It was “hush money”.¹⁶⁸ For Ben-David, the NETT’s generosity “represented a potential point of pivot between history as we know it and an alternative history for emissions trading in Australia”.¹⁶⁹

¹⁶⁶ R. Garnaut, email correspondence with author, 14 January 2014.

¹⁶⁷ National Emissions Trading Taskforce, *Possible Design for a National Greenhouse Gas Emissions Trading Scheme*, 2006, p. ix.

¹⁶⁸ Ben-David, “An early history”, p. 84.

¹⁶⁹ *Ibid*, p. 17.

Those sceptical of industry claims to free permits believed the NETT was dominated by officials from state energy departments, who were strongly influenced by industry and highly risk-averse to any threat of interruption to electricity supplies. These views, according to Ben-David, were “intravenously transfused”, first into Howard’s Shergold review and then into Rudd’s CPRS.¹⁷⁰ This view is absolutely and passionately rejected by elements of the public service, as we shall see.

Interviewed for this thesis, Garnaut said he knew he was “leaning into a fairly strong wind, and that was the wind that had been set in train by the Shergold committee”. He noted that a “lot of the officials – good people – had that as part of their intellectual toolkit.”¹⁷¹ The expectations of industry were raised as a result of their success in the NETT and Shergold processes. It soon became obvious that Garnaut would not succumb. Industry then gave up on him and shifted the focus of their public campaigns to those they could directly influence: ministers, public servants and the media.

The generators spent a lot of time talking to public servants in the states as well as the Commonwealth. They hammered away on-message to the media to great effect. Garnaut and his team, along with Treasury and DCC public servants, believed that energy department bureaucrats sometimes became stronger advocates for the generators than the generators themselves. Stories about how the generators and some of the officials were trying to undermine Garnaut’s credibility were a feature of the background buzz. On the other hand, generators and their backers in the bureaucracy believed that opponents such as Garnaut were risking the country’s future energy supplies in an ideologically based free-market crusade.

The government digs deep

The generators were deflated by the government’s green paper, released in July 2008, which doubted their claims: “The fact that existing coal-fired generators are likely to be strongly adversely affected by the scheme does not, of itself, justify the provision of additional assistance.”¹⁷² The green paper also raised the question of whether the Valley generators had factored in the possibility of carbon pricing when they made their purchases of the power stations.

¹⁷⁰ Ibid, p. 53.

¹⁷¹ R. Garnaut, interview with author, Melbourne, 20 December 2012.

¹⁷² A. Jones, interview with author, Morwell, 30 October 2012.

But it left open the golden doors, as outlined earlier in this chapter. The targets Australia would set to reduce emissions were yet to be determined, but a “limited amount of direct assistance” was proposed to “ameliorate the risk of adversely affecting the investment environment”.¹⁷³ The generators were not the only beneficiaries of this generosity, with 20 per cent of permits to be given free to EITE manufacturing businesses such as aluminium, cement, steel, and pulp-making.¹⁷⁴ The media had carried many stories in which manufacturers claimed they would stop producing in Australia. Businesses would either close or be forced to “fundamentally review their operations”, according to the Business Council of Australia. Support was required until international competitors faced an equivalent carbon cost. Another business lobby group, the Australian Industry Group, claimed up to one million Australian jobs were at risk.¹⁷⁵

The white paper of December 2008 was an unfathomable embarrassment. Rudd and Wong had taken a year to produce a policy that was opposed on all sides. The negative fallout was a clear demonstration of their inability to negotiate effectively with stakeholders. The “limited amount” of assistance to generators foreshadowed in the green paper had been transformed into free permits worth \$3.9 billion, a figure bitterly opposed as not enough by the Department of Resources, Energy and Tourism (DRET) and as far too much by Garnaut and his allies. EITE firms would get the equivalent of 35 per cent of all permits free, with this allocation expected to rise to around 45 per cent by 2020.³⁵ In spite of the government’s efforts to appease polluting businesses, many remained unsatisfied. The GFC was underway and business wanted to postpone the scheme. Some industries also continued to push for further special treatment, with coal-fired generators, coalminers, farmers and steel and cement manufacturers among the loudest.

Outside the industry lobby, the reaction to the white paper was arguably even less enthusiastic. Environmentalists (and the Greens) were outraged by the policy of throwing billions at the nation’s heaviest polluters. They were also dismayed by what they saw as a shamefully inadequate unconditional target of a 5 per cent reduction in emissions below 2000 levels by 2020. The target would rise to 15 per cent in the event of “global agreement where all major economies commit to substantially restrain emissions and all developed countries take on compara-

¹⁷³ T. Colebatch, “Differences slight on climate change”, *The Age*, 19 November 2007.

¹⁷⁴ Pearse, *High and Dry*.

¹⁷⁵ Commonwealth of Australia, *Australian Government Carbon Pollution Reduction Scheme: Australia’s Low Pollution Future: White Paper*, Canberra, 2008, pp. 1–6.

ble reductions to that of Australia".¹⁷⁶ But this was also too low. The environmentalists were scathing about the lack of ambition represented by the range, even assuming the 15 per cent possibility was regarded as genuine. This point will be covered in more detail in the next chapter.

They argued the government was not providing the opportunity to meet its own stated aims for emissions reduction. Environmentalists received some support from Garnaut. Australia's target stood out for its weakness when compared with other countries' promises. "Worst of all, neither of the major political parties has committed itself to policies that can get us anywhere near the unconditional commitment to a 5 per cent reduction," Garnaut said.¹⁷⁷ Australians were witnessing the unfolding of a policy debacle. The government may have been able to cast 5 per cent as a stepping stone, but its desire to win support from business prevented this. So the 5 per cent was seen as virtually the end of the walkway. Environmentalists also argued that industry assistance was undermining the government's own policy. The government was trying to force companies to change their behaviour, but then paying them so they did not have to change.

Garnaut called into question whether the policy was even worth the trouble. "Never in the history of public finance has so much been given without public purpose, by so many, to so few," he said in comments on the white paper.¹⁷⁸ He told a Senate committee hearing a few months later that it would be a "line-ball call" whether to pass the legislation or "have another crack at it and do a better one when the time is right".¹⁷⁹

Wong says that, on reflection, she should have made the conditional target 25 per cent, which would have somewhat muted the criticism from environment groups, the Greens, Garnaut and other prominent economists.¹⁸⁰ It took her five months to get this message. The high point of the Rudd government's engagement with stakeholders came in May 2009, with a significant modification of the policy in the white paper. Its purpose was to increase support for EITE businesses, whose vulnerability was exacerbated by the GFC. Wong and Rudd delivered extra concessions in the form of a so-called global recession buffer, which entailed between 5 and 10 per cent more free permits. These were offset by a small corresponding reduction in

¹⁷⁶ The Opposition supported the targets.

¹⁷⁷ A. Morton, "Economist slams record of major parties", *The Age*, 6 August 2010, p. 7.

¹⁷⁸ R. Garnaut, "Australia counts itself out", *The Australian*, 20 December 2008, p. 21.

¹⁷⁹ J. Breusch, "Garnaut Gives ETS Critics Fuel", *Australian Financial Review*, 17 April 2009, p. 3.

¹⁸⁰ P. Wong, interview with author, Melbourne, 7 March 2013.

assistance to the generators to \$3.3 billion. In line with business demands, the start date was deferred by a year, to 1 July 2011, which represented an embarrassing backdown for Rudd, who had always insisted the scheme would commence in July 2010. There would be a fixed price of \$10 per permit for the first year of the scheme.

While making these concessions to industry, Wong also sought support from a new body called the Southern Cross Climate Coalition (SCCC). This comprised three environment groups, the Australian Conservation Foundation (ACF), the WWF and the Climate Institute, along with the Australian Council of Social Service (ACOSS) and the Australian Council of Trade Unions (ACTU). Five per cent remained the unconditional emissions reduction target, but Wong promised this group an extra unconditional target of 25 per cent, to apply only if “the world agrees to an ambitious global deal to stabilise levels of CO₂ equivalent at 450 parts per million or lower by mid-century”.¹⁸¹

Rudd turned up at a crucial point in the meeting to get the SCCC across the line and stayed for 30 minutes. He told those present he had become convinced at a recent G20 summit that a deal for a substantial cut in global emissions would be sealed seven months later, at the UN climate change meeting in Copenhagen. He believed the key factor to force change would be a commitment from US president Barack Obama to back proposals for big emission cuts. With a deal as good as settled, Australia’s 25 per cent cut would be a reality.¹⁸² Participants are unclear whether Rudd was deliberately misleading them or simply wrongly convinced of his ability to shape world opinion.¹⁸³

The environmental groups of the SCCC were content with this promise. Those not party to the agreement, including Greenpeace and the Wilderness Society, claimed the SCCC had been hoodwinked and its members were complicit in “climate suicide”.¹⁸⁴ The leadership of the mainstream ACF was not fully supported by its members and councillors. Garnaut was being generous when he said the new target put Australia on the front foot.

¹⁸¹ K. Rudd, “A new target for reducing Australia’s carbon pollution” and “New measures for the carbon pollution reduction scheme”, media releases, Canberra, 4 May 2009.

¹⁸² G. Roberts, “Why green leaders backed the carbon plan”, *The Australian*, 9 May 2009, p. 6.

¹⁸³ W. Swan, *The Good Fight*, Allen and Unwin, Sydney, 2014. Swan argues that Rudd was convinced of his ability to establish an international consensus, despite overwhelming evidence that the Copenhagen conference would be a failure. See p. 185.

¹⁸⁴ D. Spratt, “Kevin Rudd embraces climate suicide”, *Green Left*, 8 May 2009, www.greenleft.org.au/node/41591, accessed 30 November 2012; M. Steketee, “Cool Compromise”, *The Weekend Australian*, 9 May 2009, p. 18.

Business support was no more unanimous than that won from environmentalists. While the Business Council of Australia (representing the CEOs of Australia's biggest companies) and the Australian Industry Group (representing more than 60,000 businesses) were mildly positive, other employer groups were resolutely opposed.¹⁸⁵ Demonstrating the domino effect of industry handouts, the head of the world's largest coal company, no doubt emboldened by the lobbying success of EITE firms, in May 2009 chimed in to warn that the government's "inadequate" \$750-million coal compensation package could trigger an investment freeze. Peabody Energy chief executive Greg Boyce later said it could jeopardise future investment in Australian coalmines and possibly even the ongoing operations of existing mines.¹⁸⁶

Greenhouse mafia

As might be expected, the generators were enraged at having their compensation cut to \$3.3 billion. The success of the orchestrated campaign that followed had been almost a decade in the making. From the year 2000 onwards the generators deliberately established Loy Yang CEO Ian Nethercote, who was influential in national climate policy circles, as a pivotal figure. Guy Pearse, in his prominent 2007 study of the interests obstructing climate change reform, identified him as batting at number seven in the prime minister's top eleven Australians "whose work to deny the science or delay action has been critical to the capture of John Howard by our biggest polluters".¹⁸⁷ With the threat of carbon pricing looming, Nethercote was appointed by John Howard to the Australian Industry Greenhouse Network (AIGN), which was a highly influential collection of companies and industry associations representing Australia's major polluters. Pearse claims that Nethercote, who preferred to work behind the scenes, was instrumental in causing Howard to overrule senior ministers and decide against emissions trading in 2003.¹⁸⁸

In the campaign of 2008–09, believing they were being treated like "polluters and terrorists", the generators intensified their lobbying effort.¹⁸⁹ Richard Elkington, who at this time worked side-by-side with Nethercote as head of government relations for Loy Yang, found Wong impossible to contact. "She refused to meet the CEOs. The relationship with her was absolutely appalling."¹⁹⁰ The generators redoubled their focus on the federal resources and energy minis-

¹⁸⁵ M. Franklin, "Turnbull still ready to fight Labor scheme", *The Australian*, 5 May 2009, p. 6.

¹⁸⁶ L. Taylor, "Turnbull vows to negotiate", *The Australian*, 13 August 2009, p. 2.

¹⁸⁷ Pearse, *High and Dry*, p. 265.

¹⁸⁸ *Ibid.*, p. 18.

¹⁸⁹ D. Hughes, A. Hepworth and L. Tingle, "Stress test for power generators", *Australian Financial Review*, 3 July 2009, p. 1.

¹⁹⁰ R. Elkington, interview with author, Morwell, 30 October 2012.

ter, Martin Ferguson, along with state premiers, especially Victoria's John Brumby. "It was about maintaining relationships with the government. It put us in a better position to influence policy," said Elkington, a key figure in the campaign. The relationship with Ferguson began in early 2008, when he met with them all at the Loy Yang power station. This was soon after Garnaut's ANU speech, in which he caused outrage by arguing that the biggest risk was that vested interests could get control of the policy process.¹⁹¹

The generators also worked hard on the Victorian government. Their first approach, in November 2005, was to public servant Richard Bolt, who was then executive director of the energy division of the Department of Primary Industries. There were regular meetings with Bolt from mid-2006, which led to a study of the abatement options available and was intended to demonstrate that the generators could work with government. A December 2007 study of the design of carbon markets led to some carbon price options being put to the Commonwealth through the National Generators Forum in around April 2008. This activity culminated in important meetings with Brumby soon after the CPRS version of May 2009, which resulted in him lobbying in Canberra on their behalf.

As 2008–09 wore on, the generators' campaign became more and more strident. In response, four distinct, strongly held views emerged within the government as to whether they should be compensated, and if so, by how much. Battles between bureaucrats and ministers were hard-fought, often bitter. Ferguson and his department did not believe that the former Treasury officials running the DCC were listening to the views of the generators. Ferguson, on the other hand, understood them. "He used to talk regularly to people like Ian Nethercote," said Elkington. Participants recall that it seemed the four groups of antagonists were talking to one another in a cacophony of foreign languages.

First was Garnaut, who wanted a clear rationale for assistance to generators, and found none among the arguments that were being put forward. He saw no economic case for compensation against loss of asset value in industries selling into domestic markets. He recognised the possibility in special circumstances of financial dislocation leading to disruption of supply, but thought it unlikely. If such a financial market problem were the concern, the appropriate remedy was a financial market solution – support contingent on problems emerging – and not unconditional payments. Garnaut and Ron Ben-David were joined by some other promi-

¹⁹¹ T. Colebatch, "Climate worse than we thought", *The Age*, 30 November 2007, p. 4.

ment economists with powerful voices.

The criticism was of both the amount of compensation and the confusing process by which the various figures had been arrived at. Garnaut and his allies argued that the government never provided a transparent, evidence-based rationale for the massive transfer of funds from public to private hands. This meant there was never a reference point established, against which the adequacy of the sums provided could be judged. This in turn meant, in the case of the generators, that their demands, coupled with their extremely damaging public campaigns, were endless.¹⁹² While they suffered a temporary setback in May 2009, their claims were generally met with offers of more money, which was no incentive for them to cease fire.

Some who argued against compensation believed the DCC had been captured by the generators. This view was deeply resented by the department and scoffed at by the industry. Some in the DCC, on the other hand, believed Garnaut's criticism was harsh and his ideas sometimes impractical. They believed that rejecting any of his recommendations fuelled his wrath and led him to offensive public denigration.

Second were Rudd, Wong and the DCC, whose secretary, Martin Parkinson, came from Treasury, the home of market economists inside the government. His background created expectations that he would adopt a hardline stance similar to Garnaut's. This was in fact the DCC's initial position. But it went on a long journey, moving to the green paper's decision to throw open the golden doors, and soon to the white paper's \$3.9 billion. The DCC's opponents regarded this as an arbitrary, "rubbish" figure. As one put it, "It was as if they'd pulled that figure out of their arse." This view was strengthened by the third leg of the journey, which was the May 2009 sum of \$3.3 billion, a figure likewise arrived at without clear justification.

While the DCC was sceptical of claims that blackouts were imminent, it did come to acknowledge that some of the generators might encounter problems with refinancing debt. But it believed that, provided there was a sensible phase-in period, which would be achieved by some free permits, the market should be permitted to do its job without interference. It

¹⁹² Ben-David, interview with author, Melbourne, 15 November 2012.

understood that if the generators were comfortable with the level of assistance the government was giving them, then they were getting too much. The goal of the industry was, according to one adviser, “to ask for more and more ... they’re not there to sit around and say, ‘Well, this is good public policy, we endorse it, and it’s a good balance across the economy.’” Their focus was on return on investment to shareholders.

The DCC viewed its proposed assistance as a “relatively large chunk of money”, according to one participant in the talks. “But then the generators pointed out a few other things. ‘You know, actually we need things to help us with our cash flow, and we need this, and we need this, and we need this.’ And so it never stopped and you almost felt like it was a shopping list that you were moving down. So you had to draw a line at some point. It was up to us to resist and make sure that we struck what we thought was an appropriate burden they should carry.” One adviser believed it was “really hard to understand the energy industry. They love to talk in internal riddles. A lot of them are engineers who like to build things but it’s hard to get them to speak plain English.”

Third were Ferguson and DRET. Department officials were convinced that carbon pricing would imperil generators. Their argument was that sufficient equity needed to be left in the businesses to enable them to continue to write contracts and refinance. A GFC-style meltdown would follow if bankers believed there was a danger the generators would go broke. Some opponents considered DRET to be sceptical of carbon schemes – they would come and go, but coal-fired power would always be with us.

They saw themselves as comprehending commercial finance and balance sheets, a vital qualification absent in their colleagues elsewhere in the bureaucracy. They were deeply suspicious that the DCC was out of its depth. “Analytically, the DCC just did not know how to manage it. And that was because the people dealing with it were your typical macro-economists, who don’t know anything about real-world corporate finance,” said one adviser. The DCC had not done the work to establish the figure required to ensure stability. In taking this view, DRET agreed with Garnaut. But because the DCC had raised expectations about what everybody would get, they could not budge when Ferguson’s department modelled the commercial effects. To increase their figure they would have to either cut back the compensation to EITE firms or households, or inflate the budget deficit. Neither of these was an attractive option.¹⁹³

¹⁹³ Eventually they devised a way to pay more without appearing to break promises to return the budget to surplus.

DRET was also aware that the key experience of emissions trading was the European scheme, which was more generous to the industry than the one the DCC was proposing, and which had created expectations in the industry that it would be a model. Garnaut and the DCC believed this was totally wrong. They considered the European scheme had caused dangerous public opposition to carbon pricing because it created windfall profits. Also, unlike Garnaut, DRET believed the generators were entitled to run their anti-CPRS campaign because the government did not have a framework for dealing with the threshold question of support.

Fourth was Hazelwood. While some on the side of Garnaut and the DCC believed that DRET was sometimes more in favour of the generators than the generators themselves, this was certainly not true in the case of International Power, owner of Hazelwood. The company wanted to be fully “compensated” and was not willing to take any kind of a hit to its balance sheet. It was a bold claim. Nobody in government, including DRET, believed that what it wanted was acceptable, but some of the other generators went along for the ride.

The deep ill-feeling between Wong and Ferguson and their departments in the latter part of 2009 brought policy-making to a standstill. One participant characterised it this way: “It was really messy towards the end about who was doing what and saying what. It got very acrimonious between the senior people in the departments.” Rudd was mentally absent, preparing for his much-anticipated dance on the larger stage of the Copenhagen climate summit, to start in December 2009.

A circuit-breaker was needed and Ferguson came up with the answer, or at least part of it. In the latter part of 2009, he pushed for the investment bank Morgan Stanley to be commissioned to conduct an open-book study. An outsider was needed to broker an outcome and help determine once and for all the impact of the Rudd scheme on generators. It turned out to be a shrewd move. Issues to be canvassed included their ability to refinance debt and whether there was really a risk that they could breach their banking covenants. A secretaries’ group involving the heads of the DCC and DRET was established to oversee the process. It was chaired by the head of the DPMC, Terry Moran.

Loy Yang’s Richard Elkington said the generators gave Morgan Stanley a simple message:

If the costs of doing business increase, then you are faced with a choice of either

winding back generation, or spending less on your plant. These are the options. Spending less on the plant means you don't employ as many people and therefore reliability falls away. This is what the commercial behaviour of the generating companies will look like. That was a clear message that was understandable to people.¹⁹⁴

The Morgan Stanley study relied on the generators opening their books and so was confidential. But it argued that, on the DCC proposal of \$3.3 billion, the generators' fears would be both serious and imminent. The banks would refuse to provide refinancing. Morgan Stanley put dates on when a bleak future of inadequate maintenance leading to blackouts might begin to materialise.¹⁹⁵

By now 2009 was drawing to a close and the government still had a decision to make. How much extra compensation was it willing to pay to avert the possible disaster Morgan Stanley foreshadowed? What followed, which culminated in compromise talks between the government and Opposition in November 2009, was a process involving ambit claims and horse-trading. The range of answers to the question demonstrated how subjective and politicised the process was. There was a huge gap between the amounts favoured by Morgan Stanley and DRET (the highest) and the DCC (the lowest). The secretaries' group came up with a third view, which was closer to DRET's than to the DCC's. Rudd and Wong then arbitrated. They decided to be cautious and throw a bit more onto what the secretaries had recommended, though they still did not go quite as far as DRET. Wong might have thought the generators were terrorists, but she was certainly willing by that stage to pay large ransom demands.

The amount of compensation ultimately agreed to was a whopping \$7.3 billion, an increase of \$4 billion on the May 2009 version of the CPRS. The generators appeared to have been spectacularly successful, but neither they nor DRET believed they had achieved enough. For DRET, the agreement was at the lower end of the band that would have been reasonable and with which Morgan Stanley would have been comfortable.

In November 2009 the generators sprang back into the media. International Power, the operator of Hazelwood, said the proposed increase was inadequate, while spokesman Trevor Rowe said the industry wanted twice as much. TRUenergy, owner of Yallourn power station, took out a full-page advertisement in the Fairfax press warning that investment would still be

¹⁹⁴ R. Elkington, interview with author, Morwell, 30 October 2012.

threatened and generators potentially left “in a very perilous state”.¹⁹⁶ Nobody knew when they would be satisfied, if ever.

Opinions differed on the value of the Morgan Stanley exercise. Garnaut was unequivocal. He was sidelined from the internal government debate in November 2009 and did not see the report until much later. He considered it “professionally a very low quality document. Had it seen the light of day it would not have stood up against analysis by independent economists.”¹⁹⁷ There were others, inside the government, who thought it was excellent. One public service adviser said, “The Morgan Stanley analysis was a commercial analysis, it was not an economist’s analysis. From a commercial perspective it was a good analysis.”

Some observers argued that no single position was proved conclusively. This led one adviser to say that decisions about compensation were matters of faith, on both sides. A senior public servant acknowledged there was no “right answer” to the claims of “compensation”, so it was just a matter of “pick a number, any number” and then work out how you’re going to justify it. The variation in responses to the Morgan Stanley report does seem to make it clear that the sum arrived at was both arbitrary and strategic. But opponents on both sides were unhappy with the strategy.

Garnaut’s economic reform work for the Hawke – Keating Labor governments in the 1980s gave him his first taste of the reach and determination of corporate interests.¹⁹⁸ His climate change experience, though, was still a revelation. He was dismayed “by the opaqueness of the corporate pressure on ministers and the government”. Ron Ben-David considered that excessive secrecy on the part of Rudd had corrupted the policy-making process.¹⁹⁹ Asked whether this view was too strong, Garnaut argued it was not, and nor was climate policy an isolated example. He said, “The private pressure on particular ministers without exposing the arguments transparently to a wider group was taking us back to an old unhappy Australian political culture.” The government’s secrecy “felt a bit like what is described in the Scullin era [Scullin was ALP prime minister in 1929–32] when every protected interest in Australia was doing its own little deal with ministers.”²⁰⁰

¹⁹⁵ This section relies on interviews with a number of participants in the policy-making process.

¹⁹⁶ M. Murphy, “Power generator complaining despite big wins”, *The Age*, 25 November 2009, p. 5.

¹⁹⁷ R. Garnaut, interview with author, Melbourne, 20 December 2012.

¹⁹⁸ M. Wade, “Bruised but unbowed”, *The Sydney Morning Herald*, 29 October 2011, p. 7.

¹⁹⁹ Ben-David, “An early history”.

²⁰⁰ R. Garnaut, interview with author, Melbourne, 20 December 2012. Professor Garnaut was referring to W. Denning, *Caucus Crisis: The Rise and Fall of the Scullin Government*, Hale and Ironmonger, Sydney, 1937.

Garnaut let the government know that he was available to be more involved with the process and consulted more directly. He met with Wong a few times, but they were formal and, in his view, unrewarding occasions. “She would respectfully listen to what I had to say. But she wasn’t telling me about the different views she was getting from others. That’s how she conducts business with an adviser and that’s fine.” Garnaut also noted that he was not given the opportunity to interact with a wide range of interested ministers. Close observers of the policy-making process saw what they believed was a tendency to sideline him because of his views on assistance to generators from early on, specifically after his interim report on 21 February 2008, a mere three months after the election.²⁰¹

The generators at home

Nobody in Australia knew the brown-coal generators better than the people of the Latrobe Valley. They had been living with them for nearly 100 years. In the last fifteen of those the generators were privately owned businesses dedicated to profit and determined to invest wherever in the world conditions were most favourable. Had Rudd or Wong made any attempt to find out the locals’ views of the generators, it could have helped them fashion a more effective policy to deal with their claims.

Some locals were sceptical of the generators’ arguments. There was a perception they had often “cried wolf”, claiming that times were hard and prices down, or that industrial relations were abysmal. “So when their grumbling began around the carbon price there was a little bit of ho-hum because they had told us before they were in jeopardy,” said one experienced local observer. Another, Latrobe Council’s Allison Jones, noted that the generators were quite different in the approaches they took. “You can’t lump them together when you discuss them because they are so different and they are changing still.” Hazelwood in particular had a reputation for tough negotiations and brinkmanship.²⁰² Threats to abandon the power station had been thrown around well before the anti-CPRS campaigns.²⁰³

²⁰¹ Wong said in a doorstep interview that Garnaut would be “just one input”. While this was correct, it was also taken as being intended to create a distance.

²⁰² International Power was bought by French company GDF--Suez in June 2012. By 2012 Hazelwood operated as part of the giant French GDF--Suez conglomerate, which employed more than 200,000 workers in nearly seventy countries and was the fifth-largest generator in Europe. There were 800 workers employed directly at Hazelwood, which supplied up to 25 per cent of Victoria’s base load electricity. While the Latrobe Valley operation was profitable, it was tiny in the context of the worldwide assets, which highlighted the fact that it was expendable.

²⁰³ R. Myer, “Hazelwood chiefs turn to Brumby”, *The Age*, 23 June 2004, p. 3.

The generators took different approaches to their community engagement. Loy Yang ran a range of forums in 2008 which outlined what was proposed. Jones argued that the forums were genuine information sessions run in a community spirit, even though it may have also been in the commercial interests of the power company to keep the issue “hot” and get the word out. “They were pretty bleak at the forums, but then that’s how they talk.” Loy Yang played a special role for the council, explaining the technical detail of the government’s policy.

In 2009 the council undertook stakeholder consultation and spoke to the generators as a group. Some of them were intent on getting the council and other local centres of authority, such as unions, as allies in their campaign. Hazelwood’s then owners pushed hard for very direct support, such as resolutions and strong action aligning local organisations with their campaign. The council remained steadfast under pressure, a trait maintained in the tough years to come. Jones said the council acknowledged the importance of the companies to the region, but could not have a position on the design of the scheme. “Some of the people we dealt with got a bit annoyed about that. They wanted us to help save them. They felt they provided a lot of jobs in the Valley, and money, and that we should be supporting them.”

It took courage for the council and other Valley groups to defy the wishes of some of the generators. The damage to the CPRS would have been enormous, had the council joined with them. But this was what Rudd and Wong risked by refusing to visit, listen to community concerns and nurture the region’s independence. That there was not a hostile uprising in the Valley came about not because of any federal government strategy. The decision of the local leadership not to push for one was made independently of Rudd and Gillard and thus was, for them, sheer luck.

The government sleepwalked its way into a similar blunder with unions. As it had with the local council, Hazelwood sought to win support from employees and the union that covers them, the 1250-strong Mining and Energy Division of the Construction, Forestry, Mining and Energy Union (CFMEU). This was potentially a compelling use of their power. Strikes and marches on Parliament, although illegal, would nevertheless have convinced some Australians that the government’s actions were heartless and dangerous. The local CFMEU branch president, Luke van der Meulen, said, “Hazelwood was more vulnerable than any of the other power stations and they spent a lot of time getting their employees into meetings in 2008–09 to explain the devastation the carbon price would cause. They did a lot of hard work with the

workforce.”²⁰⁴

When the union protested at Hazelwood’s efforts to organise employee support, the generators “made the same presentations available to us [in 2009]. They were trying to get us to support them against the government,” said Van der Meulen. Management opened its books, trying to get workers onside, but also to put limits on pay claims and justify workforce cuts. Opinions differed on whether the company was telling workers the truth about its finances. Despite intense pressure from local Liberal and National Party politicians, the union resisted. It viewed the companies as hysterical and called instead for them to be re-nationalised.

Some in the Hazelwood workforce were, however, influenced by International Power’s campaign. “There has been no end to our members standing up and saying this [the government’s decision to price carbon] is bullshit,” said Graeme Middlemiss.²⁰⁵ There was still scepticism among workers about whether the value of the government’s compensation would help maintain a presence in the Valley. “They’ll just send it back to England. The money should have been tied to modernising the plant,” said one worker. For Hazelwood’s Ben Farmer, the hardest part was not knowing what to do. “The anxiety’s shocking, and if we had a date that’s fine, ‘cause we could say, ‘Right-o, I’m going to start looking for a job,’ but not knowing is just ... just shocking.”²⁰⁶ By some estimates, the Hazelwood power station workforce of about 800 split virtually down the middle on whether to fight the Rudd scheme with everything they had.²⁰⁷

Despite differences between the CFMEU and the remainder of the Valley, the union worked hard to keep its membership distant from the political campaigns of the generators. Eventually, in March 2011 the local CFMEU took the extraordinary step of passing a resolution recognising that carbon pricing was inevitable.²⁰⁸ Luke van der Meulen said he realised the membership would have a range of views. “Some of our membership said, ‘What do you mean it’s inevitable? We’ve got to deny it. Climate change doesn’t exist. It’s a great plot.’ But 70 per cent of our members agreed with that resolution.”

²⁰⁴ L. van der Meulen, interview with author, Morwell, 20 November 2012.

²⁰⁵ G. Middlemiss, interview with author, Morwell, 20 November 2012.

²⁰⁶ B. Farmer, interview with author, Morwell, 14 December 2013.

²⁰⁷ M. Richards, interview with author, Morwell, 14 December 2012.

²⁰⁸ The resolution said: “A price on carbon does not spell the end for coal in the Latrobe Valley and if this tax is properly introduced and administered, this tax should be an opportunity for the Valley as the government promises it to be for the rest of our nation.”

A second important union group in the Valley region was the GTLC, led by John Parker. Parker is a prominent leader – along with the Latrobe Council and Regional Development Australia, Gippsland – of a local movement seeking what he calls “just transition”, which consists of action to transform the economy away from reliance on coal. The goal is to avoid the devastation of job losses and social dislocation by obtaining government assistance for new industries in advance of closures and job losses. Parker’s insistent message has been that just transition will come only after the community has clearly defined its opportunities for future growth and developed sound business cases to attract investment.

Deep hostility arose in the Rudd years between the local CFMEU Mining and Energy and the GTLC. In 2011 this caused a split, with Van der Meulen’s power station members angry at Parker’s apparent willingness to accept the inevitability of the shutdown of their places of employment, particularly Hazelwood. But even in the Valley, where infighting over the issue was bitter, the CFMEU was able to channel its membership’s anger and fear and avoid major anti-government campaigns.

In the meantime, Australia’s regions were fertile ground for climate change sceptics at the national level to ply their trade. The communications void that Rudd created was filled by those who saw their role as being to foster and capitalise on anxiety, fear and doubt. In particular, it came to be filled by Liberal and National Party voices and their allies in the growing movement that doubted science. Darren Chester, the National Party MP for Gippsland, which took in parts of the Valley, was one example. Happy to pronounce himself uncertain about the impacts of human beings on climate change, he argued that the unions were threatening the well-being of their members by not opposing government plans.²⁰⁹ Chester’s views were representative of a trend to question climate change science that swept the Liberal and National parties, especially in the regions. The federal president of the CFMEU’s Mining and Energy Division, Tony Maher, recalls that:

Suddenly every blue-collar bloke in a pub had an opinion and it was negative. When it was bipartisan it was just white noise in the background, so you didn’t have to pay attention. But if there is a shit-fight on and it’s on the talkback radio, people listen. People in blue-collar jobs have the radio on all day and it’s always the shock-jocks.²¹⁰

²⁰⁹ J. Whittaker, “Valley living in fear: MP”, *Latrobe Valley Express*, 19 September 2011, p. 1.

Rudd's failure to de-politicise the issue of assistance to regions by exerting power in the climate policy network arguably enabled climate change sceptics and others to take control of the debate and destroy the prime minister's plans. As we shall see in the next chapter, he did not see them coming.

²¹⁰ T. Maher, interview with author, Melbourne, 13 September 2012.

3

Squandering consensus

Introduction

In an unsuccessful attempt to recover lost ground prior to the November 2007 election, Prime Minister John Howard had accepted the need for an emissions trading scheme. This meant that both major parties took substantially the same climate policy to the voters. Kevin Rudd began 2008 at the head of a national movement for change. It was a place any political leader would love to be. The world's first climate change election had put everybody on notice.²¹¹ Aside from voters, support for action came from the Greens, environment groups, unions, major business bodies, key centres of authority in the regions and, most importantly, the Liberal-NP Coalition. Rudd understood that great reforms in Australian history, such as the abolition of the White Australia policy and the opening up of the economy, had been successful because there was agreement among the major political parties. He was aware that he had a rare opportunity. Negotiating details would require skill, because so many different interests were represented. Still, the opportunity to craft a solution through careful negotiation and compromise was obvious.

The Liberals maintained the consensus approach through 2008 and into 2009, although differences with the government emerged about the extent of industry compensation and the desirability of acting before the intentions of the rest of the world became known at the Copenhagen climate summit in December 2009. Rudd ignored warning signs that climate change scepticism was a significant thread in Liberal-NP thinking, and never saw the possibility that sceptics could take over the Opposition leadership. In moves that demonstrated short-term politics were more important to him than long-term policy achievements, the prime minister undermined his key asset – Liberal leader Malcolm Turnbull – until he was overthrown by sceptics in his party room.²¹² Rudd soon afterwards attended the Copenhagen climate summit, believing he could influence the outcome and achieve an international

²¹¹ J. Glover, "The lucky country?"

²¹² Kelly in *Triumph and Demise* (chapter 2) notes that Abbott and his supporters also feared that the Liberal-NP coalition would split in the event of a decision to support the government and that the Liberal Party itself might split on the issue. See p.23.

agreement to reduce emissions binding on all nations. But the failure of Copenhagen left Rudd without a way forward to secure his signature policy.

Destroying allies

When the Liberal-NP MPs emerged in 2008, licking their wounds from their election defeat, they were agonisingly aware that carbon pricing had a lot of support among Australia's voters. The Rudd strategy to get his scheme through Parliament sought to capitalise on this. The Liberals were his one and only plan, as was to become clear in late 2009, when disaster struck.

An important consideration in the strategic debacle that unfolded was that the government had a minority in the Senate. The breakdown was thirty-seven Coalition, thirty-two Labor, five Green, one Family First (climate change sceptic Steve Fielding) and one independent, Nick Xenophon. It was only by getting support from the Coalition, Rudd believed, that his government's minority status in the Senate could be overcome and he could get his scheme through both houses of Parliament. Besides, he would rather work with the other mainstream party than sneak his Great Reform through by doing grubby deals with fringe parties and independents. He was always concerned to look balanced and reasonable, thinking voters would reward him for it.

But a more reckless approach could hardly be imagined, relying as it did on Rudd grasping what was going on in the minds of his main political opponents. It soon became clear that he had never understood them. This blindness was compounded by two tactics that directly undermined his prospects of effective collaboration. First, he did everything he could to destroy the moderate leadership of the Liberal Party. The second was that he was never open about the real meaning of carbon pricing for the cost of living. This provided climate change sceptics with rich fodder for scare campaigns.

Rudd pursued a strategic approach that involved a number of conflicting strands. He refused to talk to moderate Liberal leader Malcolm Turnbull and tried to destroy him politically; he strove to divide the Liberals between those who supported his scheme and those who were opposed; at the same time, however, he relied on Turnbull to deliver Liberal Party support to get the scheme through Parliament. Rudd was fixated on the quick thrill of wedge politics. He was addicted to spin, or short-term thinking on communications, which failed to take account

of the need to build a larger narrative.²¹³ As *Australian* columnist Paul Kelly noted, “Rudd wanted the best of both worlds; he wanted the Liberals to legislate his ETS and he wanted to exploit climate change as an instrument to discredit the Liberals ... A difficult and contradictory task.”²¹⁴ New England independent MP Tony Windsor, who voted against the CPRS, blamed the government and its taunting of the Coalition and Turnbull for the failure of the scheme. He accused Rudd of coming into the Parliament, day in and day out, and “prodding the Coalition in the chest”.²¹⁵

Examples abound of both Rudd and Wong’s determination to divide the Coalition between its moderate and more conservative groupings. In February 2009 Wong accused Turnbull of being compromised by the sceptics in the Coalition and of walking away from emissions trading.²¹⁶ Rudd, speaking after the changes of May 2009, told a media conference: “It’s time to get off the fence, Mr Turnbull, and it’s time to act in the national interest.”²¹⁷ Writing in 2010, Professor Rodney Tiffen commented that Rudd was “enjoying Turnbull’s difficulties with the climate change deniers within the Coalition – trumpeting what a test of his leadership it was, how the onus was on him to deliver, seeking to embarrass him for electoral reasons rather than assist him to achieve a policy outcome.”²¹⁸

In an interview for this thesis, Wong said she had tried to transcend the self-defeating attacks on Turnbull. But Ron Ben-David examined the transcripts of seven ABC interviews from late 2008 to late 2009, which revealed that in six of them Wong focused on the Opposition. In one interview, ten out of her thirteen answers were about the Opposition. Ben-David rightly wondered aloud how much more effective a strategy it would have been for the government to reach *over* the Opposition to “engage directly with the audience; to explain the scheme’s objectives and its workings; to admit its limitations; to confront the rent seeking by certain sectors”.²¹⁹

At the same time as Rudd was directly undermining his prospects of successful collaboration with the only political ally that mattered to him, he was failing to take any strategic action to

²¹³ A. Cornell, “Covert power”, *Australian Financial Review*, 24 September 2010, p. 24.

²¹⁴ P. Kelly, “Kevin in the Middle: A Hotter Place”, *The Weekend Australian*, 29 May 2010, p. 3.

²¹⁵ D. Shanahan, “One Fateful Decision Changed It All”, *Weekend Australian*, 13 February 2010, p. 5.

²¹⁶ P. Coorey and M. Wilkinson, “Crash or burn as carbon plan faces collapse Senate to block legislation”, *The Sydney Morning Herald*, 20 February 2009, p. 1.

²¹⁷ P. Coorey, “Carbon bill burns as Rudd fiddles”, *The Sydney Morning Herald*, 5 May 2009, p. 1.

²¹⁸ R. Tiffen, “Lost in the Spin Cycle”, *Inside Story*, 7 May 2010, inside.org.au/lost-in--the--spin--cycle/, accessed 7 May 2010.

²¹⁹ Ben-David, “An Early History”, p. 48.

encourage it to remain in the fold. He never convincingly threatened to call an early election to deal with obstruction, nor to develop a plan B. This might have involved threats to work with the Greens and cobble together a majority with Xenophon, perhaps, and any Liberals willing to cross the floor. While elements of this strategy would not have seemed promising, Rudd could have used the threat of working with the Greens to keep the Liberals and their business allies in check. His absolute disdain for this option reflected an inability to see that the consensus was fragile.

Rudd either lost or failed to take advantage of all the major policy network players lined up beside him in 2007. He loosened his grip on the hearts and minds of voters, created policy chaos through his inability to establish clear and consistent strategies to deal with business, especially the generators, and then lost the argument with the Coalition without noticing. Rudd's unsuitability to the task of formulating and implementing major reform was made clear by the fact that by December 2009, virtually all climate policy stakeholders, with the exception perhaps of some loyal union officials, had become alienated, humiliated and hostile.

The rise of Coalition sceptics

The election of November 2007 was never the test of Coalition sentiment that Rudd believed it to be. The National Party, representing the views of its constituency of rural and regional communities, could never provide durable support for carbon pricing. But more importantly, the Liberal Party itself was always in danger of fragmenting and falling into the hands of those within it who opposed such action.²²⁰ Even back in 2007 the party could see that John Howard had been dragged along to support an ETS for political reasons. Howard's deep reluctance to take the climate change threat seriously showed that clearly. There were many other sceptics in the Liberal Party who opposed serious action but were convinced by the leader's respected political judgment that not to act invited defeat.²²¹

One example was influential Victorian MP Andrew Robb, who became trade and investment minister in the Abbott government that was installed in 2013. His intervention in a watershed party room debate in late 2009 is considered by some of his colleagues to have been the cata-

²²⁰ P. Kelly, *Triumph and Demise*, p.23.

²²¹ Pearse, *High and Dry*. Also note that the influential head of the DPMC, Dr Peter Shergold, expressed the view that it was an issue of risk assessment: "What we are doing by seeking to prudently manage risk is bringing forward costs from the next generation, costs that we impose on ourselves." See AAP, "Greenhouse target comes with a cost", *The Australian*, 1 June 2007,

lyst for the destruction of the CPRS, while, at the same time, treacherously blowing up the Liberal leadership of Malcolm Turnbull. Former Liberal staffer Guy Pearce reported that prior to Robb's appointment to the shadow ministry in January 2007, he edited the backbench journal *Party Room*, which mocked the Kyoto Protocol as "conspicuous compassion" and "make-believe policy".²²² Robb identified himself as a climate change sceptic, saying the science was unproven and that "after the fall of communism [climate change] became a cause célèbre of the left".

In another example, the chair of the Coalition environment committee, Victorian Liberal MP Russell Broadbent, whose electorate of McMillan encompasses part of the Latrobe Valley, in 2006 launched a document, *Nine Lies about Global Warming*, disputing the science of climate change. Those at the well-attended event heard that environmentalism was a form of religious belief. Climate change was "the mother of environmental scares". *Nine Lies* dismissed any link between human-made emissions and rising temperatures, melting ice caps, sea level rise, severe weather intensity or frequency. Global warming was a "scam", a "web of deceit" masterminded by bureaucrats and environmentalists worldwide to sustain "the best gravy train they could imagine". If the UN's Intergovernmental Panel on Climate Change were a company, "its directors would now be facing criminal charges and the prospect of going to jail".²²³

Research into the political bases of support for climate change action showed that a strong strand of the Coalition's MPs and rank-and-file members would always be trying to find ways to destroy consensus. While there is an overwhelming scientific consensus on the subject of climate change, with ninety-seven per cent of all climate scientists agreeing that climate change is real; is anthropogenic; and is already underway,²²⁴ it is not just a scientific issue. As well as being a physical phenomenon, as Professor of Climate and Culture Mike Hulme stresses, climate change is "simultaneously a social phenomenon".²²⁵ As such, climate change—or rather the *concept* of climate change—has the potential to affect almost every aspect of our lives, from our philosophical/theological conceptions of what it means to be human, through to the countless consumer choices we are faced with every day. In this

www.theaustralian.com.au/news/nation/greenhouse--target--comes--with--a--cost--pms--report/story--e6frg6nf--111113659423, accessed 24 October 2013.

²²² Pearce, *High and Dry*.

²²³ *Ibid.*, p. 143.

²²⁴ National Aeronautics and Space Administration (NASA), "Consensus: 97% of Climate Scientists Agree" (NASA: 2013), <http://climate.nasa.gov/scientific-consensus>, accessed 29 March 2014.

broader cultural context, there is unavoidable contestation and conflict about the *implications* of climate science, as well as what climate change ultimately ‘means’—and, more importantly, what we should be doing about it.

In the past decade, climate change has come to be regarded as not just a scientific issue, but also a cultural phenomenon. In *M/C Journal*'s²²⁶ 2009 “Climate” issue, cultural geographers Andrew Gorman-Murray and Gordon Waitt note that “there has recently been a ‘cultural turn’ in climate change science and politics”, and argue that “climate change research and action has been hindered because it has not fully accommodated cultural values that give everyday meaning to climate”.²²⁷ Mike Hulme elaborates on this ‘cultural turn’ in *Exploring Climate Change Through Science and Society*, claiming: “All of human life is now lived out not just in the presence of a physically changing climate/planet, but in the new discursive and cultural space which has been created by the idea of climate change”.²²⁸ Hulme also asserts that climate change “has become a new *medium* through which human life is now lived”.²²⁹

Climate change arguably does function discursively as an organising *frame*, or *theme*, or *meta-narrative* around which people structure the events of everyday life. This (renamed) idea, of climate change as a meta-narrative in contemporary culture, is central to the development of this research project. Hulme’s earlier work, *Why We Disagree About Climate Change* (2009), stresses the importance of how different people “frame”²³⁰ climate change, and traces these conflicting frames to cultural roots: people’s different values, priorities and life experiences.

These considerations form an important framework for understanding the implications of a study of Australian politicians. The study demonstrated that political party affiliation and ideology were the most important predictors of politicians’ climate change beliefs.²³¹ “Sceptics” and “believers” interpret information about climate change in very different ways. Information is

²²⁵. Mike Hulme, *Why We Disagree About Climate Change: Understanding Controversy, Inaction and Opportunity*. (Cambridge: Cambridge University Press, 2009), xxv.

²²⁶. Formerly “*M/C – A Journal of Media and Culture*”.

²²⁷. Andrew Gorman-Murray and Gordon Waitt, “Climate and Culture”, *M/C Journal*, Vol. 12, No. 4 (2009), <http://journal.media-culture.org.au/index.php/mcjjournal/article/viewArticle/184>, accessed 9 May 2014.

²²⁸. Mike Hulme, *Exploring Climate Change Through Science and Society: An Anthology of Mike Hulme’s Essays, Interviews and Speeches*, Abingdon, Oxon: Routledge, 2013, p.11.

²²⁹. Hulme, *Exploring Climate Change*, *ibid.*

²³⁰. Hulme, *Why We Disagree*, 229.

taken on board through a process described as “biased assimilation”.²³² Social views and cultural beliefs predict scepticism, not the level of scientific knowledge. Research pointed out that although climate science might bolster the views of believers (Greens and many Labor voters), sceptics (particularly Coalition supporters) may interpret it very differently. Tasmanian social scientist Bruce Tranter observed: “Climate change provokes such visceral arguments because it allows ancient battles – about personal responsibility, state intervention, the regulation of industry, the distribution of resources and wealth, or the role of technologies in society – to be fought all over again.”²³³

While this work emerged later than would have been useful for Rudd’s schooling, it confirmed anecdotal views held by some observers of the climate change policy debate in 2008–09. It was obvious even at the time that the political consensus squeezed out of John Howard when he reluctantly embraced emissions trading in 2007 should be monitored closely for sign of cracks.

If you were a member of the Liberal or National parties, you knew all about this. If you had a passing knowledge of climate change politics, you were familiar with the power of sceptical views within the conservative parties. Ranged against them was another group, led by Turnbull, which genuinely believed that carbon pricing through emissions trading was the cheapest way to modernise the economy and do Australia’s bit in the struggle to reduce the rate of growth of carbon pollution. Anybody who did not understand that the post-2007 Coalition would be shaped by the clash between these two internal forces was not paying attention.

Coalition sceptics revolt

Rudd’s precious consensus was under direct Liberal Party attack just seven months after the election. The first Opposition leader chosen immediately following the defeat of the Howard government in November 2007 was Brendan Nelson, formerly a Labor-supporting medical practitioner. He found it hard to manage the climate change tensions and establish his authority as an alternative prime minister. He blew the initial discordant notes in the context of the government’s green paper, released on 1 July 2008.

²³¹ K.S. Fielding et al., “Australian politicians’ beliefs about climate change: political partisanship and political ideology”, *Environmental Politics*, vol. 21, no. 5, 2012, pp. 712–33.

²³² This label derives from: A. Corner, L. Whitmarsh and D. Xenias, “Uncertainty, scepticism and attitudes toward climate change: biased assimilation and attitude polarisation”, *Climatic Change*, vol. 114, 2012, p. 463–78.

²³³ B. Tranter, “The great divide: political candidate and voter polarisation over global warming in Australia”, *Australian Journal of Politics and History*, vol. 59, no. 3, 2011, pp. 397–413.

By this time Nelson had developed a strategy to use climate change to create points of difference both with his Liberal Party leadership rival, Malcolm Turnbull, and with Rudd. Again and again, Nelson warned of the dire effects of the Rudd CPRS and alerted voters to a “high probability” that the Coalition would oppose it.²³⁴ Nelson was probably a delayer rather than a sceptic. He argued it would be environmental and economic “suicide” if Australia moved before countries such as the United States, China and India.

These views represented a strong bloc of opinion inside his party. It seemed reasonable to them to oppose action until after the much-anticipated fifteenth UN climate conference, in Copenhagen in December 2009. This was ostensibly to avoid damaging national competitiveness by getting ahead of what other countries were prepared to do. Delayers were a third force. Sceptics sometimes dressed themselves up in their clothes.

Rudd countered that to delay the introduction of a scheme until after Copenhagen was “absolute political cowardice”, “an absolute failure of leadership” and logic. Frequently he asserted that “inaction costs more than action”.²³⁵ These words would come back to haunt him in 2010, but for now it would have been sufficient for him to notice that bipartisan support for an ETS was crumbling.

Nelson boldly floated his new strategy in the media. The depth of the divisions in the party became clear when a meeting of the Coalition’s climate change policy committee was split evenly over the policy shift.²³⁶ Nelson could not survive, and on 16 September 2008 Turnbull defeated him by four votes. While the Liberals’ dramas danced madly across the sky, Rudd mistook their meaning. He believed Nelson’s demise was confirmation that the Liberals were locked into supporting him, no matter how much empty noise they generated. But there were other factors. Nelson’s tactics were ham-fisted and self-defeating, confirming a perception among his colleagues that he was not their most likely next prime minister. Turnbull began by announcing himself a delayer, like Nelson. Rudd’s scheme was “hasty, it’s rash, it’s rushed”, he

²³⁴ A. Horin, “As the right goes green, Nelson is the odd man out”, *The Sydney Morning Herald*, 5 July 2008, p. 31.

²³⁵ J. Whittaker, “Rudd on Rudd: I’m a coward on climate change”, *Crikey*, 27 April 2010, blogs.crikey.com.au/rooted/2010/04/27/rudd--on--rudd--im--a--coward--on--climate--change/, accessed 2 May 2010.

²³⁶ P. Coorey, “Nelson left high and dry”, *The Sydney Morning Herald*, 30 July 2008, p. 1.

claimed.²³⁷

The government's first attempt to get the legislation through the Parliament came in June 2009. It passed the House of Representatives on 4 June, but that was too late. Taking eighteen months to get that far had provided time for opponents to erode voter support and then, emboldened by their success, to move firmly against the legislation. Turnbull was still supporting delay and the Coalition resolved to oppose the bills when they went before the Senate.

By mid-2009, the Opposition leader's credibility had been severely damaged by a spectacular but intemperate and unjustified attack on Rudd for alleged misuse of a government program. Before the basis of Turnbull's case against him became clear, Rudd and his office were completely unnerved. They genuinely feared his prime ministership was over. It turned out that Turnbull's attack had been entirely based on an email concocted by a pathetic Walter Mitty-like character from Treasury. While Rudd could have been content to enjoy the embarrassment the Liberal leader was suffering, he instead became hell-bent on revenge.

The CPRS was defeated in the Senate on 13 August 2009. Turnbull, still supporting delay, was by this time being assailed by "panic, confusion, disunity and right-wing ideologues", as the *Australian* noted.²³⁸ But he was keen to avoid an election fought on climate change that could see the government teaming with the Greens, even though Rudd was not threatening this. This fear drove the Opposition leader to promise to negotiate later in the year. He was supported by prominent elements of the business community, but many in his party were angered by his apparent disavowal of the Coalition policy of opposition. It seemed to them that on climate change it was Turnbull and the government versus the Liberal and National parties.

Soon after, a cost-of-living campaign that had been taking off in the regions shot to prominence. National Party frontbencher Barnaby Joyce observed that there had been a populist backlash against the Rudd scheme, which opponents were describing as a great big new tax on everything. "I can tell you the mood is changing," the senator told the *Australian*. "I am now getting hundreds of emails a day from people. They hate this policy. They just hate it." Interviewed separately by

²³⁷ N. Butterly, "Turnbull turns up heat on Rudd ETS timetable", *West Australian*, 2 October 2008, p. 12.

press gallery veteran Laurie Oakes, Joyce claimed: “Everywhere there is a power point in your house, there is access to a new tax for the Labor government.” There would be “a new tax on ironing, a new tax on watching television, a new tax on vacuuming”.²³⁹ Joyce famously declared the Sunday roast would cost up to \$150.²⁴⁰

Wong’s heart sank. Knowing these attacks were cutting through to voters, she recognised that a political disaster was looming.²⁴¹ She and Rudd could not counter populist claims that the cost of a Sunday roast, a sentimental favourite, would increase to \$150 because they had never conceded there would be any cost-of-living impacts at all. Had he been honest about it from the beginning, Rudd would have been able to meet the scare campaigns by showing that the increased cost of a roast would be a tiny fraction of \$150. (Joyce eventually reduced his estimate to \$100.)

The success of the scare campaign was revealed in research by the DCC. A snapshot of social media between early September and early December 2009 showed a significant increase in the level of concern about the CPRS. From a base of less than fifteen negative posts at any given time prior to mid-November, the number increased dramatically to around 140 just two weeks later: “The specific notion of a ‘great big new tax’ has the highest resonance within social media and is core to the increasing levels of confusion within the community.”²⁴²

Opponents of Rudd and Turnbull were prevailing in the one-sided battle for voters. By October the Liberals were being crippled by two factors – a growing internal hostility to carbon pricing and a deepening crisis around Turnbull’s leadership – which were partially related.²⁴³ (Turnbull also faced other problems. Malcolm, his colleagues would say, is a force of nature given to imperious tongue-lashings, and they did not like it.²⁴⁴) Liberal branches were following their National Party counterparts in open revolt.

Many senior Coalition politicians started to express doubts about the political consensus, doubts which provided “cues to rank-and-file party members and aligned voters about what

²³⁸ Editorial, “Heat is on Turnbull”, *The Australian*, 11 August 2009, www.theaustralian.com.au/opinion/editorials/heat-is-on--turnbull/story--e6frg71x--1225760006144, accessed 26 September 2009.

²³⁹ P. Kelly, “Nationals find cause in battle for survival”, *The Australian*, 26 August 2009, p. 12.

²⁴⁰ C. Kerr, “Barnaby warns of the \$150 beef roast”, *The Australian*, 24 July 2009, p. 2.

²⁴¹ P. Wong, interview with author, Melbourne, 7 March 2013.

²⁴² DCC, “Carbon pollution reduction scheme communications campaign strategy”.

²⁴³ P. Kelly, “Rudd’s future assured by coalition in crisis”, *The Australian*, 7 October 2009, p. 12.

²⁴⁴ N. Stuart, *Rudd’s Way: November 2007 – June 2010*, Scribe Publications, Melbourne, 2011, p. 79.

they should think and believe” about climate change and any policies to deal with it.²⁴⁵ In 2008 ordinary members, like their leaders, may have been willing to go along while the politics seemed unassailable, having just been flattened by a great defeat. But once internal party conversations started about whether the CPRS was a good thing – and, by the way, whether climate change was even real – the opportunities to take a different approach began to open up quickly.

Tony Abbott was one who saw an opening. He had long taken a pragmatic position on the CPRS, describing himself on one occasion to Turnbull as “a bit of a weathervane on this”. But he had become convinced that it would no longer be a political problem for the Liberals to oppose the policy. In September 2009, in the Victorian country town of Beaufort, Abbott flew a kite. He told a public meeting of 130 people that climate science was “absolute crap”. The crowd loved it. Afterwards, he claimed this was not his “considered position”. But he also said this was the meeting that changed his mind on how to act.²⁴⁶

The pressure was building, and it was finally time for Rudd to take Turnbull’s promise of negotiations seriously. The prime minister seemed to believe that his opponents would fall right in line behind him when he decided to stop playing games with them and turn on the money tap to increase the sums available for business. He flicked the switch to reconciliation. “Kevin Rudd has suddenly switched tack from bullying, taunting and threats to being above politics, acting in the national interest and offering close cooperation with the Coalition on an emissions trading scheme,” noted one commentator.²⁴⁷

At around the same time as the CPRS passed the House of Representatives for the second time, 17 November 2009, Rudd sent Wong into talks with the Opposition spokesman on emissions trading, Ian Macfarlane. Macfarlane and Turnbull framed their negotiating position around the concerns of industry, targeting four particular issues: increasing assistance for EITE businesses, lessening the impacts on small and medium-sized businesses, increasing compensation for electricity generators, and getting agriculture excluded from the scheme.²⁴⁸ But it seems Rudd forgot to fill Wong in on the government’s strategy. Interviewed for this project, Gillard recalled

²⁴⁵ Fielding et al., “Australian politicians’ beliefs”, p. 716.

²⁴⁶ S. Rintoul, “The town that turned up the temperature”, *The Weekend Australian*, 12 December 2009, p. 1.

²⁴⁷ D. Shanahan, “Turnbull offered a helping hand”, *The Australian*, 23 September 2009, p. 4.

²⁴⁸ J. Gordon, “Don’t cave in to Coalition, climate lobby warns PM”, *The Sunday Age*, 4 October 2009, www.theage.com.au/national/dont-cave-in-to-coalition-climate-lobby-warns-pm-20091003-ghbo.html, accessed 18 October 2012.

that “there had been too little strategic discussion about what was to be achieved”. She said:

Penny Wong was put into the position where she was thrown into these negotiations not even really clear on whether our political strategy was to get a deal at all costs, or whether our political strategy was ... to hold to the purity of our position as an election campaign item for the 2010 election. She articulated that to me at one point. She didn't know what strategic backdrop she was working against.²⁴⁹

Negotiations were intense and public interest high. Business was making a concerted effort to squeeze out more money. The final deal, announced on 24 November 2009, addressed all four of the Coalition's issues. The liquefied natural gas industry would receive a “top-up” allocation of permits; the cash for coalmines would double to \$1.5 billion (the Opposition wanted coal-mining excluded from the scheme altogether); there would be further handouts to steelmakers and other manufacturers; and there would be an extension of the “global recession buffer” out to 2020. The most far-reaching change was that assistance to generators was set at the \$7.3 billion agreed on by the government after the Morgan Stanley exercise.

Turnbull thought he'd achieved a great outcome. But the government had played its wedge politics for too long – and perhaps too well.²⁵⁰ There was genuine fear that the issue could split the Coalition parties, and even the Liberal Party.²⁵¹ The sceptics and other anti-Turnbull forces within the Liberal Party were ascendant. “The party rank-and-file are on fire about this,” said one unnamed anti-emissions trading frontbencher. “You should see the emails I'm getting on a daily basis.”²⁵²

It was not just climate change science and emissions trading that the sceptics opposed (they could live with both when the politics forced them to that position) – it was also Turnbull himself, who was not in touch with the fast-beating heart of his party. This brought about the final link in the immensely destructive chain of events that flowed from the government believing it did not need to talk to voters. On 1 December, a week before the start of the Copenhagen conference, a series of ruthless internal power plays saw Turnbull defeated by one vote. Tony Abbott was now in charge. While on one view the result was agonisingly close, on another it was inevitable. Had Turnbull survived by swinging another MP in his favour, it would not have mattered: his opponents would not have given up. The consensus was finished, as were the

²⁴⁹ J. Gillard, interview with author, Canberra, 12 December 2012.

²⁵⁰ P. Kelly, “Clever tactic, poor policy”, *The Australian*, 25 November 2009, p. 16.

²⁵¹ P. Kelly, *Triumph and Demise*, MUP, Melbourne, 2014.

²⁵² G. Milne, “Sceptic shows his true colours”, *The Australian*, 23 November 2009, p. 16.

CPRS and the prime minister.

Abbott ascends, Rudd delighted

There was elation in the Rudd office. They had been about to fly out to a Commonwealth Heads of Government Meeting in Port of Spain, Trinidad and Tobago, but delayed by a couple of hours to watch the result unfold and enjoy the spoils of their tactics. Subscribing to what was then the general view, they all thought Abbott would not last long. Honestly. “They relished the idea of him being in the leadership. They thought Turnbull was far more of a threat and that Abbott was going to be easy,” said one insider.

As expected, Abbott trashed the former leader’s agreement with the government. He put the question of support for the Rudd scheme to a secret ballot in the party room and Liberal MPs voted overwhelmingly (54–29) to defer or defeat the legislation. The government’s climate change legislation was then voted down by the Senate on 2 December 2009. In a stunning move, the Greens lined up with the Coalition, arguing the policy was too soft on industry, particularly the coal-fired generators, and the 5 per cent emissions-reduction target was too low.

Two Liberal senators – Judith Troeth and Sue Boyce – had the courage to break ranks and vote with Labor. The defections meant that, had the Greens supported the CPRS, Australia finally would have achieved carbon pricing. But with Greens and sceptics sitting side by side, Abbott won. He hailed the vote as having saved Australia from “a great big new tax”, a formulation that would haunt the government in the weeks, months and years to come. Overturning a Coalition policy that he had supported, Abbott ruled out both a carbon tax and an ETS. He said there were “lots of things” that could be done to reduce emissions through other means, many of which did not involve significant costs. These included more energy-efficient buildings, better land management and biosequestration. He committed the Opposition to continuing with the unconditional target of 5 per cent emissions reduction by 2020, but said his alternative plan would meet this target.²⁵³

Rudd’s plan A was dead. In the meantime, he was doing everything possible to ensure that a plan B, perhaps involving working with the Greens, could not rise from the wreckage.

²⁵³ M. Franklin, “Abbott’s Tax--Free Carbon Plan”, *The Australian*, 3 December 2009, p. 1.

Rudd abandons other major players in the network

While Rudd was squandering the consensus with the Opposition, he compounded his strategic errors by alienating other stakeholders. He refused to talk to the Greens and overlooked opportunities to develop a progressive alliance outside Parliament, involving the ACTU and the environmental movement. Repeated attempts by the Greens to make contact and work with him were rebuffed. The party's then deputy leader, Christine Milne, recalls that she went to see Wong in early 2008, "and I said to her, 'I'm passionate about climate change,' and she was fully aware of that because she knew I'd been working in the Senate on it, day in day out. 'And I will work with you to deliver on this.' But we never had any meetings about it whatsoever. Bob [Brown, then Greens leader] and I made repeated attempts to see Rudd but we got nowhere."²⁵⁴

The Greens' refusal to support Rudd's scheme had enormous ramifications and provided the government with endless opportunity to attack them for their excessive purity. Interviewed for this thesis, Labor ministers were naturally geared up to give a chorus of criticism. The climate change minister between 2010 and 2013, Greg Combet, said, "I think their decision to vote against the CPRS has been a hugely destructive thing in Australian politics, and I don't respect the Greens for having done that."²⁵⁵ Mark Dreyfus, parliamentary secretary for climate change in 2010–13, is critical of both Rudd and the Greens: "I think it's a fair criticism to say that had more effort been made in 2009 to have them [the Greens] as a fallback, or at least bring them in a bit, you might not have had the outcome at the end of 2009."

The politics of the relationship between the government and the Greens were complex and challenging. The demands of the Greens for higher emissions targets and less compensation to industry ran counter to those of government members and allies, including the unions, whose most pressing concern was the employment impact of the scheme. There was a deep antipathy to the Greens in many Labor quarters for what was said to be their job-destroying outlook and policies.

The national president of the CFMEU's Mining and Energy Division, Tony Maher, shared this view, but was nevertheless very critical of Rudd as well. Maher argued that, "They [the Greens] were cranky because they were kept outside. Rudd wouldn't even have a cup of tea with Bob Brown all the time he was PM, which was a major mistake. Bob Brown, love him or

²⁵⁴ C. Milne, interview with author, Melbourne, 11 December 2012.

²⁵⁵ G. Combet, interview with author, Canberra, 17 October 2012.

hate him, deserved better than that.”²⁵⁶

The union movement was one stakeholder whose support for the government was constant, but Rudd failed to capitalise on it. The unions’ position on climate change marked a historic shift in moving past old positions of job protection at any social and environmental cost. ACTU brochures handed out at climate policy events argued that “Job creation and action on climate change are closely connected”.²⁵⁷ Not only did the government do little to win union support, it then did nothing with that support. “It was about keeping them at bay,” said an adviser who was at the heart of negotiations in 2009.

The neglect of important stakeholders, while throwing money at generators in a fruitless attempt to buy their support, also found expression in Rudd and Wong’s relationship with the environmental movement. Green groups could have been seen as natural allies capable of advocating for the policy and helping to maintain the momentum for reform. But this would have required a different strategy to the one favoured.

At issue was the greenhouse emissions reduction target. In 2008–09 it seemed, to use Paul Keating’s expression, that every resident galah in the pet shop was talking about carbon reduction targets. Environmentalists were outraged when Kevin Rudd announced in a Press Club address in December 2008 that the CPRS target would be an unconditional 5 per cent and conditional 15 per cent reduction in emissions below 2000 levels by 2020. It was easy for scientists and activists to demonstrate that this was not good enough. A scathing critique by the Monash Sustainability Institute pointed to intensified water security problems and significant biodiversity loss by 2020, including in such iconic places as the Great Barrier Reef, the Kakadu wetlands and Alpine areas.²⁵⁸ What was worse, the policy did not contain any mechanism that permitted ambition to flourish. Fifteen was as high as it went, and that would be achievable only with significant international action.

Government participants interviewed for this project, with the possible exception of Kevin Rudd, now accept that the setting of targets in the CPRS was seriously mismanaged. The politics were devastating. The Greens, ever alert for an opening, saw the chance to seize territory

²⁵⁶ T. Maher, interview with author, Melbourne, 13 September 2012.

²⁵⁷ G. Kearney, “Climate change is union business”, pamphlet, April 2011.

²⁵⁸ Monash Sustainability Institute, “Commentary on the carbon pollution reduction scheme (CPRS)”, December 2008, www.monash.edu/research/sustainability--institute/assets/documents/commentary_cprs.pdf, accessed 13 August 2012.

and pursued their tactic of driving a wedge between the government and supporters of carbon pricing. They pitched for a target of 40 per cent. Wong said, "I probably should have put 25 per cent on the table in the white paper. That was an option and I probably should have pushed for that."²⁵⁹ As noted, she relented in May 2009, announcing that there would be an opportunity to go to 25 per cent in the event of even more international commitment. But by then the damage had been done. The people who should have been the scheme's strongest supporters became deeply passionate opponents as Rudd and Wong strove for what they considered a balanced package, which would appear attractively moderate to Liberals and to voters.

The Wong – Macfarlane compromise of November 2009 sealed the position for most environmental groups. The most mainstream of all, the ACF, walked away from the May agreement when the generators' compensation more than doubled. It tried to argue with irate supporters that what the generators won was not the main issue. But the pressure was intense. An ACF newsletter said the organisation was "disappointed with this package and thinks the Senate should not pass it unless it is significantly strengthened".²⁶⁰ The more radical environmental groups turned out to be right in the criticisms they made of the SCCC back in May 2009. The government had never been serious about working with environmentalists. The main game was always Liberal support, and this meant industry support, whatever the consequences for other stakeholders.

The defeat of the CPRS in the Senate for a second time in December 2009 represented the ultimate test of whether Rudd was a leader of substance or whether his growing band of critics was right. He had the opportunity to take the scheme to the voters in a double dissolution election, but buckled before the challenge. From there it was just four short months until his backdown on climate policy, and just another two months after that until his ambush and humiliation at the hands of his own party. The next chapter analyses the momentous events of 2010. Rudd's failure of leadership and nerve alienated virtually all major players in the policy network and came to humiliate him as an isolated and marginalised figure.

²⁵⁹ P. Wong, interview with author, Melbourne, 7 March 2013.

²⁶⁰ Australian Conservation Foundation, "Hard slog ahead on climate with a weak CPRS", newsletter, 25 November 2009, www.acfonline.org.au/news--media/media--release/hard--slog--ahead--climate--weak--cprs, accessed 25 March 2012.

4

Abandoning the CPRS

Introduction

By December 2009, Rudd's command and control approach to leadership had left all major players in the domestic climate policy network alienated, humiliated and hostile (with the exception of some loyal unions). This chapter shows how by January 2010 Rudd was isolated except for a small handful of young and inexperienced staff grappling with the policy fiascos he had constructed that led ultimately to his failure and defeat.

If we return to Head's three most widely recommended approaches to wicked problems: better knowledge, better consultation and better use of third-party partners, it may be seen that all were glaringly absent. Rudd had left voters ignorant of the reasons for and implications of carbon pricing. He had ignored the need to argue the science of climate change and counter the climate scepticism that was about to derail his policy. (This would become most obvious in early 2010.) These failures were enormous, but the implications were slow to dawn on the Prime Minister, as his gaze was firmly fixed elsewhere. His assiduous courting of his counterparts abroad contrasted strikingly with his approaches at home. As strategic blunder piled on top of strategic blunder, Rudd's eyes remained firmly fixed on one point: the Danish capital of Copenhagen.

The fifteenth United Nations Framework Convention on Climate Change Conference of the Parties, to be held in Copenhagen, Denmark, between 7 and 18 December, was aiming to reach agreement on binding post-Kyoto commitments. It was billed as the summit to save the world and was the subject of astonishing global attention over an extended period of time. More than 100 heads of state, thousands of negotiators and countless NGOs were to converge there, providing Rudd with the opportunity to cut an international figure, reprising his role in the GFC.

Rudd pinned everything on success in Copenhagen, which would save his CPRS and the planet. He believed profoundly that he could influence the outcome, and that the more he was able to exercise leadership, the more likely this was. But the summit to save the globe was always

likely to fail because of the undisciplined, belligerent and unbridgeable divergence of views among the power blocs represented. When the inevitable occurred amid complete chaos, Australia's prime minister was shattered. This was where his descent into paralysis started and where Australia's momentum for climate action stopped and the nation became devoid of a policy – any policy – to price carbon.

Copenhagen was a failure – a foreseeable failure – and four months later, in April 2010, Rudd abandoned his Emissions Trading Scheme. The government that had swept to power on a promise to act on climate change was now entirely devoid of a climate policy. Julia Gillard soon wrested the prime ministership from him in a rebellion partly driven by her own and other senior ministers' dismay with his leadership failure. Rudd had become incapable of effective political strategy. This was clear across a number of policy areas, but chief among them was climate change. The disintegration of his prime ministership is explored in detail, in particular his failure to fight for carbon pricing and his later attempts to blame his successor for the debacle. It is established that Rudd was the architect of his own humiliation through his inability to deal effectively with the climate policy network at home or abroad.

Devastating defeat abroad

In the lead-up to the conference, Rudd was given a special official position in a group of six leaders called the Friends of the Chair. It was a reward and a reflection of the international goodwill generated by his ratification of the Kyoto Protocol when he first came to office. Once a week, the Danish prime minister would chair videoconference meetings of the friends. Rudd was actively involved, totally dedicated, a thought leader. As he had during the GFC, he campaigned on climate change everywhere he travelled.²⁶¹ Copenhagen took up a great deal of his time in the last few months of 2009.

After a draining preparation, the 114-person Australian delegation arrived to play its role in a compelling narrative of textual warfare, threatened walkouts, geopolitical bad-mouthing, brinkmanship and, finally, fierce recriminations.²⁶² There was a vast number of voices, with 194

²⁶¹ L. Taylor and D. Uren, *Shitstorm: Inside Labor's Darkest Days*, Melbourne University Publishing: Melbourne, 2010.

²⁶² J. Painter, *Summoned by Science: Reporting Climate Change at Copenhagen and Beyond*, Reuters Institute for the Study of Journalism, Oxford, 2010, p. 4.

registered state parties to the meeting and 10,583 delegates.²⁶³ There were 900 registered observer organisations, with a further 13,482 participants, and another 3221 media. Furthermore, the delegations of some countries contained a mix of members with vastly different interests: MPs and staff, public servants, diplomats, scientists, businesspeople, unionists, activists and charities. Divisions in the host country's delegation led to the chief negotiator being sacked. The Danish premier implied he could not trust some countries. China's chief negotiator was barred by security for three days, bringing criticism from China, India and Brazil.

There were many competing blocs. Among them were "the culprits" (the industrialised countries, including the US, Australia, the UK and Europe); a loose coalition of 131 developing nations, including China and India, that were intent on ensuring the culprits paid; and thirty-eight small island states, many of which were already suffering significant climate change impacts. The disappearing islands just wanted someone to save them. Then there was the Organization of Petroleum Exporting Companies (OPEC), which wanted to continue making money out of oil. The least developed countries and a group of African nations also formed alliances. There were many overlaps in bloc membership and many differences between countries in the same blocs.

Some of these divisions were captured in a number of simultaneous international activist forums, including a citizens' summit that came together for rallies and marches but then splintered into thousands of voices, "each clamouring to have their own visions adopted".²⁶⁴ There was the Climate Group, which featured at least sixty leaders of regional governments, along with Al Gore and Prince Charles. There was a trade union delegation and a meeting of climate change sceptics, who claimed to be using science to understand the past and future while criticising the main conference as being about the socialist redistribution of public money "through sticky fingers".²⁶⁵

The summit was a bonanza for climate change sceptics, who revelled in the media attention. They were tremendously encouraged by an extraordinary victory. Just weeks before the summit, hackers breached an email server at the prestigious Climatic Research Unit (CRU) at the University of East Anglia in the UK. They copied thousands of emails and computer files to various locations on the internet. Sceptics claimed that the emails proved that global warming

²⁶³ The rundown on the chaos of Copenhagen relies on J.P. Marshall, "Climate change, Copenhagen and psycho-social disorder", *PORTAL Journal of Multidisciplinary International Studies*, vol. 8, no. 3, 2011.

²⁶⁴ *Ibid.*, p. 11.

²⁶⁵ I. Plimer, "Self-appointed moralists cloud meeting's agenda", *The Sydney Morning Herald*, 12 December 2009, p. 7.

was a fraudulent conspiracy and that scientists had manipulated climate data and suppressed criticism. The CRU rejected the allegations, a position later vindicated by many searching official inquiries, but at the time their claims to innocence were drowned out by vocal critics taking advantage of immense media interest.²⁶⁶

British writer Ian McEwan observed that there was enough happening at Copenhagen to furnish a novel. Even though journalists admitted that most of the time they had little idea of what was going on, the drama was thoroughly engaging. “It was so bad that the TV images were somewhere between causing people to despair and causing people to laugh. It was so shambolic,” said Gillard.²⁶⁷

One member of the Australian delegation recalled how each country was required to stand up and make a statement. The DCC had diligently prepared a speech for Rudd, which was tweaked by his staff. It was 2 am. Rudd retired to his room, clutching the speech. When his staff saw him at 6 am, he presented them with pages of handwritten notes. He had rewritten the speech from beginning to end. Rudd wanted to make it clear that, despite appearances, success was within the grasp of delegates. He urged the world’s leaders to hatch a “grand bargain between past responsibility and future responsibility” to make a deal to fight climate change. He said history would judge whether this was a time when the world turned the tide of history, or became “so consumed with petty nationalisms of the past, that we turned instead against each other”. He had studied the precise nature of the problem. He knew the way forward, he advised listeners. The deadlocked conference had been held up by only four major policy differences, all of which could be resolved by the 115 national leaders meeting in the Danish capital over the next two days.²⁶⁸

But nobody was listening, and the elusive binding agreement never eventuated. A chorus of insults from green activists accompanied delegates as they trudged back to the airport. “The city of Copenhagen is a crime scene tonight, with the guilty men and women fleeing,” said the much-quoted John Sauven, executive director of Greenpeace UK. In the press centre, journalists sharpened their knives for a bloodletting across the world’s front pages. It was an historic failure that

²⁶⁶ P. Chubb and W. Bacon, “Fiery politics and extreme events”, in E. Eide, R. Kunelius and V. Kumpu (eds), *Global Climate – Local Journalisms*, Projektverlag, Bochum/Freiburg, 2010, pp. 51–67.

²⁶⁷ J. Gillard, interview with author, Canberra, 12 December 2012.

²⁶⁸ A. Morton, “History will judge us if we fail, says Rudd, as Clinton turns up heat on China”, *The Age*, 18 December 2009, p. 4.

would live on in infamy.²⁶⁹

Having invested so much psychological and political capital in a good outcome in Copenhagen, Rudd needed a scapegoat. His eyes lit upon the Chinese, and he worked them over. The extent of his determination to focus blame on the country over which he expected to be able to exert influence – he was a well-known China expert – was clear in a feature article in the *Sydney Morning Herald* on 22 December. The writer noted, “Across the developed world, China’s brazen stonewalling of efforts to reach a legally binding treaty on climate change was greeted by a stunned, angry and almost visceral response. Australian officials, led by the prime minister, Kevin Rudd, were understood to be irate.”²⁷⁰ What Rudd actually told journalists was: “Those Chinese fuckers are trying to ratfuck us.”²⁷¹ Rudd’s focus on blaming the Chinese was soon to be reprised in his scapegoating of his deputy prime minister, as we shall see below.

Rudd shattered

According to close observers, Rudd suffered a form of breakdown following Copenhagen and became quite detached from reality. Many colleagues were shocked by his lack of resilience, which as time wore on became more pronounced. The then treasurer, Wayne Swan, said: “He came back from Copenhagen and it appeared he was having real difficulty with what had happened. He’d attached all of his emotional energy to it. That would be a kind way of putting it.”²⁷² Gillard said it was not just that the outcome was a failure, but that there had been so much backbreaking effort for nothing. “I think Kevin was emotionally very drained by Copenhagen ... I think it hit him very hard personally.”²⁷³ By the time Gillard and Swan made these observations – in interviews with the author in late 2012 and early 2013 respectively – they had become enemies of Rudd. But their views are corroborated by virtually every politician, public servant and adviser in a position to know who provided their views for this thesis.

On Rudd’s return from Copenhagen, uncertainty was rampant. What did the outcome of the summit mean at home? What did it mean for Rudd’s credibility? And for Abbott’s? It was the Opposition’s political position that had been enhanced. The new Liberal leader was buoyed by the

²⁶⁹ L. Ellerson, “‘A sham’ and ‘A climate crime scene’ or ‘A major step forward’?” *Political Punch*, 18 December 2009, abcnews.go.com/blogs/politics/2009/12/a-sham-and-a-climate-crime-scene-or-a-major-step-forward-mixed-reactions-from-environmental-groups-o/, accessed 4 July 2012.

²⁷⁰ J. Pearlman, “The time for waiting is over: China has taken its great political leap forward”, *The Sydney Morning Herald*, 23 December 2009, p. 1.

²⁷¹ D. Marr, *Power Trip: The Political Journey of Kevin Rudd*, Quarterly Essay 38, Black Inc., Melbourne, 2010.

²⁷² W. Swan, interview with author, Canberra, 29 May 2013.

failure and by the hacked emails. His claim that the summit was always a false deadline for the passage of the CPRS was vindicated.²⁷⁴ He began a relentless, brutal and ultimately effective campaign against government proposals to act on climate change.

Rudd's white flag

In the face of Abbott's onslaught, which had barely begun, Rudd's mind turned immediately to surrender. Documents from his office sighted by the author, and discussed in detail below, show this clearly. Rudd was spooked by both Abbott and the verdict of voters and became paralysed by doubt. He was sorely tempted to fly the white flag but feared how voters would view him if he abandoned his signature policy. These two impulses were pulling him in different directions and would ultimately tear his credibility and his leadership apart.

Just before Christmas 2009, Rudd, Gillard and Swan met in Sydney to canvass strategic opportunities, particularly whether to call a double dissolution election based on the Senate's refusal to pass the CPRS. They were joined by key advisers, including the then ALP national secretary, Karl Bitar, and tactician Mark Arbib. Everybody present who was interviewed for this thesis – apart from Rudd, as explained below – believed the prime minister would call a double dissolution election in January. They believed they could win, although the ALP head office cautioned that the sense of urgency for dealing with climate change was draining away from voters, whose understanding of the Rudd scheme was totally inadequate following the leader's communications failures.

Still, polls showed that many voters retained goodwill for the man they had elected with such eagerness. Labor's judgment that it could win was reinforced by the spectacle of the Liberal Party falling apart, then installing, by the closest possible margin, a leader who had never been a popular public figure.²⁷⁵ The time for a climate change election was now. It would be harder to win the longer it was left. Respected party elder John Faulkner visited Rudd to press the point. He was told confidentially that Rudd did not favour an election. But nor did Rudd want it to appear as if he was abandoning attempts to act on climate change. The prime minister and his staff were focused elsewhere. The first outward sign that his mind had turned to surrender was his unwillingness to call an election. The second was his decision to focus on a completely different policy initiative, which was hospitals funding reform. There was a third –

²⁷³ J. Gillard, interview with author, Canberra, 12 December 2012.

²⁷⁴ L. Taylor and S. Maher, "Copenhagen hands Rudd an ETS dilemma", *The Australian*, 21 December 2009, p. 1.

a decision to steal Abbott's direct action policy – but that was to come a little later.

Rudd had spent a good part of 2009 touring the nation's hospitals, committing to honour a 2007 promise to "fix" them. Whatever had worked in 2007 became a reference point worth revisiting when things were bad. Hospitals reform was Rudd's way of digging himself out of the carbon hole and a fear of impending doom. Intense meetings with health minister Nicola Roxon resumed immediately on his return from Denmark. While to some insiders he seemed to be agreeing to a climate change election, to others he was pushing a referendum for a total Commonwealth takeover of hospitals to be put at the same time as the ordinary election due later in 2010. Rudd was arguing that although they would lose the referendum, it would blow all other issues out of the water, including climate change. It would bring hospitals reform into focus as the major issue, which would return Labor to government. It would be a triumph, another one, perhaps greater even than 2007. These discussions, characterised as "manic" by those present, reached a crescendo just before Christmas. A complete rewrite of hospitals policy was required, and it had to be done immediately. "We have to do all this ... policy has to be rewritten ... we need all these things and I'm going to read it all on Christmas Day ... and if I don't have it here the whole government will fail," is how Nicola Roxon recalled the mood.

Rudd went on leave. Still thinking there would be an election, the ALP team hurried to pull together essential campaign tools, with members cancelling holidays. Advertising space was booked, computers and phones organised. A tight group of chiefs of staff and policy advisers designed the election campaign. They worked for three weeks on an outline for policy themes and so-called announceables, producing a fifty-page document detailing how the campaign would run.

The hospitals team cooled its heels, cut off from all contact with Rudd after the pre-Christmas excitement. It was now "radio silence", as Roxon put it. Swan and his staff were on the Queensland coast, puzzling their way through the thorny proposals that flowed from a review of Australia's tax system, headed by treasury secretary Ken Henry, including a Resource Super Profits Tax. Here was another ticking bomb.

Wong met with the Greens to see whether a different plan might be feasible at that late stage. The Greens made an offer. They argued for a two-year tax at about \$20 a tonne as a

²⁷⁵ D. Marr, *Political Animal: The Making of Tony Abbott*, Quarterly Essay 47, Black Inc., Melbourne, 2012.

transitional mechanism towards emissions trading. The proposal would maintain assistance to households and EITE firms, but eliminate “compensation” for the electricity sector. Wong said the Greens refused to move on the elements of their proposition that were unacceptable, such as their refusal to support generators. But this was not why a deal was impossible. She acknowledged that, by this time, she did not have sufficient authority to make a decision; the government was adrift. “I couldn’t say yes, but I also couldn’t say no ... There were different views within government about what the way forward was. So I had authority to negotiate but I didn’t have authority to close the deal.”²⁷⁶

Amid this confusion, Gillard visited Rudd at Kirribilli House in Sydney several times in January, trying to get him to focus on a political strategy to take into the election year. She had long been popular within the government and among voters, and was seen as one of the most dominant deputy prime ministers in history. At the same time, she was regarded by all as loyal. The *Australian’s* Paul Kelly said, “She has built a hybrid identity – completely loyal to Kevin Rudd yet an independent force with her own cultivated power base.”²⁷⁷ The view of one insider is typical: on a number of important occasions he saw Gillard help Rudd and thought she had the capacity to read the politics of a situation “reasonably well” and “privately urge the prime minister to think again before he did something silly”.

This help was despite Gillard having a huge workload as the minister for employment, workplace relations and education. While she was a loyal, hardworking deputy who advised Rudd carefully and soundly on tactics and strategy, she could not save him from himself. “Deputy prime ministers, particularly ones with portfolios as busy as hers, can’t spend all their time trying to do the job of the prime minister’s private office,” said one public servant.

In the meetings at Kirribilli, Gillard argued that the main strategic dilemma was whether they were going to “go out and fight for the pollution reduction scheme”, make it the issue of the 2010 campaign, or look for a move that did not have the CPRS as part of the campaign. Fighting an election on the CPRS “might cost us government”, she said. “But were we – and I actually used these words in our discussions – were we going to get our stackhats on and go out and fight for the scheme and make it the issue of the 2010 campaign? Were we going to see if we can prevail?” There were only two choices. There was “no political merit in drift, which is the worst of all

²⁷⁶ P. Wong, interview with author, Melbourne, 7 March 2013.

²⁷⁷ P. Kelly, “Power behind the throne”, *The Weekend Australian*, 19 December 2009, p. 10.

possible worlds". Rudd was finding it "increasingly difficult to work through in his own mind, let alone with others, how to handle an emerging set of political jumbo jets all needing to land somewhere", she said. The jumbos were the CPRS, tax reform, asylum seekers and hospitals. These were truly big planes, all fully laden with explosives.

Rudd and his small group of supporters have since claimed that during these meetings at Kirribilli in January 2010, Gillard urged him to discard plans for an early double dissolution election.²⁷⁸ She dismisses these allegations as lies, and her recollections are corroborated by almost all those interviewed for this thesis who are in a position to know. She said: "It is not true that I went to him to urge against an early election." Gillard argues that Rudd raised the question of an early election with her, making it clear he opposed the idea. He told her he had rejected Faulkner's strong representations in favour of an election. She acknowledges that she had her own doubts, fuelled by her dawning understanding of the shallowness of voter support and her growing reservations that Rudd was in a fit condition to mount an effective campaign. She says that she nevertheless made it clear that if Rudd said the CPRS was core to him and he wanted to fight for it, she would lock in behind him. Others have confirmed that everybody would have supported him, but the prime minister was paralysed by indecision.

Labor's campaign team was still working hard, unaware of the real state of the prime minister's mind but privately doubting his resolve. A vital ingredient for success had been missing from the election preparations: prime-ministerial enthusiasm. Campaign staff worried that he seemed to be just going through the motions. "None of us ever felt that it was something real or something that was actually going to happen," said one. Rudd returned from holidays on Australia Day, but instead of making public the plans for a double dissolution election, he launched his co-written children's book. There was no decision announced, no explanation provided. "And when it all petered out I don't think any of us felt like the rug had been pulled from under our feet. I don't think we ever felt like we were firmly standing on the rug in the first place," said one adviser.

Swan's view was, "The avoidance was extreme. Over Christmas he decided that he was going to avoid making up his mind about climate change, put it in the too-hard basket, and then went into a chaotic round of health policy formation, deciding he was going to reconfigure the whole health system." This was the start of a period of frenzied turmoil that led ultimately to the government, elected just two years before on a wave of enthusiasm to deal with climate

change, being entirely without a plan to price carbon.

Paralysis prevails

In the week after Australia Day, Rudd flew around the states, making the usual patriotic speeches. With radio silence ended, his hospitals team, including minister Roxon, was dragged along with him from Melbourne to Adelaide, Perth, Darwin, Brisbane and back to Darwin. This was the only way they could get the hours they needed to talk about the major reforms he was pushing. Staff thought it unlikely he had read the work that had been so urgent before Christmas, but that did not mean his obsession had faded.

While the prime minister was focused on hospitals, he knew he could not just give up on climate policy. But what was to be done? The senior figures in the government, it seemed, were talking about it non-stop. But they could not get through to Rudd, and his paralysis seemed to be worsening. “Whenever he didn’t know what he wanted to do, he just didn’t do anything. And, you know, it’s just a feature of how he operated,” said Swan. The stress of early 2010 exacerbated the trait. “A lot of the stuff that’s said and written about Kevin being a detail-minded guy is actually about him being presented with information to make a decision on and delaying a decision by asking more questions,” said a senior public servant. In the inner circles of the government in 2010, as the future of climate policy was debated and the other jumbo jets circled, Rudd’s questions were endless.

Abbott was running hard on what carbon pricing would do to the cost of living. While apparently acknowledging that the electorate would not accept out-and-out climate change denial, he developed a policy of reducing emissions through what he called direct action. He claimed he could match the government’s target of a 5 per cent reduction by 2020 without taxing industry or having to compensate households. Instead, he would promote the planting of 20 million trees, offer home owners rebates for solar cells and help industry and farmers store carbon in the soil. Abbott was in the early stages of a three-year post-GFC scare campaign, arguing that, “the Coalition’s direct action plan is careful, costed and capped” while the government’s approach was a “great big tax on everything”. He said it again and again. He was attempting to spook both Rudd and voters, and he was spectacularly good at it.²⁷⁹

Rudd’s main focus remained on the great hospitals takeover, convinced progress on this would

²⁷⁸ McKew, *Tales from the Political Trenches*.

²⁷⁹ M. Franklin, “Tony Abbott’s cut-through climate plan”, *The Australian*, 3 February 2010, p. 1.

swamp all regrets about climate change. According to several accounts, hospitals strategy meetings at the Lodge involved sessions with the prime minister at a whiteboard instructing those present. It was described as “death by detail” and “mind-numbing”.

Observers mostly characterise Rudd’s demeanour in this period as agitated and angry. His work patterns were chaotic. Several times Gillard, Swan, Roxon and senior staff would be told on Friday or Saturday to be at a meeting in Canberra the next day to work through road-blocks. Roxon was once summoned to the Lodge on a Sunday night; Karl Bitar was also present. The boss told her he wanted hospitals on the cabinet agenda the following morning. It was a ridiculous subversion of the procedures developed to run the country.

Sometimes Rudd’s behaviour in meetings was genuinely worrying. Several sources describe independently how he sometimes physically froze and was unable to continue. He took trips around the garden to help regain his composure. Valentine’s Day in 2010 saw a particularly serious instance of this behaviour. Abbott had already sparked fear in Rudd. Then, with an acute political judgment that Australians would see much more of in coming years, he drove Rudd to a “meltdown”, as observers have described it. In a relatively insignificant stunt designed to irritate the prime minister, Abbott glided into the hospitals issue. He visited Sydney’s St Vincent’s to pledge that a Coalition government would install local boards to fix public hospitals within six months of winning power. Since the election, he said, “all we’ve had [from the Rudd government] is waffle and committees”.

The result of this small intervention was chaos. A hospitals meeting was scheduled to be held at the Lodge that day, involving senior ministers and relevant staff. Rudd was in a spin so the meeting started late. He then wanted to keep the group small, so he could be free to be himself and drop his composure. Some staff were forced outside and spent the day on the lawn playing handball.²⁸⁰ They were not allowed in but not allowed to go home. As if that was not weird enough, things soon became totally bizarre.

“Rudd had this absolute meltdown. He was completely spooked that Abbott would beat him to taking over the hospital system,” said a witness.

²⁸⁰ N. Roxon, “John Button Memorial Lecture 2013”, *The Sydney Morning Herald*, www.smh.com.au/federal-politics/nicola-roxons-john-button-memorial-lecture-2013-20131016-2vmyo.html#ixzz2kBRsJXVc, accessed 18 October 2013.

We were brainstorming different ways of fulfilling his ambitious commitment of 2007 about taking over the hospital system one way or another. People were very nervous about doing that, which is a whole other issue, and he just couldn't face it. We were in his dining room in the Lodge working on health stuff and he just couldn't keep it together.

Rudd hyperventilated and froze so seriously that his chief of staff, Alister Jordan, helped him to his feet and took him for a walk. It seemed he had suffered a debilitating panic attack. Everyone was shocked and embarrassed for him. The only thing that broke the mood was the dog scratching at the door.

Gillard stood up and attended to the work on the whiteboard. That was her way. She reacted with no fuss, methodically worked through a plan and became the person Roxon and Swan would go to during the remainder of the health reform process, whenever Rudd was unable to bring order or sense to it.

(It should be noted that not everybody who was present that day says they recall the "melt-down" at the Lodge. "It sounds fairly dramatic and I think, had it happened, I'd remember it," said one.)

Rudd's behaviour was not helping to convince internal opponents of his proposal for a referendum on hospitals management, which they regarded as injurious to the national interest. The public service argued very strongly that concentrating hospitals funding at the Commonwealth level would open the way for future governments to bypass the checks and balances implicit in the federal system and savagely reduce spending. It had happened with universities. Simmering divisions between the public service and Rudd (and his office) boiled over. In an extraordinary intervention, Alister Jordan ensured that Terry Moran, head of the DPMC, barely ever saw the leader in this period.

Roxon opposed the referendum although she accepted it was Rudd's prerogative to push for it. But he was working completely outside tried and true processes. She said, "[Rudd] couldn't negotiate with the states to get an outcome, he wouldn't get proper legal advice, he wouldn't let officials properly prepare the pros and cons. And if you don't do that then you can't actually assess what risks are involved for government or the public in going down a course that might

be populist and politically successful, but ultimately will end in tears.”²⁸¹

Rudd was not after a solution to hospitals funding issues so much as a distraction from his troubles with climate change. Hospitals reform was widely seen as an extraordinary misuse of his time. He remained absolutely focused on it, visiting hospitals for photo opportunities day after day. According to Roxon:

The real tragedy, though, was that despite over 100 visits to hospitals and health services (with Kevin, me and three junior ministers), we had not been able to pin down Kevin to use this focus and phenomenal interest to move the debate, to test out our ideas, or even to resolve some key areas of contention (like the takeover of hospitals question, that Kevin favoured and I did not).²⁸²

Dumping the referendum plan did not happen quickly, and the government’s climate change communications void of 2008–09, which had failed to maintain public support, had by now plunged into virtually total silence. The extent of both Rudd’s disengagement from day-to-day debate and Abbott’s astute ruthlessness can be seen in their different reactions to a visit by celebrity UK climate change sceptic Christopher Monckton. Monckton, the darling of WA miners, argued that “global warming nonsense” would bankrupt the economies of western countries, and that environmentalism was a cloak for communism and a UN plan to establish a world government.²⁸³ Monckton not only had extreme views, he also had an “over-egged CV”, according to his critics. Prior to his Australian visit, Clive Hamilton identified as inaccurate Monckton’s claims to be a member of the House of Lords and a Nobel Laureate, to have single-handedly won the Falklands war and to have invented cures for Graves’ disease, multiple sclerosis, influenza, food poisoning and HIV.²⁸⁴

Monckton’s tour to Australia in early 2010 was a remarkable triumph for him and the climate change sceptics. He addressed packed public meetings of eager audiences around the country and the media coverage was enthusiastic as he condemned the CPRS. The Sydney “shock

²⁸¹ T. Dusevic, “It’s Gillard ability v. K Rudd’s popularity”, *The Australian*, 25 February 2012, p. 17.

²⁸² Roxon, “John Button Memorial Lecture”.

²⁸³ J. Hewett, “Climate denier lords it over scientists”, *The Australian*, 26 January 2010; C. Monckton, “Is Obama poised to cede sovereignty?” *The Australian*, 16 October 2009, www.theaustralian.com.au/news/health-science/climate-denier-lords-it-over-scientists-and-their-global-warning-nonsense/story-e6frg8y6-1225823445824, accessed 20 September 2010.

jocks”, particularly Alan Jones, gave him plenty of opportunity to explain his views on Australian politics. The ABC presented him with public legitimacy through wide coverage.²⁸⁵ On one radio bulletin he said: “If by some mischance the [ETS] proceeds any further and actually gets passed into law, the next thing that will happen is that the courts will call it in and it will be declared unconstitutional and that would bring the government down.”²⁸⁶

Rudd was silent in the face of this assault on the very basis of climate change action as well as on his own policy. Abbott, on the other hand, opened the door to a well-publicised meet-and-greet with Monckton and parroted some of his views afterwards. Through these responses, Abbott and Monckton jointly provided a major boost to the development of climate scepticism as a sophisticated movement in Australia.

Observing Rudd’s paralysis, in February 2010 the DPMC tried to take the initiative by sketching out an alternative to the CPRS. If the prime minister was not going to press on with his policy, it seemed there had to be something to replace it. It was not possible to have no climate policy at all, was it? Rudd’s failure to keep a plan B up his sleeve was never more obvious as bureaucrats rushed to fill the hole. They developed a proposal to apply behavioural change techniques to climate policy. The Rudd scheme was a great reform designed to drive systemic, whole-of-economy structural change through a combination of regulation and price. While the policy provided, as Rudd and Wong never tired of explaining, a powerful macro-economic solution, research showed that individual Australians wanted to feel personally empowered to make a difference. The department felt that facilitating behavioural change at a more personal level could both complement and shore up support for the scheme, and action on climate change more generally. It was late to be talking about engaging voters, but perhaps there was still time.

The plan looked at how tobacco policy and Landcare campaigns had changed behaviour. It proposed setting households a challenge to reduce their emissions by 15 per cent. Energy retailers would be encouraged to talk directly with their customers. Community groups could hold grassroots events. Examples included a Facebook challenge, Bunnings and Mitre 10

²⁸⁴ C. Hamilton, “Viscount Monckton of Brenchley’s over-egged CV”, *Crikey*, 12 January 2010, www.crikey.com.au/2010/01/12/hamilton--viscount--monckton--of--benchleys--over--egged--cv/, accessed 30 September 2010.

²⁸⁵ P. Chubb and C. Nash, “The politics of reporting climate change at the Australian Broadcasting Corporation”, *Media International Australia*, vol. 144, 2012, pp. 37–48.

²⁸⁶ ABC News, “Monckton blasts unconstitutional ETS”, 3 February 2010, www.abc.net.au/news/2010-02-03/monckton--blasts--unconstitutional--ets/320788, accessed 10 December 2010.

workshops and community collection drives for old appliances. Perhaps the capstone proposal was getting schools to agree to set up a Walking School Bus. Each morning and afternoon, volunteer parents would walk kids to school along a prescribed route. This would require a rigorous police checking and safety system. Rudd's office told the DPMC to send its ideas off to the DCC for evaluation. They did not seem to emerge again. As far as the DPMC knew, they had been buried by unsympathetic bureaucrats. But that was not entirely the case, as was to become evident soon.

February gave way to March. ALP head office was warning that Abbott's cost-of-living campaign had cut through to voters. Rudd kept reminding ministerial colleagues and staff, in an agitated way, that climate change was a great moral issue.

Stealing Abbott's clothes

In March, Rudd commissioned a briefing paper from senior staffer David Fredericks, who consulted with others in the PMO and went off quietly to speak to people he knew in the DCC about how you could get to the 5 per cent target by some other mechanism than an ETS. The end result directly and completely unexpectedly stole from Abbott's direct action policy. Rudd had adopted the plan of his bitter opponent, ironically an opponent he accused of "flip-flopping" on climate policy. Fredericks also used the ideas of the DPMC.

Under the heading of boosting immediate action on climate change, the briefing paper contained four measures to supplement what by then Rudd regarded as the "long-term" introduction of the CPRS. The four measures were what Abbott would call direct action: greater investment in clean and renewable energy, greater incentives to improve energy efficiency, engaging the Australian community to take individual action on climate change, and reducing emissions in the forestry and agriculture sectors. The fourth measure required a Government Purchase Fund in which the government would initially purchase the credits it created. The paper estimated that this measure would achieve a reduction in Australia's emissions of up to 15 million tonnes in 2020 at a cost estimated at \$300 million. It noted that the plan was "similar" to Abbott's abatement purchase fund.

These four measures were explored in a great deal of detail. Gillard and Swan rejected them. "It was just lunatic. Some of the things that he put as direct action were just nonsense," Gillard said. The criticisms made of Abbott's scheme were equally applicable to this proposal:

through direct action you could not get a 5 per cent reduction in emissions at a cost the budget could afford. “You either put a price on carbon or you don’t do anything. There is no point in trying to use the budget to pay polluters,” said Swan.

The paper commissioned by Rudd also makes it clear that he had a statement of capitulation ready to go as early as March. The document rehearsed reasons that could be given for “delaying” the CPRS. The first was that bipartisan support no longer existed. Yet exactly this position, when Gillard advanced it in the internal discussions about the future of the CPRS, was used by Rudd, his supporters and the media to attack her for lacking leadership.

Under the heading “Announcement to delay the CPRS”, the paper noted:

1. Global and domestic developments impact on the CPRS

The government has faced up to the practical reality of recent domestic and global developments on climate change.

First, the longstanding bipartisan support for an emissions trading scheme in Australia has been recently lost. Tony Abbott has made it clear that – unlike Mr Howard, Mr Costello, Dr Nelson and Mr Turnbull – he will not support an emissions trading scheme in Australia.

Second, we have to face the fact that the world is moving slower than we wanted and slower than we expected. The Copenhagen outcome was a disappointment and recent indications from the United States that they will move more slowly on emissions trading.

2. Delay CPRS until 2013 unless there is greater domestic and international consensus

In the absence of domestic and international consensus, the government accepts the reality that the time for the introduction of the Carbon Pollution Reduction Scheme is not now.

The government will not legislate the Carbon Pollution Reduction Scheme before 2013 unless [one of the following] two conditions are met:

There is bipartisan support for emissions trading in Australia; [or]

The level of international ambition becomes more clear, including from the US, China and India.

3. Retain commitment to CPRS for the longer term

Over the longer term, the government remains committed to achieving our emissions reduction targets through the Carbon Pollution Reduction Scheme.

The government remains committed to the Carbon Pollution Reduction Scheme in Australia either when [one of] our two conditions are met, or after the 2013 election.

We retain this commitment because all the credible available evidence suggests that this is the only practical and low cost means of achieving our bipartisan objective to reduce emissions in Australia to at least 5% below 2000 levels by 2020.

The paper commissioned by Rudd, seen by the inner circle of ministers and staff, did not immediately end the drift, because Gillard and Swan opposed its direct action options. In any event, Rudd did not make the announcement he was contemplating because he feared the scorn of voters. He would have fared better had he faced the cameras and delivered this statement when it was drafted, a month before the story exploded through a leak.

Intense meetings of the Gang of Four continued on a rolling basis. By now this committee had supplanted cabinet as the government's chief decision-making forum. Those involved were Rudd, Gillard, Swan, finance minister Lindsay Tanner and their offices. Wong often attended. The procrastination was endless. An example involved a meeting in the cabinet room at Parliament House in April. Rudd often kept people waiting, but at this one ministers, heads of departments and staff shuffled their papers for three hours. They walked in and out of nearby offices, trying to imagine what was happening. As the time ticked by, it was assumed by those drumming their fingers on the table that the prime minister was making a desperate attempt to uncover an alternative climate change policy. Rudd, meanwhile, was in full view in the Parliament House courtyard, outside Aussies Café, surrounded by paper, apparently working with his economic adviser, Andrew Charlton, on some answers. But then again, perhaps he was not working on carbon pricing at all. In any case, no new ideas were forthcoming.

Gillard adopted what observers describe as her problem-solving mode. She was trying to shepherd the government to a view and end the drift. She was still willing to go into battle if the leader wanted an election, but in the face of Rudd's paralysis she argued for a pragmatic approach that would maintain the commitment to carbon pricing, but only reintroduce legislation once its chances of successfully passing through Parliament improved. This would almost certainly mean waiting until political consensus was restored. Her view strengthened that Rudd was in no condition to fight an election as leader of the Labor Party. Tanner, who was exercised by what could be sold to voters in his inner-city electorate of Melbourne, where

the Greens were mounting a major challenge, opposed the dumping of the CPRS. But his colleagues are very clear that he provided no other option. Wong was the only key figure in the discussions who pushed unreservedly for an election with the CPRS as its centrepiece. It was her baby. Rudd waxed and waned between positions and never played a leading role. Some at the time thought his opinion depended on the last person he had spoken to.

The confusion was so overwhelming that some central participants genuinely cannot agree on when a formal decision to dump the scheme was made. A majority recall that it happened at a meeting of the Gang of Four in Brisbane on 11 April 2010.

The decision by default

The climate policy vacuum came up hard against the real life of a government. Final judgments for the May budget were required urgently. For Swan, the decision to abandon the scheme had already been made months earlier “by the fact we hadn’t taken a decision”. It was now just a matter of getting it out of the budget. “If we’re not going to go full steam ahead, we have to take it out,” he said. While the CPRS was being squeezed by the budget on one side, it was clear on the other that it was now too late to implement it, for practical reasons, even if it could be negotiated through Parliament. It was also obvious that it was too late for a climate change election. A decision on the prime minister’s signature climate change policy was about to be made by default. Australia had travelled a long way since the superhero days of Kevin 07.

People who had given up two years of their lives to work on Rudd’s scheme were nervous. This was the day of reckoning when the backbreaking effort would probably be shown to be futile. The Gang of Four gathered with Wong in the cabinet room in the high-rise Commonwealth building at Waterfront Place, Brisbane. The future of the CPRS was the only significant item on the agenda. In the months since Copenhagen there had been many occasions when Gillard and others had tried to get Rudd to sit in a room with different combinations of ministers and advisers. But getting a full and direct discussion had been virtually impossible. The time had now come when a decision could be made.

There was a discussion of various positions. Do we push on? Do we delay and attach conditions, such as international action or restoration of the political consensus? How do we put pressure on the Opposition? How do we counter the “big new tax” scare? Observers were clear that Rudd put very little of his own views or analysis forward. He did not commit himself

to any position. This was not unusual. He would not say what he was trying to achieve, nor what his instincts were. The meeting was finely balanced, but the conclusion was that there was not a critical base of support for pursuing the CPRS as it was. The scheme would not be in the budget – meaning it would be delayed – but an alternative would be sought with conditions attached. But what did that mean? This really was a farce.

The confusion of the day bled into another set of complications. How would Australians be told Rudd had abandoned his cherished climate policy? His prime ministership had been founded on his moral commitment to action. He had persuaded many people. Their support was passionate. Could they just turn off the tap? This was another question for which no answer was forthcoming. As Gillard noted, “Unfortunately I don’t think the meeting was ever very clear about how this was going to be communicated.”

After about two weeks of silence following the Brisbane meeting, an unknown person decided his or her interests would be served by leaking the decision. The result was so bad for Rudd that the national political guessing game of trying to identify the leaker has come up with only one consensus answer: it can’t have been Rudd. The *Sydney Morning Herald’s* Lenore Taylor ran the exclusive on 27 April 2010. She said the government had agreed to put the scheme “on ice”. In an accompanying opinion piece, she said, “the Rudd government could have said it would try to negotiate it through after the election, or included it as a trigger in a double dissolution poll. Problem is, either stand would have required it to actually argue the case.”²⁸⁷

It was as though a bomb had gone off. The rest of the media tracked Rudd down. He was on the campaign trail at Penrith’s Nepean Hospital. Cornered, Rudd casually confirmed the story, trying to give off the sense that nothing much had happened. The government had decided “to extend the implementation time for the introduction of a carbon pollution reduction scheme until the end of ... 2012”. It would then “make its assessment on the implementation ... based on the commitments which are then entered into by the rest of the international community”. He insisted the government’s attachment to the scheme “remained unchanged”. But of course this was untrue. The fact was that if international achievement lagged, as it did, the scheme would die, as it did.

The leaking of the story precipitated another meeting, this time to discuss how the decision

should be communicated after the folly of Rudd's performance. A large group of ministers, advisers and staff gathered in the prime minister's office in Phillip Street, Sydney. It seemed to some present that Rudd and Gillard just wanted to have an argument. Rudd, whose conduct is said to have bordered on belligerent, was seen by some of those present to be finally realising the enormity of his failure and manufacturing a way to point the finger at someone else. This would seem consistent with his behaviour from then on. As part of the process of blaming Gillard, he even went so far as to tell some people that he had been set up by her.

Gillard recalled that there was a focus on how Rudd could retain support within the electorate:

The national secretary Karl Bitar had given advice to the prime minister that if he was to move away from the CPRS he would need to engage with the Australian people to explain his movement away from it. If it came out of the blue then it would really be very hard hitting at his credibility. And I think what was hoped was that we would find a way of telling that story between then and the budget. But then it was in the newspaper and Kevin dealt with it as an also-ran matter at a press conference, which was the worst of all possible worlds for him and for all of us.

There was an argument between the prime minister and his deputy, but it was about spin rather than substance. It was as though, having detonated a nuclear device, the government was preoccupied with how to rationalise its behaviour to the survivors. It seemed Rudd must have been reading the newspapers, because he was concerned about his reputation and desperate to salvage a timeline to introduce his scheme. He wanted to say it would be revived once other countries acted (a position he had once described in scathing terms as "absolute political cowardice"). Gillard was emphasising domestic developments and the political consensus.²⁸⁷ The prime minister and his deputy were arguing about the options set out in Rudd's March statement of capitulation.

Political strategist Mark Arbib noted to Wong that Rudd's position of delaying carbon pricing until there was an international agreement would end up trashing the prime minister's repu-

²⁸⁷ L. Taylor, "Jittery leaders put saving their skins above saving the planet", *The Sydney Morning Herald*, 27 April 2010, p. 4.

²⁸⁸ P. Williams, "How Gillard took on Rudd over climate", *Australian Financial Review*, 24 June 2011, p. 1.

tation.²⁸⁹ By the end of the meeting, Rudd had outlined exactly what he was going to do. “He said he was not walking away,” an observer recalled. “We would look at the next opportunity to reach an international agreement; and we would say that because the Coalition had stopped the passage of the CPRS, and if the next international opportunity was some years away, then that was when we would proceed.”²⁹ For Rudd, that constituted a decision.

For Swan, this was a key moment. He said: “I don’t actually ever think there was a point where the decision was made. It sort of edged there by a process of inaction. I think the decision, the formal decision, was actually taken by the fact it appeared in a newspaper, and that confirmed what most people thought was really where we were.” Participants could not be sure when they took action, nor why. They also did not know what they had done. One described the confusion this way:

Deferred versus abandoned ... that was very messy. What was the final position that we landed on? I’m not entirely clear on that, and I think that if you ask all of us over time to describe what we think the government’s position was, I think we’d all describe it in slightly different ways. So I think that’s why when people ask me, “Did [Gillard] push for it to be abandoned, did she hate it and want it killed and what have you?” No. But did we abandon it? No. Were we still supporting it? No. Was it deferred? Yes. Until when? I don’t know. It wasn’t clear-cut.

Ever-loyal warrior Wong was soon forced into the position of interpreting the new government position for public consumption. They would not try to legislate the scheme even by its delayed start year of 2013 unless there was “credible action” by the end of 2012 from countries such as China, India and the United States. But she did not specify how that would be determined.

The shock inside and outside the government was profound. A ministerial adviser put it this way:

I don’t think there was anyone who’d been involved in it who wasn’t deeply, deeply affected. People were shattered. Still scarred to this day, to the extent that ... I mean, people gave absolutely everything to developing that policy over those two years. People put on hold family lives, weathered awfully bruising conversations and battles

²⁸⁹ P. Williams, “How Gillard took on Rudd over climate”.

with either external stakeholders or internal colleagues. They burnt career bridges. And then in the end they still didn't get the policy that they'd worked so hard for and that they really gave everything to.

The parliamentary secretary for climate change in the Gillard government, Mark Dreyfus, spoke for many members of the ALP when he said, "I thought, where the hell is this government going? We're a Labor government, we're meant to be here doing progressive things. I'm impatient. It's a short time in power and there's a lot to get done. So when you've nearly got there, not to press on with things is, to me, unforgivable, and we didn't press on."²⁹⁰

While the public did not see the behind-the-scenes dismay, the reaction among voters who had trusted Rudd to deliver on his promise to act on climate change was similar. While Rudd's failure to talk to them for two years, combined with Abbott's scare campaign, had made some voters wary, there was still a lot of support for the view that reform was owed to future generations. Now the leader had fled the field. The overwhelming response was profound shock. It seemed as though an entire country had fallen silent in disbelief.

The polls told part of the story. A Newspoll on 4 May concluded the government had lost a million supporters in a fortnight. The Coalition led for the first time since Rudd had become leader. Labor's primary vote fell to 35 per cent. A week later a Nielsen poll published in Fairfax newspapers showed Rudd's approval rating had fallen fourteen points in a month, from 59 to 45 per cent, one of the sharpest declines in forty years.²⁹¹ Labor never recovered from that catastrophic moment.

The criticism was too much for Rudd to bear. Observers said he regretted his decision profoundly and then tried to rewrite history. In a move to shape perceptions, in February 2012 he placed the blame for the abandonment of the CPRS squarely at the feet of Gillard and Swan: "They took a view, very bluntly and very directly, that we should not proceed with the carbon pollution reduction scheme." He said Gillard had recommended the Labor Party not put a price on carbon until there was bipartisan support. "That's the unvarnished record of what occurred."²⁹² This statement by Rudd at least had the virtue of being true, as far as it went. But it contained just a tiny sliver of a much larger truth about what went wrong in 2010.

²⁹⁰ M. Dreyfus, interview with author, Melbourne, 20 December 2012.

²⁹¹ Stuart, *Rudd's Way*.

²⁹² P. Coorey, "Rudd sought option to kill climate plan", *The Sydney Morning Herald*, 25 February 2012, p. 1.

Rudd and his small band of supporters have continually argued, mostly through background briefings, that Gillard forced him to abandon the CPRS, a view that has virtually become received wisdom in the media. This is especially so among those offended by the later decision of the ALP caucus to send the prime minister packing and replace him with his deputy. Peter Hartcher, writing in the *Sydney Morning Herald*, claimed that “The biggest policy disagreement between Julia Gillard and Kevin Rudd was over the Emissions Trading Scheme. Gillard was determined to stop Rudd proceeding with the scheme. In the secrecy of that inner leadership group, Gillard took an increasingly strident line against the Emissions Trading Scheme.”²⁹³ ABC presenter Barrie Cassidy was slightly more measured: “The Rudd government had lost its way, as Gillard had attested to, though she was just as culpable as Rudd for some of the key decisions that went awry, particularly the backdown on climate change.”²⁹⁴

Rudd’s attempts to sheet home the blame for the failure of the CPRS continued well into 2014. For example, a book by journalist and former Rudd speech writer, Troy Bramston, recorded Rudd’s admission of two errors of judgment. Both were jabs at Gillard. Bramston quoted the former prime minister saying: “One is to have succumbed to the council [sic] of others to defer the emissions trading scheme ... the second is to have been such a trusting bastard.”²⁹⁵

The most comprehensive attack on Gillard came from one of Rudd’s most passionate supporters, Maxine McKew. In her book, she claimed that Gillard forced Rudd’s backflip, arguing that the deputy prime minister wanted the CPRS “junked and from the beginning of 2010 never let up in putting forward this point”.²⁹⁶ In a newspaper article she was even stronger:

At some point the advocacy turned into a threat. It was made clear to Rudd that the survival of his government was conditional on his abandonment of the ETS ... This was a case of a deputy shirt-fronting her leader with an ultimatum and forcing a decision

²⁹³ P. Hartcher, “Great Procrastinator takes reins of inaction on climate change”, *The Sydney Morning Herald*, 24 July 2010, p. 9.

²⁹⁴ B. Cassidy, *The Party Thieves*, p. 243.

²⁹⁵ T. Bramston, *Rudd, Gillard and Beyond*, p 74; Kelly in *Triumph and Demise* examines Rudd’s attempts to blame others for the demise of the CPRS and also concludes his claims are wrong. See p. 292.

²⁹⁶ McKew, *Tales from the Political Trenches*, p. 172.

that would come close to wrecking the government's environmental credibility.²⁹⁷

But the suggestion that Gillard could bully Rudd into abandoning his climate change policy is regarded as ridiculous by all those close to the talks who gave their opinion for this thesis. It paints a picture of Rudd as a victim, which is not in accord with either his personality or his position as prime minister. One public servant emphasised that Rudd ran the government autocratically. Swan agreed, saying: "Well, you know, that's the funny thing about Kevin. Most people who know him don't think anyone forces him to do anything." Combet described the claim Rudd could be forced to act as "complete rubbish".²⁹⁸

To establish that Gillard strongarmed Rudd to her view, the argument requires another step, which McKew supplied. She claimed that Gillard increased the pressure by sending "a written message" to Rudd that she would not work on a CPRS election campaign.²⁹⁹ The words "written message" were carefully couched. In her interview with the author, Gillard acknowledged having sent Rudd an SMS:

As I understand it, Kevin has a text message from me, which he has shown some people, presumably including Maxine McKew. I don't recall what's in the text message, but I'm sure that like most text messages it's best viewed as a one-off communication devoid of any context. Texts really don't ever help you understand what's going on. Could there be one very sharply put text message that if you didn't look at any of the context paints me in a bad light of putting a lot of pressure on him? Yes, it's possible, but it would be one text message in an ongoing series of very deep and intense discussions.

McKew argued that because the decision to "delay" the Rudd scheme was taken at a meeting of the Gang of Four, a final decision had not been made. It remained open to cabinet to insist that the scheme not be abandoned, which she seemed to claim it would have done. But this argument is unrealistic. Cabinet was not even considering contentious decisions at that time. There was never any prospect of it overturning a decision of the Gang of Four. In any event, how could the scheme be retained? Through his indecision and lack of resolve – most particularly, his failure to call an election – Rudd had squandered any opportunity to mount sup-

²⁹⁷ M. McKew, "Divided they stand", *The Sydney Morning Herald*, 26 February 2012, www.smh.com.au/federal--politics/political--opinion/divided--they--stand--20120225--1tv9v.html, accessed 27 February 2012.

²⁹⁸ G Combet, interview with author, 25 September 2013.

port for either the CPRS or an alternative ETS. The only alternative on offer was “Abbott lite”, contained in the Rudd-commissioned briefing paper, which neither Gillard nor Swan supported.

McKew goes on to claim that the leak to the *Sydney Morning Herald* aimed to derail the cabinet process. It is true that the leak put an end to the internal drama, meetings and meandering conversations. Rudd and his supporters through background briefings have claimed that Gillard was behind the leak, aiming to lock in the decision to delay the scheme. “That’s just not true, completely untrue,” Gillard said. She also strongly rejected the claims that she drove the abandonment of the scheme and overrode Rudd’s wishes:

So I was never at the point in any of that time period where I was saying to Kevin ... I never said to him at any point, “You say you are going along with carbon pricing, then I won’t support you,” or, “I’ll split with you publicly on it or seek to pull you down as prime minister” or anything of that kind. So this is the lie about me forcing the decision. Those sorts of overblown claims have been made since. But if Kevin had locked in solidly for carbon pricing then I would have as well.³⁰⁰

Rudd had given up talking in a convincing way to his ministers and the community. This is what lay at the heart of Gillard’s problem with him. Inside observers agree that until near the end, she was prepared to help Rudd fight a climate change election, even though voters would need to be educated and convinced in the heat of a campaign that a higher cost of living was worth the pain. And the government would need to do this while defending itself against a rampant and ruthless Opposition.

Swan’s chief of staff, Jim Chalmers, has supported this view on the record. He said the position of Gillard and Swan had been “misrepresented” as total opposition to a carbon price, “which neither of them had”. He said both had been “unfairly and exclusively pinged for the disastrous decision that was taken to abandon the CPRS altogether”.³⁰¹ Furthermore, Gillard’s claims have been corroborated in interviews with insiders who are ambivalent about, or opposed to, her decision to oust Rudd, and who are critical of her on other issues. Rudd had squandered his advantage with climate change – handed to him by a supportive public in

²⁹⁹ McKew, *Tales from the Political Trenches*, p. 174.

³⁰⁰ J. Gillard, interview with author, Canberra, 11 December 2012.

³⁰¹ J. Chalmers, *Glory Daze: How a World-Beating Nation Got So Down on Itself*, Melbourne University Press, Melbourne, 2013, p. 166.

2007 – through his inability to bring voters along with the CPRS.

What “went awry” in 2010 was Rudd’s excruciating refusal to prioritise the CPRS after Copenhagen; the failure to call an early election to resolve the future of carbon pricing; the failure to communicate with voters adequately about the decision to dump the CPRS; and the failure to decide between hospitals reform and climate action. Added to these points of extreme stress were other political mishaps, including a resurgence in the number of asylum seekers making for Australia, a failed and tragic home insulation program funded through the GFC stimulus package, and the botched introduction of the Resource Super Profits Tax.

Rudd had squandered the opportunity to get his climate policy through the Parliament. To some close observers, his nerve deserted him. The trade minister in 2010, Simon Crean, argued in an interview for this thesis that the prime minister “blinked” and demonstrated a failure of courage.³⁰² This view is popular, but perhaps doesn’t go quite far enough as an explanation. One senior official said that Rudd was isolated and off his game, stressed, not able to see all the balls he had in the air and catch them properly, and not able to take advice. “So the story of Kevin is not a story that is conventionally told in the media. Kevin was a quixotic, well-intentioned, highly intelligent man. But he never understood the essential arts of governing or political success.”

A senior government adviser directly involved in the policy and political decisions noted that Rudd’s prime ministership failed because he refused to take key decisions, and time overtook him, which caused events to spiral beyond his control. This was the opposite of what he tried to achieve. “This happened because his attempts to impose control on those around him did not encourage coherence or order in the processing of complex decision and co-ordination issues, and this undermined confidence in him and encouraged challenges to his policy positions and his leadership authority.”

Ross Garnaut delivered his verdict on Rudd’s leadership of climate change action more than six months before the CPRS finally died. It was, he said, “one of the worst examples of policy making we have seen on major issues in Australia ... the way it’s broken down is extraordinary”.³⁰³ Later, while delivering the Hamer Oration at Melbourne University in 2010, Garnaut argued that Rudd had abdicated leadership by listening to advisers who rated lobbying by

³⁰² S. Crean, interview with author, Morwell, 16 July 2012.

special interest groups and “inchoate reactions” from poorly informed members of the community above majority public support for action.

From his vantage point as head of the Garnaut review secretariat, Ron Ben-David observed three interrelated mistakes that killed the Rudd scheme. The first was a “prevailing view that public support was self-evident and enduring”. This hubris led to the second: the government was blinded to the need to ground the scheme in a set of stable, long-term economic principles. The third was that political forces “either could not or would not remain focused on long-term reform”.³⁰⁴ Whatever the reasons, the meaning of Rudd’s behaviour is clear: he was the dominant figure in the government who wanted to dump the CPRS. At least, that was until after he had done it, when his regret became overwhelming and his attention focused on shifting the blame.

The final jumbo jet to seek permission to land was the Resources Super Profits Tax. Mining companies rose in revolt, arguing they had never been consulted and the new tax would kill the goose that laid the golden egg for Australia. An advertising war between the government and mining interests began in May 2010 and continued until the downfall of Rudd the following month.

Leadership restored

In mid-2010 Mark Arbib tried to visit Rudd to see if it was possible to engineer a political recovery under him. By his account, Rudd agreed to meet and then postponed the meeting four times. Arbib decided it was hopeless.³⁰⁵ The disaffection with Rudd’s leadership progressed quickly to a challenge. On 24 June the prime minister vacated the leadership without a fight, realising he could not win a ballot. The first public mention that Rudd’s position was threatened came on the ABC’s television news the evening before. Most MPs and many ministers were taken by surprise. But someone had to be in charge of the country.

Gillard’s enemies have sought to portray her as being party to a conspiracy that went back weeks or, some argue, months. McKew claimed Gillard showed MPs Labor Party research demonstrating that voters would prefer her as leader. She claimed to have an unnamed source. It now seems this was Kim Carr, then minister for innovation, industry, science and research. Rudd or his sup-

³⁰³ P. Kelly, “Painful adjustment for nation of spendthrifts”, *The Australian*, 21 October 2009, p. 14.

³⁰⁴ Ben-David, “An early history”, p. 65.

³⁰⁵ P. Hartcher, “The meltdown”, *The Sydney Morning Herald*, 17 November 2013, www.smh.com.au/interactive/2013/meltdown/chapter_1.html, accessed 19 November 2013.

porters backgrounded the ABC in early 2012 with the claim that Gillard had asked staff to prepare a speech in case she achieved the leadership. Gillard furiously rejected this. She has always maintained, in the face of Rudd's and the media's scepticism, that she only made up her mind to challenge that night. "The truth is I made a decision to run for prime minister on the day I walked into Kevin Rudd's office and asked him for a ballot. I did not make that decision at any time earlier."³⁰⁶

By 2010 Rudd was isolated, except for a small handful of young and inexperienced staff, grappling with the policy fiascos he had constructed that led ultimately to his downfall. Despite the prime minister's tendency to clutch authority to himself, he had lost effective intellectual control of the agenda. He became unaware of – and unable to track – issues across government. His behaviour strengthened a narrative about him that surfaced early in his term as prime minister, which was that he believed in nothing. In April 2008 respected journalist George Megalogenis said:

It will take some years to answer, but the question of substance already nags Kevin Rudd. Will he become our first federal premier, a master of the media cycle who ultimately runs a do-nothing government? During the past week, as in every week since he formally took office in December, the Prime Minister has erred on the side of the symbolic.³⁰⁷

Other commentators followed with their analysis of Rudd. Writing in July 2008, the *Australian's* Paul Kelly considered the recurring claim that Rudd did not believe in anything. He thought it would be proven incorrect by the very thing that ultimately proved it correct: the prime minister's ambitious climate change agenda.³⁰⁸

By September 2009, former Labor prime minister Paul Keating was questioning the values inherent in the "new class" of Labor politicians, accusing them of being more motivated by power than by passion. Keating's comments, while they came after Rudd's highly regarded performance managing the GFC, were nevertheless directed against the style of the government. By then it was widely seen as being driven less by policy convictions than by opinion polls and the 24-hour news cycle.³⁰⁹

³⁰⁶ Ibid.

³⁰⁷ G. Megalogenis, "A show about nothing", *The Weekend Australian*, 19 April 2008, p. 17.

³⁰⁸ P. Kelly, "Make or break", *The Weekend Australian*, 19 July 2008, p. 19.

³⁰⁹ C. Stewart, "Power the new passion for Labor politicians: Keating", *The Weekend Australian*, 12 September 2009, p. 7.

The verdict of close colleagues surfaced publicly during Rudd's first attempt to resurrect his leadership, which came in February 2012. They said he lacked courage, discipline, method, consistency, purpose, and a willingness for inclusion and consultation. They highlighted the paralysis generated by his combined tendencies to centralise control and take too long to make decisions. They also referred to his tendency to counter disagreement with swearing, name-calling and general abuse. Gillard said, "Kevin Rudd as prime minister always had very difficult and very chaotic work patterns." She pointed to the "paralysis and chaos under Mr Rudd's leadership" and to the fact that there was a need to sort out "huge reform issues like carbon pricing", which were "in a mess, in a very big mess".³¹⁰ Gillard was right. Climate change had become a lens through which Rudd's fundamental lack of conviction became obvious.

James Walter argues that recent changes to Parliament, parties and bureaucratic practice have diminished restraints on dominant leaders. He notes that good leadership depends upon good institutions, institutions that preserve that diffusion of power described as 'the lattice of leadership'. Rudd broke down every element of this. Alarming, he points out there is plenty of evidence that leader dominance can be a chief cause of policy fiascos. As Walter and Strangio note, when the premium placed on leadership is inflated excessively and the institutional breaks on leaders' authority relaxed, the risk of unaccountable, "capricious" leadership is heightened, along with a tendency to poor decision making and policy development.³¹¹ There is a growing tendency to eliminate the checks and balances that inhibit groupthink.³¹²

These trends have been obvious in this study so far, as has been the outcome of poor decision making and policy fiascos. Kevin Rudd and Penny Wong were, while there were some discussions and negotiations with other players, devoid of a serious strategy for resource exchange. In most respects they operated unilaterally, with predictable consequences. The breakdown of checks and balances in the process of governance was a factor in the failure of the attempts to achieve carbon pricing. Australians were left prey to the political personalities of their leaders, which led to a loss of political support.³¹³ These issues are examined in the next chapter.

³¹⁰ L. Tingle, "Gillard seeks to bury Rudd", *Australian Financial Review*, 24 February 2012, p. 56.

³¹¹ Walter and Strangio, *No Prime Minister*, p.12.

³¹² *Ibid* p. 25.

³¹³ I. Bailey et al., "The fall (and rise) of carbon pricing", p. 739.

5

Two leaders

Introduction

This chapter explores the leadership style of Kevin Rudd and examines the impact it had on his failures of political strategy that ultimately led to the defeat of the CPRS and then his overthrow. His arguably quite extreme tendency to centralise leadership in his own hands is seen as a major factor in the loss of voter support, which was soon followed by alienation from many in caucus and cabinet and from the other political parties. Julia Gillard's approach to the exercise of power in the climate policy network was profoundly different and ultimately more successful, at least temporarily. The differences in their style are introduced in this chapter, which establishes the framework for the chapters to come.

Command and control leadership

Kevin Rudd was from the first attuned to the demands of mediatised and personalised politics.³¹⁴ He had achieved his goal of the Labor leadership after methodically courting media attention and developing a personal relationship with voters. He believed he was his own creation, owing nothing to factional heavies or grubby deals. As we have seen, Rudd was a particular type of leader: dominant, a centraliser of power, an autonomous decision-maker, the personification of the party platform.

A senior government adviser interviewed for this thesis noted how Rudd was extraordinarily manipulative as a technique to ensure he retained hold of all the strings of power. He was directive and relentlessly focused on himself as an individual in the decision process. "He would have to be the only person with the solution, and systematically disordered and re-ordered decision-making so that he could control its dynamics and dominate the outcome." At other times, his behaviour "denied coherence or control to others charged with decision-making or implementation, by denying them vital information, refusing to address or give attention to key documents or processes, and making his own availability erratic and unpredictable". The adviser said this was true of both cabinet processes and routine decision-making in Rudd's

³¹⁴ See Boumans *et al.*; also L. Helms, 2012. 'Democratic Leadership in the New Media Age: A Farewell to Excellence?' *British Journal of Politics and International Relations*, vol 14: 651-670.

office. “He would bring many details and features of a less directive, less charismatic individual leadership, in the sense that he would deliberately call on analysis and policy detail, and talk about the need for proper process and consultation.” But his leadership “revolved around being the one with the answer, finding ‘cut through’ phrases and dominating organisational processes in order to be the individual capable of defining and controlling the solution to a given problem.” Rudd failed to observe this simple yet profound observation of former federal Howard government minister David Kemp: “The first and most important relationship is between leader and followers, not between leader and the public.”³¹⁵

Rudd himself came to acknowledge some fault, albeit in the context of his continuing drive to regain the leadership. Speaking in June 2011, on the first anniversary of his sacking, he said: “Somehow, you have to find time to have open and consultative dialogue with members of the party, which I didn’t.” And he acknowledged the charge of poor organisation. To improve, said Rudd, “You’d be making sure that your day was sort of better regulated, that you weren’t trying to do too much, that you delegated more.”³¹⁶ Rudd defined his problems as poor time management. This did not seem to his many critics to scratch the surface of their complaints about his behaviour and style.

Rudd’s centralised leadership was ineffective when trying to create solutions to wicked problems, such as climate policy. It is accepted that governments on their own do not have the resources to deal with wicked problems. To avoid spending so much political capital that action becomes impossible, they must make deals with other stakeholders in the policy network: political parties, business, media, environmental groups, unions and others.³¹⁷ But Rudd was the wrong type of leader to engage in effective resource exchange. Several techniques could be employed, including engaging stakeholders and citizens in understanding the problem and identifying possible solutions. Collaborative management and consultation assist in finding solutions because networks of stakeholders can make use of wider bodies of knowledge and skills than can unilateral decision-makers.³¹⁸ Stakeholders, in the process of developing joint knowledge and understanding of the problem, are able to work on common ideas towards possible solutions.³¹⁹ At this stage of the thesis, setting out the techniques of collaboration is in itself enough to highlight how alien they were to Rudd’s type of leadership.

³¹⁵ D. Kemp, “A leader and a philosophy”, in H. Mayer, *Labor to Power*, Angus and Robertson, Sydney, 1973, p. 50

³¹⁶ Hartcher, “The meltdown”.

³¹⁷ Bailey et al., “The fall (and rise) of carbon pricing”.

³¹⁸ B.W. Head and J. Alford, “Wicked problems: implications for public policy and management”.

³¹⁹ Compston and Bailey, *Climate Clever*, p. 65.

In 2010 Kevin Rudd was the architect of his own defeat. As a leader, Rudd was unable to engage with major players in the policy network to negotiate resource exchange. To recap on the introduction, these are the major players.

1. Government. This includes the prime minister and the Prime Minister's Office, the climate change minister, other members of cabinet and government MPs.
2. Public servants.
3. Other political leaders and MPs. These have the power to pass or reject climate legislation.
4. Voters. Their support is a potent weapon for government. But any erosion of their support can be – although is not necessarily – fatal.
5. Media. Favourable coverage can be vital.
6. Business. Investment and cooperation with implementation are levers to extract concessions.
7. Unions. Their concern to secure the jobs of members can lead them to become very power opponents.
8. Environmental lobbyists and scientists. Through an ability to influence media coverage and MPs, these may be able to alter the balance of resource exchange.
9. Governments of other countries. These are participants in climate talks designed to achieve binding targets for emissions. They can influence a domestic debate profoundly by appearing to be willing to establish a competitive advantage by acting slowly.

The preceding chapters emphasise the extent of Rudd's failure in engaging with these players.

A “bigger truth”

My only time spent with Kevin Rudd was at the Westin Hotel in Martin Place, Sydney, on 7 February 2014. As noted earlier, he insisted on speaking on background only, which meant I could use the information he provided but not attribute it directly. I have done my best to inject his views where appropriate.

Subsequently, his ever-courteous and helpful staff emailed me with references to three docu-

ments. These were a Parliamentary Library timeline of climate change policy,³²⁰ a Department of Finance Strategic Review of Australian government climate change programs³²¹ and a DCC A to Z of government initiatives.³²² These references were interesting, although I had seen all of them previously. It seems that in referring me to them, Rudd intended to demonstrate that government effort was much wider than emissions trading, on which this thesis focuses as being paramount in the strategies to achieve climate change action. In particular, there was the Renewable Energy Target (RET), initially introduced by the Howard government in 2001 and extended in September 2009 with a more ambitious target of 20 per cent by 2020. At the same time, the Solar Credits scheme was introduced, which provided credits for the installation of household rooftop solar power.

Government staff and MPs who supported Rudd but required anonymity put forward a number of points. First, they argued that if there was a centralisation of power in the PMO then the responsibility for that must be taken by ministers who, after all, were elected to govern. Second, even among Rudd supporters, there was wide agreement that the strategy of undermining Turnbull at the same time as relying on him for support was a mistake. This acknowledgment is virtually unanimous across all groups and sub-groups. The justification was that Turnbull was seen as a far more dangerous leader than Abbott, who was not regarded as a prospective leader at all until he achieved it. The view that Rudd treated the Greens with disdain is contested by some observers, who say sharing some Earl Grey with Bob Brown was not the prime minister's job. Penny Wong did speak to the Greens in early 2010. Third, communication with voters was inadequate because the GFC overwhelmed the government's physical, intellectual and emotional resources; also, an ETS is an extremely complex policy instrument for voters to understand. Fourth, it is acknowledged that Rudd was severely let down by Copenhagen, but this is said to be a measure of his commitment to getting action on climate change. Finally, the "real story" of 2010 is said to be a "magnificently orchestrated" campaign against Rudd and Wong by those who were frightened by Labor's internal polling on voter attitudes to the CPRS.

³²⁰ A. Talberg, S. Hui and K. Loynes, "Timeline of Australian government climate change policy", Australian Parliamentary Library, 2 December 2013, www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1314/ClimateChangeTimeline, accessed 20 February 2014.

³²¹ R. Wilkins, *Strategic Review of Australian Government Climate Change Programs*, Department of Finance, 31 July 2008, www.finance.gov.au/sites/default/files/Climate--Report.pdf, accessed 20 February 2014.

³²² DCC, "A-Z of Government initiatives", web.archive.org/web/20110811132936/http://www.climatechange.gov.au/government/initiatives.aspx, accessed 20 February 2014.

Leaders as umpires

My interview with Penny Wong occurred on 7 March 2013 in a stylish, Victorian-era office in Melbourne's Treasury Place. It was just a few months before her support for the revival of Rudd's prime ministership saw her rewarded with the Senate leadership, in addition to her Gillard-era portfolio as minister for finance. She came to the meeting well prepared, with folders of material for reference. She saw the exercise as a useful one to try to distil lessons from what she described as her "searing" experience. She accepted some of the criticisms made of the government's performance but rejected others.

Her fundamental strategy had been to work on developing the bipartisanship that was open to be achieved when Malcolm Turnbull was leader of the Liberal Party. She regretted that the government – excluding herself – had made this more difficult by its attacks on Turnbull and attempts to embarrass him with his party. She did not support this approach, she said. She rejected suggestions that the cabinet process was flawed and there was no communications strategy. She believed she consulted widely and effectively with stakeholder groups.

On the negative side, she accepted various criticisms. The government underestimated the size and difficulty of the task; her own workload was too heavy (she was also water minister); priorities were not clearly identified, leading to a fragmentation of effort; and a whole-of-government communications strategy should have been employed so all senior ministers were selling the carbon pricing scheme. She said it would be wrong to argue that the loss of voter support stemmed from communications failures, although they undoubtedly did play a part. She always believed the policy would be contested, but she misjudged how quickly vested interests would come to the fore.

It was obvious to many observers that when the prime minister emerged from his focus on world economic affairs in mid-2009, he did not have a strategy for where to go next. Wong agreed that the government did not prioritise: "I would have made it a greater priority to get alignment within government about what the priorities were and actually get willingness across senior members of cabinet to take the CPRS on; the prime minister ultimately has to decide whether you prioritise or you don't."³²³

³²³ P. Wong, interview with author, Melbourne, 7 March 2013.

Senator Wong is very popular inside the Labor Party. While communication with voters is not seen as her point of strength, nobody doubts her ability as a technocrat with a strong capacity for hard work. But nor does anybody believe she was a good choice for climate change minister. Rudd plucked her from relative obscurity after the 2007 election, passing over the shadow minister, former rock star and environmental activist Peter Garrett. Rudd did not want a “greenie” in the post. But, typically, he also gave insufficient attention to the combination of skills that would in fact be required.

Wong identified the government’s strategy as “the stakeholder model of democracy”. This, for her, “assumes that the government can act as an umpire to finalise an outcome that involves all stakeholders moving from their positions”. Wong argued that the debate over the CPRS exposed flaws in the model: “The debate was characterised by the extremes of stakeholder positions and it became very difficult to create a sense of what was in the national interest.”

This amounts to an admission that Rudd and Wong were unable to achieve the important support they needed because they anticipated neither the “extreme” positions adopted nor that there would be different views of what constituted the national interest. The government had the benefit of history, both in Australia and overseas, to judge how extreme both sides would be and devise a plan accordingly.³²⁴ In particular, the books on the influence of the so-called Greenhouse Mafia in Australia should have been required reading for their rundown on how corporate interests organised to block progress in the Howard years. Other books have noted the role played by energy corporations in undermining international mitigation efforts and working purposefully to develop organised climate change scepticism.³²⁵

The government made many strategic errors in 2008–09. As we have seen, Rudd and Wong ignored voters and their own cabinet and caucus, while simultaneously alienating key groups, including potential allies from both the Liberals and the Greens. By contrast, although they did engage with stakeholders in industry and among environmental groups, they did not get sufficient support from either to smooth the path to success, and, worse, they alienated each of them because of the way they dealt with the other. The extent of the policy-making failure of the Wong-Macfarlane agreement of November 2009 was highlighted immediately by the fact that both generators and environmental groups opposed it. Many Liberal-NP MPs also op-

³²⁴ Pearce, *High and Dry*; Hamilton, *Scorcher*.

³²⁵ N. Oreskes and E.M. Conway, *Merchants of Doubt: How a Handful of Scientists Obscured the Truth on Issues from Tobacco Smoke to Global Warming*, Bloomsbury Press, New York, 2010.

posed it, as did the Greens.

The government never understood how to create and then capitalise on enthusiastic backing from any of the key stakeholder groups. Trading concessions for support is the most common tactic for reducing opposition to complex policy initiatives.³²⁶ Above all, what is demonstrated by the empirical analysis above is that Rudd was not the right type of leader to deal with a wicked policy like climate change. Consultative and collaborative leadership is required to recognise the opportunities for resource exchange. This was, as Walter has observed, not the type of leader Rudd was.³²⁷

The problem was compounded because Rudd's problems were even deeper than an analysis of his 'theorist' leadership type would suggest. Rudd is an interesting and illuminating case for students of leadership. But leaders are also unique. While the characteristics that Walter highlights offer important insights into the reasons for the failure to identify the opportunities for resource exchange, they are not the whole story. Rudd's behaviour was extreme both in its grandiosity and its fragility.³²⁸

Strategic opportunities

An analysis of some of the political strategies available to Rudd cast light on the dimension of his failure and his inadequacies. The government could have decided to mobilise an environmental argument and treat business as the enemy of effective action. While this approach seems unrealistic in Australia's fossil-fuel-dominated economy, it would nonetheless have better opened the way for reform than the strategy of chasing each side and losing them both. If not willing to embrace environmentalists, Rudd could still have leveraged the fear major business groups had that he and Wong would pitch for the Greens' support and an early election. This fear represented a threat which the government could dangle before business in the public debate. Instead, virtually every decision, especially the one completely to ignore Bob Brown,

³²⁶ I. Bailey *et al.*, "The fall (and rise) of carbon pricing".

³²⁷ J. Walter, "Political leadership", in A. Fenna, J. Robbins and J. Summers, (eds), *Government and Politics in Australia*, Pearson, Melbourne, 2014, pp. 242–58.

³²⁸ As Walter points out, Rudd was profoundly ego-defensive, which was the source of both his grandiosity and its fragility. See James Walter and Paul 't Hart, "Distributed Leadership and Policy Success: Understanding Political Dyads", The Australian Political Studies Association Annual Conference, University of Sydney, 2014, accessed http://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalbrowse&journal_id=2437146 20 September 2014.

was a public declaration that the option was closed off.

More realistically, the government could have advanced on the problem from the other direction, arguing that it would not pander to a green view of the world and would instead wholly protect Australia's economy. The strategy would be to safeguard industry strength and jobs, at the same time deliberately marginalising environmentalists. In light of the make-up of the Senate and the position of the Liberals, this second approach, although not without major difficulties, would have provided more prospect of at least getting an imperfect start on climate change action. By the time Rudd adopted this strategy in late 2009, it was too late and the consequences too difficult to manage.

Voter support would still have needed careful nurturing, and policy deals would have been required to limit the problem of being forced to kneel before endless rent-seeking demands. For example, the impact of the scheme could have been put on the table. The CPRS covered around 80 per cent of emissions, while the European Union's version began with 45 per cent. A willingness to make the scheme simpler in design and narrower in the range of sectors to be included could have been an early point of negotiation with industry.³²⁹ Concessions were possible in other areas of policy – for example, business tax trade-offs. The GFC would have made this approach relatively easy to justify for many voters, including Liberal supporters.

For success, the government would have needed to pursue a number of other strategies, some of which were identified by Wong. First, it needed to prioritise climate action and act quickly. The combination of threats to make deals with one preferred group, and call an election if necessary, represented the opportunity to reduce the power of members of the policy network to inflict damage. But this opportunity existed only for as long as the government had overwhelming support from voters, which essentially meant the year after the election.

Second, it needed to prolong the pressure that popular support could apply by shoring it up, and by adopting an aggressive strategy to defend the government against opponents who endangered it. The government did neither of these.

Third, to help maintain public support, the government should have provided, and relentlessly publicised, high levels of household compensation for the increased costs associated with carbon pricing. The NETT and Shergold had barely touched on the impacts of an ETS on households. The green paper marked a gradual acknowledgment of the issue by noting that

every cent raised by the CPRS would be used to help households and businesses adjust to the changes.³³⁰ The white paper added some detail. Garnaut correctly saw the income distribution questions as being relevant to the scheme's chances of success. This was "because I always thought that in the end this was going to have to be argued out in the community, possibly in an electoral contest". In that context, "who got what and who paid for what was going to be important". For Garnaut, this was an argument against providing industry with high levels of support. He was very mindful of how a political negative was created in Europe after the ETS by windfall transfers from energy users to the large energy companies. It was very unwise to do the same in Australia. "Unnecessarily compensating the generators and overpaying the trade-exposed businesses was going to affect the distributional effects of the scheme – and would affect how the politics eventually played out in the electorate," he said.³³¹ The government did not build a political campaign around the scheme's provision for households.

Fourth, the government had to simplify the scheme and the process. The government tested voter understanding, interest and support again and again by presiding over a seemingly endless and highly confusing process of policy formulation and revision. The country was subjected to nine announcements between early 2008 and late 2009 – four from the DCC and five from the Garnaut review. While the work of both was of excellent quality, they differed sharply and publicly on important aspects of policy, as we have seen. Garnaut had a long, well known and very successful history at the centre of policy-making and debate, and received a lot of media attention. The conflicting views compounded the impact of Rudd's silence.

Fifth, an alternative strategy would have required that the government be prepared for battle by containing internal tension. Instead of this, Rudd fanned mistrust – including his own – by installing a suspected climate change sceptic, former union leader Martin Ferguson, in the resources and energy portfolio. Less realistically, battle-readiness could have involved making the ministers for climate change and for resources and energy the same person. Instead, what voters got was environmental groups and business leaders both complaining they were being ignored; ministers often not knowing what their colleagues were doing; and policy progressing in contradictory directions.³³²

³²⁹ *Ibid.*

³³⁰ C. Kerr, "Every cent raised to help ease pain", *The Australian*, 17 July 2008, www.theaustralian.com.au/national-affairs/policy/every-cent-raised-to-help-ease-pain/story-e6frg6xf-1111116936174, accessed 28 July 2010.

³³¹ R. Garnaut, interview with author, Melbourne, 20 December 2012.

³³² I. Bailey *et al.*, "The fall (and rise) of carbon pricing", p. 703.

Sixth, and above all, steadfast leadership and internal unity were required for this major policy reform. These were the areas where the deficiencies of both Rudd and the party he led were most obvious.

A different type of leader

Gillard's is a less straightforward story than that of the failed leader she replaced in June 2010. On one view she was a contrasting type of leader – in many respects, Rudd's opposite. To begin with, she was more conventionally of the ALP. A labour lawyer, her abiding interests were the party's bread-and-butter ones of industrial relations and education. In the lead-up to the election in 2007 she was gradually inching into the consciousness of the public, working hard to sell workforce strategies both to unions and business. In media profiles she was presenting herself as a bit clumsy, funny, unflappable and down-to-earth. By mid-2010 she was broadly popular with the public and her own party. One media account nominated her as everybody's favourite deputy PM, and some saw this as appropriate.³³³ As deputy, she was feted as one of the sharpest intellects in the government and one of its best communicators. Even conservative columnists praised her for her charm, talent and political instincts. She had regular cosy chats with Sydney shock jock Alan Jones, who anointed her in March 2010 as one "smart lady" who should be "running the country", while complaining that he could sum up Australia's problems with two words: "Kevin and Rudd".³³⁴ It was not long before Jones would become her bitter enemy, a leading figure in the media stampede against her. But this could not be foreseen in June 2010.

Gillard came to office with a reputation for being a pragmatic, skilled and inclusive negotiator. She was seen as a people person. Drawing further on James Walter's work, Gillard was, in contrast to Rudd, an "administrator". She was comfortable dealing with small working groups face to face, interested in alliances, willing to show flexibility in reaching a consensus solution, and attentive to what was needed to get the job done.³³⁵ For this type of leader, collaboration is intrinsic to leadership in that leadership provides the impetus for collaboration. Their skills include reading people, the ability to communicate, influence, build trust, persuade and think broadly about variables, options and linkages. There is also a better appreciation and ac-

³³³ J. Ireland, "Gillard's profit and loss account", *The Sydney Morning Herald*, 30 April 2012, www.smh.com.au/federal-politics/political-news/gillards-profit-and-loss-account-20120430-1xuhf.html, accessed 25 July 2012.

³³⁴ M. Schubert, "Open season on Julia", *The Sydney Morning Herald*, 10 July 2011, www.smh.com.au/federal-politics/contributors/open-season-on-julia-20110709-1h7w7.html, accessed 14 August 2011.

ceptance of the distributed nature of information, interests and power.³³⁶

Gillard enjoyed these qualities and there were many instances in the years to come where she was able to leverage them to the advantage of her climate policy. Bailey *et al.* considered how alternative political strategies may have helped achieve success for Rudd.³³⁷ These strategies are often found to be the ones pursued by Gillard, a point elaborated upon at length in Part II of this thesis. They are also found to be in accord with Head's representation of the recommended approaches to dealing with wicked problems. Building on the work of these scholars, after analysing the similarities and contrasts in the political strategies of the two prime ministers and their governments, this thesis argues that Gillard's approach to leadership was necessary, although not sufficient, for success.

Gillard's successes and failures must be analysed in light of the fact that when she came to the leadership the political context was totally transformed from the one Rudd first encountered. The Gillard government's job was made easier in one respect, and harder in others, by the work of its predecessor. It was easier because it was possible to learn from the experience. The Greens and environmental groups, for example, were by and large more conciliatory, having come to know the taste of a policy and political fiasco from an excess of purity and ambition.

But the new government's task was harder overall. This was because Rudd, having failed to provide any kind of a narrative to explain the need to price carbon, had wasted and then lost voters' commitment to reform. Gillard faced significant voter disenchantment and misunderstanding. (It is true that she fuelled these problems as she went along, as we shall examine.) Furthermore, Rudd had established a series of expectations from which Gillard could hardly back away, even if she wanted to. A powerful example was the decision that saw the coal-fired generators showered with billions of dollars. Despite the massive sums won at the end of 2009, it seemed clear then that further demands were being inflated by the handouts – that the industry wanted more, not less, and would fight for it as hard as it could. The difficulties were made even more complex by the failure of Copenhagen, the fiasco of the home insulation program and the abandonment of the CPRS. Neither leader controlled both houses

³³⁵ Walter, "Political leadership".

³³⁶ Head and Alford, "Wicked problems".

³³⁷ Ian Bailey, *et al.*, "The Fall (and Rise) of Carbon Pricing".

of Parliament, but Gillard's Labor – after the August 2010 election -- was in a minority in both. Many of the differences between them were highlighted by the different ways they dealt with the problem of not controlling the Parliament.

Above all, Gillard faced brutal campaigns by the Opposition, the business community, the media and, perhaps most difficult of all, by some of her own ALP colleagues, including some senior ministers, who were determined to exact revenge and complete the leadership circle by replacing her with Rudd. This, perhaps her biggest and most complex problem, deeply affected her relations with cabinet and caucus and undermined her legitimacy and authority.

The initial impetus for the explosion of internal dissent was the impact of the leadership change on voters. While some voters no longer respected Rudd as they had, many were shocked that she had pushed him out. It was true that some of them had turned their backs on him. But they, reflecting again the trends to personalisation of politics, believed they had elected him and it was *their* right to eject him, if such was to be the result. Then immediately, as Gillard has acknowledged, she made a serious mistake. Faced with the choice of explaining the challenge by exposing the darkness at the heart of government, she glossed over it instead. A good government had lost its way, she said at her initial media conference. But this left Rudd – with help from Abbott – free to cast himself as a martyr to a conspiracy by faceless thugs, and to reinvent himself in the public mind as the legitimate leader waiting to restore the balance of nature so Australians could sleep easy again. It also seemed to produce the first moment when voters questioned her authenticity and her true identity, something that was to become a dominant feature of her term as prime minister.

Nicola Roxon, who remained loyal to Gillard throughout, put it this way:

So after the most brutal and speedy sacking, we got overcome with politeness and thought it would save Kevin pain to say as little as possible and move on quickly. What the rest of the world calls a polite white lie became political poison ... Julia was painted as a treacherous deputy, although it was spectacularly unfair and way off the mark.³³⁸

Ministers, public servants and ministerial advisers interviewed for this thesis mostly accept Roxon's assessment of Gillard's role in the Rudd government. The extent of the agreement on this point is very striking. This is not to say they were blind to her failures or faults. But most

³³⁸ Roxon, "John Button Memorial Lecture".

agreed she helped enormously to overcome issues that caused anguish in the Rudd years. They also agreed with Roxon's assessment of the impact of glossing over the background to the leadership change. That said, it is very hard to see what else Gillard could have done. Had she told the truth about the dysfunction of government, it would have led to bitter public brawling with an election looming.

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The extent of the malice Gillard faced as leader was unprecedented, and her performance inevitably faltered in the face of it. But she knew how to get on with the job, how to listen and how to do deals.³³⁹ Her ability to engage in a more collaborative and consultative type of leadership led to legislative success in October – November 2011, as her policy to price carbon passed the House of Representatives – to hugs and kisses among the long-suffering Labor MPs – followed by the Senate. To adapt the formulation of Head and Alford, she clearly attempted, as we shall see, to improve knowledge through the establishment of a Climate Commission to engage the community over the science; she conducted continuing and effective ongoing consultation and close collaboration among stakeholders, including Greens, rural independent MPs, unions, environmentalists and others; and she tried hard to work closely with third parties, such as unions and industry associations, in an effort to get them to assist in addressing difficult groups. Rudd would have significantly improved his prospects of achieving his dream of an ETS and may have remained Prime Minister had he been capable of adopting his successor's political strategy of constructive engagement.

As we shall see, however, these efforts were not enough. Gillard was occasionally driven to undermine her own strategic abilities through bypassing those collaborative processes that were the source of her strength. This occurred particularly in the way she formulated communications strategies and tactics although, as time went by, it increasingly affected her performance in a range of areas. In this lay her tragedy. Between February and July 2011 a scare campaign that many veterans say was the ugliest they can remember, worse even than 1975, claimed her.³⁴⁰ And it claimed her while, despite strong advice, she sat deliberately mute, refusing to engage, believing she would have time to change perceptions once her priority to get the policy right was satisfied. It was a disastrous decision that kept her aloof from the most important player of all in the policy network – voters. She achieved carbon pricing but the political capital lost along the way was so great that she created the conditions for her

³³⁹ Walter, "Political leadership".

own failure, which we saw in July 2014 in the Senate decision to repeal most of the CEF.

While Gillard consciously strove to avoid the Rudd trap of failing to communicate with voters, she consistently ignored advice and made the same mistake. She was determined, as we shall see in Part II, to fulfil public and media demands that she be a dominant, command and control-type leader, while at the same time stressing her ability to get the job done in respectful negotiating sessions behind closed doors. Her inability to project a consistent style of leadership left her open to charges she was shallow and a fake. These were charges that ultimately consumed her.

The ultimate reason for Gillard's inability to control the amount of political capital required to achieve action will, on one view, have been the same as Rudd's. For all of her qualities, qualities that were essential for her triumph in October 2011, she will have joined Rudd in paying the penalty of failed communications. Gillard's errors sprang from a different place to Rudd's. Nobody ever accused her of hubris or cowardice – allegations that, as we shall see, were levelled against Rudd with some justification. While the reasons for failure were different in the two cases, the outcome was similar.

While this drama was unfolding, Gillard demonstrated one other quality that Rudd lacked. It was a quality she would need in abundance in the years to come: she knew how to stand and fight. Rudd was not able to match Gillard's courage, nor her capacity for calm, methodical, consultative policy-making. Gillard, however, was unable to secure Rudd's astonishing connection to voters, which had mostly survived serious neglect. These differences were to become very important and highly visible when it came to the prime ministerial goal each of them had of carbon pricing. They both wanted it so much, but could hardly have approached it more differently. Were there lessons to be learned from the fact that Gillard succeeded in getting a carbon pricing scheme through the Parliament, whereas Rudd failed? And were there lessons in the fact that ultimately she also failed?

These questions are addressed in Part II of this thesis.

³⁴⁰ In conversation with Wayne Swan he told the author that this was the view of former Governor-General and Whitlam government minister Bill Hayden.

Part two

The end of climate change

6

The seeds of destruction

Introduction

On coming to the prime ministership Gillard immediately nominated climate change policy as one of the three issues that needed to be fixed in the wake of the leadership change. (The others were the resources tax and asylum seekers.) As she knew only too well, after nearly six months of trying to get Rudd to make a decision, there were no easy answers.

She came to office with a deep conviction that Rudd and Wong's failure to communicate with major players in the policy network required a retreat to the beginning and a ground-up development of a meticulously formulated political strategy. In the pursuit of this strategy, which required collaborative processes involving the policy network along with sophisticated communications, all of Gillard's strengths and weaknesses were laid out for the country to see. Julia Gillard was a much collaborative leader than Rudd and thereby fulfilled a requirement identified as necessary to solve wicked problems. But voters are perhaps the most vital element in the climate policy network and it was, extraordinarily, to them that Gillard failed to relate.

Gillard's drive for consensus

"Game on." These were Julia Gillard's words to Tony Abbott on the afternoon she took over as prime minister. Voters liked what they saw. Labor's primary vote immediately soared by 7 per cent in Newspoll and by 14 per cent in the Fairfax Nielsen poll. The coup appeared to have been a great decision.

Carbon pricing was nominated as a key issue but was not prominent, at least not initially. The new prime minister believed that prospects for an ETS had been wrecked for the time being by her predecessor's inability to bring voters along with the government's policy. This view emerged in the public arena at her media conference on day one. She said she believed in climate change science and that human beings contribute to climate change. She added, "It is as disappointing to me, as it is to millions of Australians, that we do not have a price on carbon," but said that action would require a "community consensus". She committed to pursue the argument for change "as vigorously as I can and as long as I need to, to see the establish-

ment of that consensus". Gillard was facing an election before the end of the year. "If elected as prime minister," she went on, "I will re-prosecute the case for a carbon price both at home and abroad. I will do that as global economic conditions improve and as our economy continues to strengthen."³⁴¹

Recent history had demonstrated with great clarity the political risks in climate change, even for experienced leaders. The new prime minister, whose heavy workload in government had been focused on unrelated policy areas, came to the issue without a deep understanding of the policy complexities. This was a factor in the series of missteps that soon followed and that then dogged her for the rest of her political life. A senior adviser observed, "The key story is that Julia Gillard was not closely involved in the carbon pricing scheme. And so when she took over she did not have anything much in her head about the background."

Some observers greeted Gillard's demand for consensus with contempt. Environmental groups were frustrated. To them, it was evidence of a sad lack of leadership. Most commentators accepted the Rudd view that Gillard's position was "code for indefinite delay".³⁴² Requiring consensus was all very well, but it left many unanswered questions, as those intimate with the government's deliberations knew only too well. Among these were: how do you build it? How do you measure it? How do you know when you've got it? Would it be sufficient for the Opposition to sign up again? Would that be necessary? When you have it, what do you do? None of these questions had answers. Gillard was trying to sell damaged goods and she knew it. She just didn't see that she had an alternative. Australians had been without a policy since that guilty moment at Nepean Hospital two months earlier when Rudd confirmed the scheme had become too hard. But now, with a change of leader, answers were no closer.

Cabinet was preparing to meet on 13 July 2010 to advance climate policy prior to the looming election. The confusion that had beset and ultimately helped destroy Rudd's prime ministership in the early part of the year remained overwhelming. Media speculation was wild. According to one newspaper story, cabinet would consider options for an energy efficiency program proposed by a group of Departmental heads. The options were said to include targets, or obligations, for business and the community to improve energy efficiency. Other stories speculated on a proposal to impose pollution standards on electricity generators; the US, China and Japan were said to be considering similar standards. Energy re-

³⁴¹ "Edited transcript of Julia Gillard's acceptance speech", *The Australian*, 24 June 2010, www.theaustralian.com.au/news/edited-transcript-of-julia-gillards-acceptance-speech/story-e6frg6n6--1225883840584, accessed 25 June 2010.

³⁴² M. Steketee, "Cruel coup was risky and most likely needless", *The Australian*, 3 July 2010, p. 8.

tailers would be obliged to help customers reduce their energy use. According to another story, the government was unlikely to consider the idea of an interim price on carbon emissions. Elsewhere it was reported that cabinet was expected to discuss ways to build consensus among the community and business on the need for a carbon price. Then just before the cabinet meeting, the *Age* reported that the new policy, whatever it was, would be "very much contested". It claimed that, "some Ministers are pushing for a commitment to legislate the Emissions Trading Scheme in any second-term Labor government, instead of a 2012 review. Others, notably members of the NSW Right, want to keep the ambiguity in the position."³⁴³

Speaking on ABC TV's *Lateline* on 8 July, Gillard tried to establish a sense of coherence and purpose by claiming she was the person to back if voters wanted action on climate change. At the same time, she ruled out a carbon tax. While she would not reconsider shelving the CPRS, she noted that Tony Abbott did not even believe climate change was caused by human activity. Abbott confirmed this the same day when he said, "I think in the end we've got to be pragmatic and we've got to be scientific about this, and the scientific consensus is not nearly as solid as the climate change zealots would have us believe."³⁴⁴

The ACF released polling showing that almost half of Australians saw no difference between the two leaders of the major parties on climate change. This was a devastating finding for the government. Ever since Rudd had turned the issue into a great moral challenge, Labor had been a long way in front of its opponents.³⁴⁵ With Abbott, government leaders were now being bracketed with a sceptic. Watching the agony, the Opposition leader hardened his position, ensuring he re-established the brand differentiation that had existed until Rudd abandoned the government's policy.

Then, 13 July dawned. This was the day when cabinet would agree on a new climate change policy and the Prime Minister would reveal it. Instead, Gillard decided announcements would be held off to the election campaign, to be called within a week or two. The government had still not found a way through, although media briefings from cabinet tried to pretend otherwise. They suggested that a commitment to introduce an interim carbon price would be the centrepiece of a policy that would also include a suite of energy efficiency measures and a \$650 million war chest of budget funding for renewable energy projects.

³⁴³ Tom Arup, "Cabinet to mull how to shape ETS", *The Age*, July 12 2010.

³⁴⁴ Tom Arup with Clancy Yeates, "Vote for me on climate, says PM", *The Age*, July 9, 2010

³⁴⁵ T. Arup, "Cabinet to mull how to shape ETS", *The Age*, 12 July 2010, p. 5.

The *Financial Review* reported that, "Government sources said that the measures to be outlined by Prime Minister Julia Gillard would show that the government would continue to work for a global agreement to come into effect after the Kyoto accord expires in 2012."³⁴⁶

But no decisions were made. Instead, Gillard called an election for 21 August 2010. But it was not until day six of the campaign, Friday 23 July, that she finally addressed climate change. One commentator observed beforehand that while "the topic of climate certainly has neither the bite nor the excitement it had in 2007 ... it is crucial for Gillard that her offering not be seen as a damp squib".³⁴⁷ On this test Gillard failed. To many observers, it was much worse. The centrepiece of the new policy was to be a 150-person citizens assembly that would take twelve months to examine the case for reform and the possible consequences of introducing a market-based approach to limiting and reducing carbon emissions. Those involved would be "genuinely representative" of the wider Australian public, selected through the census or electoral roll by an independent authority.

The decision to make an assembly a central part of the new climate policy marked the first stage in the steep decline in Gillard's climate policy credentials. This was so especially because the Rudd-inspired narrative that she was responsible for the dumping of the CPRS had achieved such wide currency. She was criticised for abandoning a leadership role on climate change, a role the government had in fact forsaken in January 2010. Gillard was ridiculed, her plan dismissed as leaving the government's climate change policy to a "giant focus group". She was seen as reinforcing the loss of the government's climate change credentials by not setting out either a clear strategy to secure international and domestic consensus or a timetable.

Under the headline "Great procrastinator takes reins of inaction on climate change", the *Sydney Morning Herald* political editor, Peter Hartcher, said, "Gillard was determined to stop Rudd proceeding with the scheme, and yesterday her campaign came to full fruition. Her climate change policy is an elaborate way of saying that a Labor government will not commit to delivering an emissions trading scheme at any particular time, and perhaps not ever."³⁴⁸ How this was different from Rudd's plan to tie action to international decisions was not explained. The Climate Institute's John Connor noted, "We are still far short of a credible plan on climate change and

³⁴⁶ Geoff Kitney and Laura Tingle, "Quick fix on carbon price" *Australian Financial Review*, July 15 2010.

³⁴⁷ M. Grattan, "Julia and her shadow", *The Age*, 23 July 2010, p. 6.

³⁴⁸ P. Hartcher, "Great procrastinator takes reins of inaction on climate change".

pollution.”³⁴⁹

The citizens assembly policy was an early example of an occasion when the contradictions in Gillard’s approach to leadership became clear. Ridicule aside, the substance of the policy reflected Gillard’s consultative, collaborative approach to leadership and her confidence in a deliberative process as a source of solutions and public legitimacy. The impulse behind the idea was for more inclusion, voter education and familiarisation with the issue. She was de-
 rided because it did not exhibit the popular requirements for dominant leadership.³⁵⁰

At the same time, Gillard undercut herself in that she would not have pursued it in the same way had she consulted her campaign team more comprehensively and communicated more effectively. This contradiction was to become an important recurring theme of Gillard’s prime ministership. The main communications bungle was that the entire election policy contained a number of significant initiatives on cleaner energy and energy efficiency, which the government, in effect, invited the media to overlook. It did this by “dropping” the citizens assembly news before the rest. Gillard bypassed established process, meaning that very few of those working on Labor’s campaign knew about the plan, which overwhelmed coverage and destroyed the rest of the climate policy launch. According to the *Australian Financial Review*, Labor headquarters tightened up the processes afterwards. They could afford no more surprises like citizens assemblies. “The checking process has been reaffirmed,” was all one terse insider was prepared to say. “It was not one of our shining moments,” said another.³⁵¹ Nor was it one of Gillard’s.

When interviewed for this project, Gillard accepted the criticism. “I’ll take all necessary political responsibility for that. Mechanism clumsy. Communication of it clumsy. It was probably very naive in some ways to bring a new idea to Australia about community decision-making and fuse it onto an issue as contentious as carbon pricing.” She said that what she was striving for “was a way of taking this back to first base with the Australian community and then building

³⁴⁹ J. Connor, “Small steps forward but far short of credible plan”, media release, 23 July 2010, www.climateinstitute.org.au/articles/media--releases/small--steps--forward--but--far--short--of--credible--plan.html, accessed 23 August 2012.

³⁵⁰ Gillard’s more consultative, transactional style did not fulfil the expectations created by a series of domineering predecessors in an era of leadership centralism. But the literature on gender and leadership also suggests that women leaders face a dilemma since the stereotype of leadership is heavily gendered and, more specifically, conforms to ‘masculinist’ traits, for example decisiveness, strength, determination. See P. Sykes, “Gendering prime ministerial power” in Strangio, ‘t Hart & Walter, *Understanding Prime-Ministerial Performance*, OUP, 2013; Laura Sjoberg, “Feminism” in R.A.W Rhodes and Paul ‘t Hart (eds), *The Oxford Handbook of Political Leadership*, OUP, 2014.

³⁵¹ P. Williams, “Inside the campaign nightmare”, *Australian Financial Review*, 23 August 2010, p. 1.

the argument back up”.

Climate change did not feature heavily in the campaign from that point. Abbott made a further statement doubting climate science. Then, near the end, Gillard appeared at least to know what her policy would *not* be. In one of history’s turning points, she reiterated on the day of her official campaign launch that there would not be a tax on carbon. “There will be no carbon tax under the government I lead,” she told Channel Ten. “What we will do is we will tackle the challenge of climate change.” The decision to rule out a carbon tax no doubt made sense at the time: had she provided a different answer she would have had to deal with headlines shrieking that a carbon tax was under consideration.

She made the same point slightly differently in an election-eve interview with the *Australian*, when she said she would view victory as a mandate for a carbon price, provided the community was ready for this step. “I don’t rule out the possibility of legislating a carbon pollution reduction scheme, a market-based mechanism,” she said. “I rule out a carbon tax.” She would legislate the carbon price next term, if sufficient consensus existed. The first interview would, when seen in the light of decisions made the following year, play a large part in the relentless undermining of her prime ministership by foes both in her own ranks and in the Opposition. The second interview could have provided her with some shelter had she chosen to rely on it more effectively.

Gillard’s election campaign was a disaster. The handling of the citizens assembly was bad enough. But leaks by the Rudd camp designed to undermine her almost led to defeat.³⁵² The leaks had a dramatic impact on the conduct of the campaign, but they also had the longer-term effect of undermining Gillard’s authority and authenticity with voters. On 27 July Laurie Oakes reported that, in cabinet discussions, Gillard had opposed government-paid leave for new parents and an increase in pensions. The allegations followed an earlier leak that Gillard went back on a deal to give Rudd a chance to revive his leadership.

The leaks sought to portray her as someone whose private and public views were often at odds, that she was a fake. Her response was to announce she would take charge. “I think it’s time for me to make sure that the real Julia is well and truly on display,” she told the *Herald*

³⁵² Writing in *The Fights of My Life*, Greg Combet, argues that, “Among colleagues I have spoken to, Russ is universally suspected as a source of the leaks.” See p. 241.

Sun. “So I’m going to step up and take personal charge of what we do in the campaign ...”³⁵³
 The response was outrage. This just seemed to reaffirm her lack of integrity, conviction and transparency. This was a public persona that dogged her thereafter. The real Julia was much more often on display in small collaborative meetings than it was in media appearances. This was the tragic reality of her prime ministership. Rudd had the opposite problem. He was better sounding visionary in front of large audiences than working with small groups to solve problems.

When the blessed relief of election day came, it reflected the damage done to the new prime minister’s credibility. Gillard’s and the government’s popularity had plunged Australia into day-to-day uncertainty. The country had its first hung Parliament since 1940.

Negotiations and collaboration

The Greens won ex-Gang of Four member Lindsay Tanner’s previously safe Labor seat of Melbourne and emerged with a total of nine Senate seats and the balance of power. In the House of Representatives, the balance was held by the Greens’ new member, Adam Bandt, four genuine independents and a WA National, Tony Crook, who wished to be viewed as independent, although he was closely aligned with the Coalition. Three of the independents were from rural seats: Tony Windsor, Rob Oakeshott and Bob Katter; the fourth was Hobart-based Andrew Wilkie. The election result left a big question mark over the authority of Gillard and the future of the government.

Negotiations soon started for which main party would form the government. On Wednesday 1 September the Greens signed a formal alliance with Labor, delivering it their guaranteed support on votes crucial to its future. While the fact of a deal was not surprising – before polling Bandt had said he would back Labor – the agreement was more formal than some commentators considered necessary and the government braced for the worst. How would this be viewed? Very badly was the answer. For more than two years when Rudd was prime minister, the business community in Australia had feared that Labor would seek the support of the Greens for carbon pricing, even though by his actions Rudd effectively ruled it out. Now Gillard had committed the intolerable error.

The abhorrence of the deal was most apparent in the pages of the *Australian*. The newspa-

³⁵³ A. Patrick, *Downfall: How the Labor Party Ripped Itself Apart*, HarperCollins, Sydney, 2013.

per said in an editorial that “Greens leader Bob Brown has accused the *Australian* of trying to wreck the alliance between the Greens and Labor. We wear Senator Brown’s criticism with pride. We believe that he and his colleagues are hypocrites; that they are bad for the nation and that they should be destroyed at the ballot box.”³⁵⁴ The hatred of the Greens for their anti-development ideology became an electrifying force in what followed.

The alliance subsequently was strongly criticised even by Labor frontbenchers. Chris Bowen, shadow treasurer in 2014, who was Kevin Rudd’s most senior cabinet supporter in the interne-cine wars of 2010–13, wrote: “The Labor Party, clear in its beliefs and its narrative, should decline to serve in government with any other political party and should make it clear to the Australian people that we will not compromise on our principles and that we will govern alone, or not at all.”³⁵⁵ While it is doubtful that Bowen would take this view if it meant forgoing the opportunity of forming a government, it is also true that there were serious doubts in the ALP about the wisdom of dealing with the Greens, whose agenda was sometimes at odds with the interests of Labor’s traditional constituency.

The real question is why Gillard felt it necessary to establish a formal alliance, particularly when Bandt had already made his intentions to support Labor clear. Insiders have pointed out that in their negotiations with the independents, Gillard and Abbott had no modern precedent to guide them. They were in the dark about how governor-general Quentin Bryce would ultimately make her decision. Gillard believed that Bryce would most obviously find comfort in formal written deals. Gillard also did not know Windsor or Oakeshott particularly well at the time – although they became friends and supporters later – and she had little to guide her in which way they might jump, except that they were from conservative, National Party-type constituencies. It was clear they were not going to move early. Wilkie was being advised by the SA anti-poker-machine senator Nick Xenophon, and this deepened the uncertainty surrounding him. Crook was obviously going to support Abbott, whatever he said publicly. Gillard felt she needed to balance the equation by getting a clear public statement from the Greens.

She believed the move to sign up the Greens formally would help create momentum, a sense

³⁵⁴ Editorial, “Needed: a policy for Julia, direction for Labor”, *The Australian*, 9 September 2010, p. 13.

³⁵⁵ C. Bowen, *Hearts and Minds: A Blueprint for Modern Labor*, Melbourne University Publishing, Melbourne, 2013.

she was progressing to a clear victory in the negotiations, and would assist her in obtaining the support of the independents. She now acknowledges it might not have been necessary.

I needed the Greens to support the formation of this government. Now, realistically, they didn't have too many other options. It would have been very difficult for them to explain to their constituents had they conducted themselves in any other way. But I needed them to lock in with us, and lock them in early so I could then go out to do the persuading needed to do to get Wilkie and Windsor and Oakeshott.³⁵⁶

On 2 September Wilkie signed on with Gillard. Windsor and Oakeshott spoke to both UK economist Nicholas Stern and Ross Garnaut in the process of working out whether they would support Gillard or Abbott. As their price of support, they required the re-examination of a carbon price, the updating of the 2008 Garnaut review, and a Productivity Commission study of international action on reduction of greenhouse gas emissions. On 7 September, after a suspenseful seventeen days, Windsor and Oakeshott went with Labor; Katter had decided on the Coalition. Gillard's skills at negotiation and deal-making, skills that came to the fore again and again in the next three years, had clinched agreements resulting in a 76–74 margin on the floor of the House. It was a narrow victory but a victory nevertheless, although it was never accepted as that by Abbott, for whom Gillard's prime ministership was illegitimate and who behaved accordingly.

Windsor says that in determining which side to support in the hung Parliament, his perception that Gillard would be the better negotiator over the longer term gave her an advantage over Abbott. "He'd be terribly uncomfortable [in managing a hung Parliament]. He'd want to give the orders and have his troops run."³⁵⁷ But Windsor did not understand the need for a formal alliance between Labor and the Greens. "I just assumed the Greens would go with Labor anyway," said Windsor. "I think the alliance was a mistake. They didn't have to do it. There was no way the Greens would go with the Libs." Gillard's supporters still back her decision, although it is recognised, with the benefit of hindsight, that it might have been both unnecessary and damaging. One said, "It's simple to say it was a shit idea with 20/20 hindsight, but she had no guidance from precedent at the time."

³⁵⁶ J. Gillard, interview with author, Canberra, 12 December 2012.

³⁵⁷ M. Grattan, "The Gillard dilemma: 'She has lost touch with her passionate self, the real self'", *The Age*, 18 June 2011, p. 15.

Gillard's negotiations to form government were a triumph of her leadership personality. She had done what Abbott and Rudd could never do – apply skills of emotional intelligence to engage with MPs with different philosophies and backgrounds to negotiate a desired outcome. But she was never able to deal with two problems that her success caused for her. The first was the fact that she ran up against varying expectations of what political leadership should be in Australia. The second was that she did not overcome the damage done to her own profile by the way positions she took and compromises she made were characterised.

The fact that nothing could be achieved in the new Parliament except by negotiation played to Gillard's strengths. The dangers inherent in the centralised pattern of her predecessors were unlikely to dominate. As James Walter notes, she was exactly the sort of leader that the exigencies of a divided Parliament and minority government demanded. At the same time her style was "hopelessly at odds with the leadership repertoire, particularly its public performance, which had been established by her domineering predecessors."³⁵⁸ The media and voters expected a particular type of leader and Gillard was different. It was not that she was unwilling to play the 'leader-centric' part of her predecessors. It was that she was unable to do so convincingly. She had to overcome the conflicts inherent in needing to demonstrate negotiating skills, on the one hand, with demands for centralised, Rudd-style leadership on the other.³⁵⁹

The outcome of the election, meanwhile, was about to change everything for climate change policy. During negotiations to form a minority government Gillard made a series of political calculations that saw her abandon her idea of a citizens' assembly and shoot straight for a carbon tax, to be replaced after three years by an Emissions Trading Scheme. This left voters none the wiser about the merits of the plan than they had been under Rudd.

The Labor-Greens agreement required that a price on carbon be established. Gillard is charged with having lit the fuse of the vicious campaign that followed her confirmation as prime minister by her formal alliance with the Greens. But the campaign would have happened anyway, unless she had been prepared to exclude them from any working relationship at all. In the circumstances of a hung Parliament, that was not realistic. The alternative was another election, which, of course, is what Abbott and his supporters wanted. There may have been an opportunity to work with the Greens short of a formal alliance, to aim for a climate policy that was less than a full-blown carbon pricing scheme, but this is doubtful.

³⁵⁸ J. Walter, "Political leadership", in A. Fenna, J. Robbins and J. Summers, (eds), *Government and Politics in Australia*, Pearson, Melbourne, 2014, pp. 242–58.

The independents supported a price on carbon. The Greens controlled the balance of power in the Senate, so it seemed there would be majority support in the new Parliament. But events were to show that Gillard's dream of a consensus out in the community would remain just a dim memory from 2008, with prospects of restoring it remote and receding rapidly.

The Greens claimed that carbon pricing came back on the agenda as their key demand for dealing with the government. Milne argued that if Gillard had won the election in her own right, carbon pricing would not have occurred. Gillard disputed this interpretation, saying that the nature of the new Parliament was not going to give the Greens political permission to be obstructionist again. Their constituency would have said to them, "Well, for heaven's sake, when will you ever make a real difference as opposed to mouthing slogans?" She believed that "We had an opportunity to get carbon pricing through that may not come again, even with a majority Labor government, and that opportunity should be seized". Asked whether the implication of this was that she wanted carbon pricing independent of the negotiation with the Greens, she said:

I believe climate change is real and I believe in pricing carbon and I wanted to get it done and I saw an opportunity to get it done. They did have the ability to put things on the table. It was no mystery to me that they were going to put carbon pricing on the table. But more than anything else I was seized with the need to get it done for the country and [I saw] that this was going to be one unique window to do it.

Gillard was asked why she changed from building community and political support, and making consensus a condition of proceeding, to pushing hard for quick action. Her response shed light on a much-discussed cornerstone of her strategy. "Given you've only got three years, I had to make some judgments about what was the most valuable," she said. She stressed the need to provide voters with lived experience of the tax. She argued she had to make a decision between the time it would take for a community education program as against the time needed for people to make a balanced judgment about the merits of the scheme. The government had already endured the Rudd experience of voters' fears when carbon pricing hung over their heads without them understanding what it meant. They did not want to go through that again. She said:

³⁵⁹ As noted above, Gillard was also unconvincing because of gendered stereotypes of leadership.

The consistent advice to me was that 1 July 2012 as a start date was not possible. It can't be done that quickly. And I remember very clearly my then policy director Ian Davidoff saying we need to push through here. We need to make it 1 July 2012. If they live it they will get over their opposition to it. That was the pivotal thing. We had to get this done so people would live it before they voted in the 2013 election. Once you've made that decision then everything backed up against the start and you were always going to be in the political furies until it started.

Steering the policy network

On 27 September 2010 the government took a major step forward, announcing the establishment of an innovative policy-making body called the Multi-Party Climate Change Committee (MPCCC). The prime minister said the committee would explore options for the introduction of a carbon price: "The Committee will start from the position that a carbon price is an economic reform that is required to reduce carbon pollution, to encourage investment in low emissions technologies and complement other measures including renewable energy and energy efficiency." The government invited two representatives from the Coalition, two from the Greens and representation from the independents. Parliamentary members of the committee were to be drawn from those committed to tackling climate change and who would acknowledge that effectively reducing carbon pollution by 2020 would require a carbon price. Tony Windsor and Rob Oakeshott signed on, but the Coalition rejected the opportunity.

The MPCCC was to be resourced like a cabinet committee. The MPs would have four experts sitting at the table with them to provide advice independent of the public service. These were Ross Garnaut, climate scientist Will Steffen, former senior bureaucrat and economic consultant Rod Sims, and KPMG partner and health and social policy expert Patricia Faulkner. Garnaut was commissioned to update his 2008 review, to help inform public debate and the committee on recent climate change developments. His final report was to be released in May 2011.

The MPCCC was, by bringing together diverse interests into a shared process, the embodiment of Gillard's style of leadership. It reflected her ability to frame and shape that process through joint work and to build confidence and commitment through the conduct of the discussions. For her, the precedent was the Committee on Industrial Legislation, which she had used effectively to secure stakeholder support for the *Fair Work Act* when she was minister for employment and workplace relations (2007–10). It had invited stakeholders from among the employers and unions

to participate in one group, with an intensive, time-limited brief, to work through points of difference and unresolved aspects of the industrial legislation framework, and to reach agreement on the legislation and associated regulations.

The MPCCC followed a similar deliberative and methodical approach, but with the innovation of giving it the status of a cabinet committee, even though it included non-government MPs and expert advisers. A senior adviser reflected that this resulted in firm support for the policy framework which emerged, and willingness to compromise and negotiate in good faith over the outstanding elements.

The committee also loosely accorded with a suggestion from the then Greens deputy leader, Christine Milne: “In my experience, once you get experts in the room it makes a difference to the negotiating dynamic, and if you can get everybody around the table you get ownership of the outcomes.” Your achievement is then more durable: “People who are a part of it are unlikely to pull it to bits,” Milne said.³⁶⁰

By February 2011 the government was feeling the MPCCC was making progress on developing the next phase of climate policy. Ministers had managed to corral MPs and experts and get the rural independents working with the Greens, despite often widely divergent views. Relations between the government and the Greens were tense, but there was progress. Everybody was marching towards their shared objective – action on carbon pricing – even though there were major differences on a range of policy issues and much still to be done. The committee had met five times between October and February and, in the fifth meeting, agreement had been reached between the government and the Greens on the broad framework of what was to become the Clean Energy Future (CEF) package. The direction of Australia’s next attempt to put a price on carbon pollution was becoming clear.

But the peace was shattered when, on 12 February 2011, six months after Labor’s brush with defeat at the August election, a story appeared in the *Australian* based on a leak. The suspicion this triggered was to make progress much harder. The story, headlined “Labor to impose carbon tax next year, ETS in 2015” was for Gillard and the new climate change minister, Greg Combet, unpleasantly accurate. It read:

³⁶⁰ C. Milne, interview with author, Melbourne, 10 December 2012.

Julia Gillard plans to introduce a carbon price from July 1 next year and defy the Greens by insisting on compensation for the coal and electricity industries, in a move that will infuriate its minority government partner.

The Weekend Australian understands the government will present its Multi-Party Climate Change Committee next week with a plan for a fixed carbon price to operate from July 1, 2012, until about 2015–16 when the regime will move to an Emissions Trading Scheme.

Labor is set to demand some “real-world compromise” from the Greens by insisting that compensation for energy-intensive industries such as electricity generation and trade-exposed industries remain close to that offered in the deal former Prime Minister Kevin Rudd hammered out with then Opposition Leader Malcolm Turnbull in late 2009.³⁶¹

Who leaked this is not known. But the story contained information closely in line with what was being proposed to the MPCCC. The government blamed the Greens. It was felt that they were trying to position themselves as the ones striving to save the planet from a coal-loving government and its rent-seeking bedfellows in industry.

Government staffers said this had to be headed off both for political and policy reasons. Ministers did not want the Greens to get credit for decisions of the committee, nor did they want unions or industry to see the committee as a vehicle for the Greens. Ministers did not believe there was an appetite in the community for a boldly green climate change scheme; the Greens’ expectations had to be reduced. The leak drove the government to announce the broad framework for the carbon pricing arrangement to avoid damaging speculation.

Asleep at the wheel

On 24 February the prime minister’s courtyard at Parliament House – where eight months earlier Rudd had wept goodbye to a media pack – was filled with media again, hungry for news of the policy that had become the destroyer of leaders and that kept on giving to those whose work thrived on conflict. Gillard and Brown jointly announced a firm policy to pursue a fixed carbon price as an interim measure, to evolve into emissions trading in 2015–17. Major polluters would be forced to buy a permit for each tonne of carbon dioxide emitted from 1 July 2012.

³⁶¹ S. Maher and D. Shanahan, “Labor to impose carbon tax next year, ETS in 2015”, *The Australian*, 12 February 2011, p. 1.

The policy detail would not be announced until July 2011, five long months away.

The announcement had the opposite effect to the one intended. The most contentious decisions were yet to be discussed. This left a communications void and the way open for a campaign by opponents to exploit fears of the unknown. The devil would be in the detail, they argued, setting off scares that ran wild throughout the country.

The government-Greens announcement sparked heated debate in Parliament, with Gillard shouting over the uproar in the House of Representatives: "We will have this debate and we will win it."³⁶² The debate (a word that scarcely captures the intensity of the hatred that soon all but swamped the prime minister) transformed into one of the angriest public policy contests for many decades. Gillard said Australia had to put a price on carbon because "history teaches us that the countries and economies that prosper are those that get in and shape and manage the change". Overlooking her earlier precondition of consensus, she said, "I'm determined to price carbon. The time is right, and the time is now." She predicted a tough fight with Abbott, saying he would wage a sustained fear campaign but she would not "take a backwards step".

Abbott characterised the carbon price as a tax. He said the Coalition would campaign against the plan "every second of every minute of every day of every week of every month". It quickly emerged that he was not exaggerating. In Parliament, he moved to suspend question time to censure the prime minister for reversing her pre-election position that the government would not impose a carbon tax. Abbott attacked the announcement as "an utter betrayal of the Australian people" and called for a people's revolt, which soon sprang forth in all its ugliness.

Industry was alarmed that the Greens were having a major influence on policy development, and this perception was no doubt an important factor in some of the agitation that followed. What the Abbott Opposition, powerful elements of business and their allies in the media saw in the event of 24 February was this: Gillard and Greens leader Bob Brown as equal partners in a scheme to increase the cost of doing business. The *Australian*, which had made its hatred of the Greens abundantly clear, editorialised that many taxpayers would be concerned by the degree of influence Brown was set to exert over climate policy.³⁶³ This was absolutely true.

³⁶² A. Morton, "Carbon tax countdown to July 2012 start date", *The Age*, 25 February 2011, p. 1.

A spokesperson for Combet said the Greens were included to “make clear this was an agreed framework for discussion across those members of Parliament who wanted action on climate change”. This aim was broadly met, but the damage done was incalculable. Interviewed for this thesis, Gillard said that “having the joint press conference was obviously misconceived”.³⁶⁴

Gillard was speaking after a public campaign of intimidation by business, media and Coalition opponents, the like of which had not been seen since the mid-1970s – and probably not even then. The damaging speculation the government was trying to head off escalated into a fiery crusade that was devastating for the prime minister’s community standing and for the government’s prospects of re-election in 2013.

The 24 February announcement was the first of two blunders that day that made the job of selling climate policy to voters virtually impossible. Gillard never lost faith that the lived experience would prove her right, but she made it virtually irrelevant. For the revolt to develop the immense momentum it generated so quickly required Gillard’s second mistake. Appearing on ABC television’s 7.30, she agreed that what she had announced was a market mechanism to price carbon. The exchange continued:

HEATHER EWART: With this carbon tax – you do concede it's a carbon tax, do you not?

JULIA GILLARD: Oh, look, I'm happy to use the word tax, Heather. I understand some silly little collateral debate has broken out today. I mean, how ridiculous. This is a market-based mechanism to price carbon.

HEATHER EWART: Well with this carbon tax then, it does seem certain that fuel and electricity prices will go up. How are you going to be sure that you can compensate for that, especially for low income earners?

JULIA GILLARD: Well, can I say this is a market-based mechanism to price carbon. It

³⁶³ Editorial, “Carbon tax compensation not wealth redistribution”, *The Australian*, 28 February 2011, p. 15.

³⁶⁴ J. Gillard, interview with author, Canberra, 11 December 2012.

has a fixed price period at the start, a price that will be fixed. That is effectively a tax and I'm happy to say the word tax.³⁶⁵

Tax. The word was like a bomb thrown into the middle of the debate. Combet confirmed the government's line with a small but important variation when he said, "The fixed-price period ... effectively operates as a tax."³⁶⁶ He did not quite say it was a tax, but Gillard did. From that point on, it became accepted in Australia that the government was imposing a carbon tax.

This was, of course, precisely what Gillard had ruled out during the election campaign. "There will be no carbon tax under the government I lead," she had said. The Opposition went on the offensive, claiming she was a liar, and Australians bought it. They believed strongly she had lied to them, even though for her pre-election promise to be described as a lie required her to have had the intention to deceive. What happened was that circumstances changed. But the fine print did not matter. Her prime ministership was on the path to destruction from this moment in February 2011.

The mistake arose in part because Gillard and her office were hopelessly confused about terminology: price versus tax. Neither Gillard herself, nor many in her office, it seems, understood how differently the words "tax" and "price" played in the public mind. They had expected to come under attack for breaking the election promise not to introduce a carbon tax back in September 2011, when they announced the MPCCC. When this did not occur, they believed they had skirted the hazards lying in wait in those two words.

The main basis of Gillard's argument for agreeing she was introducing a tax was that a dispute over whether the carbon price was a tax would play into Abbott's hands. She and Combet always believed they would be able to destroy Abbott's credibility if they could corral him into having to defend his slogans; he thrived on avoiding serious challenge about the merits of policies. They wanted to force him into a debate on the substantive issues by denying him the opportunity to focus on a side issue.

Gillard freely acknowledges that she was warned not to be loose with the word tax.³⁶⁷ Ironi-

³⁶⁵ Transcript, Reporter Heather Ewart interview the prime minister, 24 February 2011. Accessed 28 November 2012. <http://www.abc.net.au/7.30/content/2011/s3148281.htm>.

³⁶⁶ M. Priest and L. Tingle, "PM gambles on 2012 carbon price", *Australian Financial Review*, 25 February 2011, p. 1.

³⁶⁷ J. Gillard, interview with author, Melbourne, 20 September 2013.

cally, while some of the worst blunders associated with Rudd's leadership stemmed from his dodging of the cabinet process, Gillard's decision on the wording to describe her carbon policy came after a cabinet discussion. Cabinet acquiesced in the strategy to agree to call their policy a tax, although some ministers complained afterwards there had not been adequate time for the issue to be considered appropriately.

Gillard and Combet now differ on their respective roles. Combet says that he "felt instinctively" it was the wrong ground to be on. "It was Julia's decision. I supported her as my leader, but I always referred to it as an emissions trading scheme that starts with a three-year fixed-price period."³⁶⁸ Writing in 2014, Combet said it was his "greatest regret" that he did not "provide more fearless advice to Julia to avoid this error".³⁶⁹ Parliamentary secretary for climate change in 2010–13, Mark Dreyfus, said that he too opposed Gillard's position. "The meanings of words matter," he said.³⁷⁰ Gillard stresses that the issue was canvassed. "There were discussions. Combet was of the view that we don't want to get hung up on the tax stuff."

The newly installed trade minister, Craig Emerson, by contrast, was one who "made it clear this was a really serious problem". Emerson said:

I did raise it and it was discussed. It wasn't a long discussion. I was pretty new to cabinet and I was a lone voice ... You raise these things, you put the argument and when it's not accepted you say, "Well, I've done what I could." If this had arisen in the last year I would have pressed it very, very hard because I would have thought she would listen to me and it's really important.³⁷¹

Emerson approached her three times to try to get her to take a different approach. "Even after she'd said it once, I said, 'Please don't say that again.'" He argued that the government was implementing an ETS with an initial fixed price, and that was how it should be described. Gillard had expressly reserved the right during the 2010 campaign to create a market mechanism to price carbon. "But Julia felt that the whole thing would just become bogged down in an endless debate around semantics, that it was better for her to say, 'Yes, it is a carbon tax' and then we'd move on. But we didn't move on."

³⁶⁸ G. Combet, interview with author, 25 September 2013.

³⁶⁹ G. Combet, *The fights of my life*, MUP: Melbourne, 2014) p. 252.

³⁷⁰ M. Dreyfus, interview with author, Melbourne, 21 December 2012.

³⁷¹ C. Emerson, interview with author, Melbourne, 26 September 2013.

Emerson said that her decision to acknowledge it as a tax made it true.³⁷² “By saying it was a carbon tax she was saying she broke a promise,” said Emerson. “She didn’t actually lie.” What she said at the time was what she believed to be the case; however, the minority government meant that circumstances had changed. “She said that fifty times but what the public heard was Julia Gillard admitting that she lied. Because she said there will be no carbon tax and then, when asked, ‘Is this a carbon tax?’, she said, ‘Yes, it is.’ That is an admission of lying. In logical terms it wasn’t, but in political terms it was. That’s the message that people got.”

The decision also gave her supporters no scope to argue a contrary case. The cost-of-living and anti-tax campaign Abbott had been planning would have happened anyway, but it suddenly became far easier. “Did it make a difference? They would have depicted it as a tax anyway, but they wouldn’t have been so easily able to depict it as a broken promise,” said Emerson. There were two issues. While the Opposition would not have been less aggressive, would they have been able to damage the prime minister’s reputation so severely? “I think the answer there is clearly no. The reputational damage was the issue,” he said.

The strength of Emerson’s argument derived from what he saw as an historical parallel. Back in June 1987, Opposition leader John Howard launched the Liberals’ tax policy for the upcoming election. Labor treasurer Paul Keating identified a \$540-million error in the Liberal costings. Howard admitted the error, which was the fault of shadow treasurer Jim Carlton. Emerson recalled, “In the public’s mind there wasn’t an error until John Howard admitted there was an error. From that moment onwards it was true.” While a high-profile campaign by Queensland Premier Joh Bjelke-Petersen to barnstorm his way to the prime ministership had already severely damaged the Liberal’s 1987 election campaign, the loss was sealed that day, and Carlton was removed from his post afterwards.³⁷³

Some argue the misfortune for the Gillard government lay in the prime minister not qualifying her answer sufficiently in the election campaign interview on Channel Ten in August 2010. A senior adviser believes her lack of background in the climate policy debate lay at the heart of her problems: “I think in the election campaign she was caught on the hop, and she hadn’t known enough about it, because of Kevin’s incredibly confined process, to realise what some of the words meant.”

³⁷² Ibid.

³⁷³ C Bean, “Politics and the Public”, in J. Kelley and C. Bean (eds), *Australian Attitudes*, Allen and Unwin, Sydney, 1988

That may be so, but the real problem arose from the mistaken strategy of 2011, not 2010. Gillard did not have the option of refusing to rule out a carbon tax in the context of the 2010 election campaign. The headlines would have been too damaging. But in 2011 she could have refused to fuel the proposition that she had broken the 2010 election promise. This was open to her. She could have pointed out that she had announced an ETS, as foreshadowed in the *Australian*, with a fixed-price period of three years.

Rudd's scheme had proposed a one-year fixed term. There was never a campaign alleging the CPRS was a carbon tax, although Abbott was preparing one, following the lead of Nationals frontbencher Barnaby Joyce. But at no stage was the scheme referred to routinely in the media as a carbon tax. Furthermore, as libertarian commentator Chris Berg noted, "free market economists have long insisted that, contrary to popular wisdom, there's not a vast conceptual difference between a tax and a trading scheme. They both price carbon." A tax could be described as a "market mechanism" too. He observed that "these are terms of art, not science".³⁷⁴

Gillard now says the "language around carbon pricing/carbon tax hurt me terribly".³⁷⁵ That seems like an understatement. The admission that the carbon price could be considered a tax played right into Abbott's hands. He was more skilled at retail politics than her. Gillard said there were several reasons for the catastrophe. She said she had in mind an earlier moment in the history of the government, when Rudd and Swan were made to look ridiculous by refusing to be open and clear about a financial issue.

Furthermore, Gillard now accepts that the system by which her staff would strategise responses according to various scenarios failed her. "I don't think we war-gamed the 'dishonesty', 'she lied', 'no carbon tax under the government I lead'," she said. "I don't think we war-gamed that the way that we should have."

Gillard and Combet deftly grasped the worst of both worlds. They ended up in a corner, forced anyway to have the argument about whether their carbon price was actually a tax. But by the

³⁷⁴ C. Berg, "The art of telling the truth", *The Drum*, 13 November 2012, www.abc.net.au/unleashed/4369060.html, accessed 24 September 2013.

³⁷⁵ J. Gillard, "Julia Gillard writes on power, purpose and Labor's future", *The Guardian*, 14 September 2013, www.theguardian.com/world/2013/sep/13/julia--gillard--labor--purpose--future, accessed 14 September 2013.

time they engaged in that debate, voters had stopped listening to them, let alone believing them. The government and prime minister endured abysmal standing in the polls in 2011–13. While inevitably there were many other factors that caused the slide in her popularity, government and internal ALP research sighted by this author show clearly that her agreement that she was willing to break a promise to impose a carbon tax lay at the heart of it all.

Scare campaigns, Act II

Throughout February to July 2011, the Coalition and media marshalled power generation, mining and manufacturing industries, along with climate change sceptics, other disaffected fringe groups and internet-based misogynists, to try to destroy the government's plan. It amounted to a campaign of intimidation that sometimes bordered on violence.³⁷⁶ Abbott addressed ugly demonstrations where protesters carried placards reading "Juliar" and "Bob Brown's Bitch". Alan Jones incited a rowdy anti-tax crowd to turn on a reporter he didn't like.

The Opposition leader's campaign included legitimising climate change scepticism, which fed neatly into the people's revolt strategy that he fomented. For example, he announced that he was "hugely unconvinced by the so-called settled science on climate change".³⁷⁷ He adopted the thoroughly discredited position that the world was cooling.³⁷⁸ Abbott has always been unenthusiastic enough about climate change science to nourish the doubts of his sceptical followers.³⁷⁹ Important elements of the media play a similar game.³⁸⁰

Day after day, Abbott made provocative, exaggerated and often untrue claims in media doorstops around the country. His assertions were mostly ignored by the government, which was too entangled in policy-making to think about the politics. The tone of the campaign focused on five major scares. Abbott said that from 1 July 2012, when the carbon tax would come into effect, these disasters would occur:

Price rises will be unimaginable	<p>"The hit on Australians' cost of living is almost unimaginable." (7 June 2011).</p> <p>"The Productivity Commission report found</p>
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³⁷⁶ J. Holmes, "Wrong at the top of his voice", *Media Watch*, 29 August 2011, www.abc.net.au/mediawatch/transcripts/s3305075.htm, accessed 24 September 2011.

³⁷⁷ S. Carney, "Abbott's climate of opinion change clouds the issues", *The Age*, 23 July 2011, p. 24.

³⁷⁸ B. Cubby, "Abbott still doubts planet is getting hotter", *The Sydney Morning Herald*, 18 August 2010, p. 5.

³⁷⁹ Carney, "Abbott's climate of opinion".

³⁸⁰ R. Manne, *Bad News: Murdoch's Australian and the Shaping of the Nation*, Quarterly Essay 43, Black Inc., Melbourne, 2011.

	<p>that for Australia to impose a carbon tax or an Emissions Trading Scheme would dramatically raise prices to consumers..." (Helensburgh, 9 June 2011).</p>
<p>Power bills will jump by as much as 30 per cent.</p>	<p>28 per cent: "This is a business which currently pays about \$180,000 a year in electricity alone. Under Julia Gillard's carbon tax that's about \$40,000 to \$50,000 a year more in electricity alone ..." (Paragon Printing, 22 March 2011). 25 per cent: "It's interesting that one of the issues that did come up with the Daley's this morning is the impact of Julia Gillard's carbon tax. Their electricity bill is about \$20,000 a year and obviously under the Prime Minister's carbon tax that will go up by roughly \$5,000." (Doorstop, Armidale NSW, 5 April 2011)</p> <p>25 per cent: "The power bill in this plant is half a million dollars a month, \$6 million dollars a year... So, under the Prime Minister's carbon tax the cost of power is going to increase by something like \$1.5 million a year ..." (National Ceramic Industries, Rutherford NSW, 9 April 2011)</p>
<p>Household assistance will be inadequate</p>	<p>"They will be compensated once but, you know, the carbon tax goes up and up and up and up. They're getting compensation that is pitched for a carbon tax at \$23 but the carbon tax will be \$37 a tonne by 2020 ... Now there is no compensation for any of that." (Tony Abbott, interview, ABC Radio National, 15 May 2012)</p>
<p>The coal, steel, cement, aluminium, and motor industries will be destroyed</p>	<p>"Well, I'm not saying that the world will end if a carbon tax comes in but your cost of living will go up and up and up and certain industries in this country, industries that are vital for our survival as a first world economy, will decline and die. I mean, the coal industry will go. I mean, the whole point of a carbon tax is to say, don't use coal. I mean, that's the logic of a carbon tax." (Radio 4BC, 7 June 2011)</p> <p>"A carbon tax ultimately means death to the coal industry." (Peabody Energy's Metropolitan Mine, Helensburgh, NSW, 9 June 2011).</p>

	<p>“It will destroy the steel industry, the ce-ment industry, the aluminium industry, the motor industry. It will be, over time, the death of heavy manufacturing in Australia...” (Doorstop, Newcastle Waters Station, Northern Territory, 26 June 2011).</p> <p>“There is no way of making cement without lots and lots of emissions. There’s no way of making steel or aluminium or zinc and nickel without lots and lots of emissions. So, what this carbon tax is going to do to these industries is drive them offshore ...” (Radio 4RO, 26 July 2011).</p> <p>“Let there be no doubt about the intentions of the authors of this carbon tax legislation. They want to kill manufacturing industry in this country.” (<i>House of Representatives, 1 June 2011</i>).</p>
<p>Hundreds of thousands of jobs will be lost</p>	<p>“There will be 45,000 jobs lost in energy-intensive industries. There will be 126,000 jobs lost mainly in regional Australia.” (<i>Tony Abbott, Hansard, 21 June 2011</i>).</p> <p>“The Victorian government has commissioned Deloitte Access Economics. Their modelling showed that there would be 23,000 fewer jobs across Victoria by 2015 as the result of the carbon tax.” (<i>Tony Abbott, second reading speech, 14 September 2011</i>)</p> <p>“The New South Wales Treasury modelling – and this was modelling originally undertaken for the NSW Labor government when Michael Costa was the Treasurer of NSW – this modelling predicts that 31,000 jobs will be lost in NSW by 2030 as a result of the carbon tax ...” (<i>Tony Abbott, second reading speech, 14 September 2011</i>)</p>
<p>And entire towns like Whyalla will be wiped off the map.</p>	<p>“We had the AWU in South Australia just today predict that Whyalla and Port Pirie would be wiped off the map if the carbon tax goes ahead. But they’re not the only major centres that would be wiped off the map if the carbon tax goes ahead. The carbon tax is a deadly threat to the economies of Gladstone, many centres in the Hunter Valley, in the Illawarra, to places like Portland in Vic-</p>

toria and to the **Latrobe Valley**, to places like **Kwinana** in Western Australia.” (Tony Abbott, Doorstop, Newman WA, 19 April 2011)

See Chapter 11 for the actual outcomes in each of these areas of attack for the year 2012–13.

The tone of the climate change sceptics’ campaign against Gillard and the science of climate change, which meshed with and fuelled Abbott’s, reached a defining moment on 12 July 2011. As the distinguished visiting climate scientist Joachim Schellnhuber opened a Melbourne University conference by painting a bleak picture of an unrecognisable Australia, circa 2100, a protester got to his feet and dangled a noose in front of him.³⁸¹ When the scientist later lamented that somebody could be murdered one day, the protester accused him of “squealing”.³⁸²

While the Abbott crusade was waging war at the political level, the media was enthusiastically joining in. They helped Abbott establish a sense that Australia was on the edge of disaster, carried there by cheats, fakes, crooks and incompetent liars. In particular, as we shall see in the next chapter, the media became allies with business in its fierce campaign against the tax.

³⁸¹ B. Nicholson and L. Wilson, “Climate anger dangerous, says German physicist”, *The Australian*, 16 July 2011, p. 6.

³⁸² Citizens Electoral Council, media release, 20 July 2011, cecaust.com.au/releases/2011_07_20_Climate_Science.html, accessed 19 March 2013.

7

Media agitation

Introduction

By March 2011, as Opposition Leader Tony Abbott's fear campaign reached fever pitch, the media joined him, amplifying and helping shape his messages of doom. At the same time as the campaign against the carbon tax gathered ever-greater momentum, major companies that supported the carbon price were ignored or ridiculed. Meanwhile, the media contempt for environmental groups knew few, if any bounds. While strategies of these groups were open to serious criticism, the media was determined to marginalise and ridicule them.

A vicious campaign

The media initially greeted Gillard's ascension to the leadership of the Labor Party in June 2010 positively. But a destabilising war of leaks by Rudd's circle, combined with communications misjudgments such as the citizens assembly, contributed to a poor performance during the August election campaign. This, along with a disciplined effort by Abbott, saw the newspapers turn away from Gillard. The minority government led to a dramatic escalation in the fury of public discourse, with Abbott refusing to accept the result and believing he was just a heartbeat away from becoming prime minister. He pursued every sign of weakness with a sustained ferocity that was rare in Australian history.

Newspapers mirrored this permanent election campaign and drove it. Gradually, in the case of some very influential examples, they became active participants on the side of Abbott.³⁸³

With them were many corporations and industry associations that had also flocked to the Opposition leader's banner. This suited the ideological underpinnings of the pro-business media, which became opposed to the government's climate change policies, primarily, it sometimes seemed, because they were supported by the Greens, although of course they also opposed the \$23 fixed price, regarding it as destroying the competitiveness of Australian industry.

The media played an important role in influencing public perceptions of the carbon tax impact on industry and employment. First, most citizens' knowledge of big business is gained through

the media. Second, the media set the agenda, meaning that the prominence of an issue in the media influences the significance the public attaches to it. Third, the way the media frames information enables it to suggest whether and why an issue is important, who is responsible and what might be the consequences. Fourth, the media plays an important role in the public perception of risk, particularly risks that are unknown, unobservable and that have the potential to be catastrophic.³⁸⁴ One such risk is that of major economic damage, as predicted during the campaign against the carbon tax.

Stakeholders wanting to contribute to public discourse seek to use mass media to frame perceptions of environmental issues in ways that benefit them.³⁸⁵ Those sections of industry campaigning against the tax seized the media agenda, with news and commentary skewed heavily in their favour. MPs and industries opposed to the carbon price thoroughly dominated public discourse.³⁸⁶ On one level this was as it should be: they were dominant in both their numbers and intensity. But many major companies that supported the tax were excluded from coverage, sometimes entirely. Pro-tax advocacy groups were mentioned just to be attacked. Those chosen to speak were provided with legitimacy, and they became the “primary definers” of the campaign’s stance and tone.³⁸⁷

The author searched three newspapers – the *Australian* national broadsheet, the *Age* Melbourne broadsheet and the *Herald Sun* Melbourne tabloid – in the period between 24 February 2011 and 11 July 2011 in the Newsbank database for “carbon tax” or “carbon price”.³⁸⁸ The articles retrieved in that search were evaluated to determine whether they were predominantly about the views of Australian business on the government’s carbon tax plans. Those meeting this criterion were then characterised as being in favour of, opposed to or neutral

³⁸³ K.A. Walsh, *The Stalking of Julia Gillard: How the Media and Team Rudd Contrived to Bring Down the Prime Minister*.

³⁸⁴ A. Dirikx and D. Gelders, “Newspaper communication on global warming: different approaches in the US and the EU?”, in A. Carvalho (ed.), *Communicating Climate Change: Discourses, Mediations and Perceptions*, Centro de Estudos de Comunicacao e Sociedade, Universidade do Minho, Braga, 2008, pp. 98–109.

³⁸⁵ M.T. Boykoff and J. Smith, “Eleven media presentations of climate change”, *Routledge Handbook of Climate Change and Society*, Routledge, Abingdon, 2010, p. 210.

³⁸⁶ P. Chubb, “Really, fundamentally wrong: media coverage of the business campaign against the Australian carbon tax”, in E. Eide and R. Kunelius, *Media Meets Climate*, Nordicom, Gothenburg, 2012, pp. 179–95.

³⁸⁷ N. Young and E. Dugas, “Representations of climate change in Canadian national print media: the banalization of global warming”, *Canadian Review of Sociology/Revue canadienne de sociologie*, vol. 48, no. 1, 2011, pp. 1–22.

³⁸⁸ *The Age* is technically no longer a broadsheet, having moved to a small format, but I will continue to refer to it by its previous description to denote its “quality”, as distinct from the more “popular” *Herald Sun*.

about the government's carbon tax proposal. The results are in Table 1.

Table 1: Newspaper analysis

NEWSPAPER	FOR	AGAINST	NEUTRAL	TOTAL
AUSTRALIAN	29	152	38	219
AGE	37	52	43	132
HERALD SUN	4	48	7	59
TOTAL	70	252	88	410

In the two (then) broadsheets, the majority of these articles were highly visible in the news sections (147 in the *Australian* and 78 in the *Age*), while almost half of the *Herald Sun's* articles (26) were in the business pages and therefore much less prominent. The stories that appeared in the news sections were often on the front page, including 42 of those in the *Australian* and 18 of the *Age* stories. Only four *Herald Sun* stories enjoyed page-one treatment. In the broadsheets, in particular, the stories were also very detailed, with almost half them being longer than 600 words.

The tone of the business campaign was as menacing as the Opposition leader's. This is captured through a selection of headlines from the three papers examined.

Ruin looms on tax (*Herald Sun*, 23 March 2011)

Industry warns tax will hit your food bill (*Herald Sun*, 19 April 2011)

Carbon slug on housing – industry compo call (*Herald Sun*, 21 April 2011)

Power chief's warning: you'll pay for this mess (*Herald Sun*, 23 May 2011)

Plan will damage our industry, say farmers (*Herald Sun*, 31 May 2011)

Carbon tax "to hit carmakers" (*Herald Sun*, 9 June 2011)

Tax could double price of power (*Australian*, 26 February 2011)

Full cost would cripple companies – climate gamble (*Australian*, 26 February 2011)

Doom the only carbon tax certainty (*Australian*, 12 March 2011)

Corporate leaders warn of sovereign risk and breakdown in trust (*Australian*, 16 March 2011)

Talk of carbon tax already pushing up power prices (*Age*, 1 March 2011)

Emissions reduction tax a revenue earner (*Age*, 10 March 2011)

Gillard fesses and fudges in carbon slide (*Age*, 18 March 2011)

Builders give carbon tax the thumbs down (*Age*, 1 June 2011)

A particular feature of the Australian media is the concentration of its newspaper ownership, with just two companies dominating. These are Rupert Murdoch's News Corp and Fairfax Media, with the former significantly bigger. News Corp owns the *Herald Sun* and the *Australian*, which led the media onslaught. It has been accused of standing out in the aggression of its anti-government coverage.³⁸⁹ The Fairfax newspapers, including the *Age*, although they carried some more balanced reporting, along with more comment that supported carbon pricing, were also caught up in the excitement. Their contribution is generally overlooked in the Murdoch criticism that followed.

Merchants of doubt

In recent years the world has witnessed a struggle between market fundamentalism and environmentalism in the disputes between climate scientists and the sceptics whose task is to baffle and confuse ordinary citizens to erode their conviction about the need to do something about climate change. The sceptics have been termed "merchants of doubt", who see government intervention, regulation and tax as evil. Supporters of government efforts to act on climate change are branded as enemies of western capitalism.³⁹⁰

Throughout the climate policy debate in Australia, expressions of out-and-out climate change denial by corporate opponents of the tax were very rare. Many corporations and industry groups, such as the Australian Coal Association, claimed to accept the science, just as Tony Abbott did most of the time. But ultimately those powerful elements of the business community that battled the carbon tax fought side by side with the anti-science forces in the nation's political leadership and media. And they did it while obscuring the difference between their own interests and the interests of the nation.

Combet, who had been a mining engineer before becoming a full-time union official and MP, and who represented a coal-mining constituency in his NSW seat of Hunter, singled out the Australian Coal Association for some especially harsh criticism: "They came in with bullshit.

³⁸⁹ W. Bacon, "Media coverage of climate change in Australia 2011: part I – climate change policy", Australian Centre for Independent Journalism, 2011.

Some of them don't know me, they are foreign executives who are reasonably recently here and they don't know my history, they should have read the bio, but they came in with some bullshit trying to mumbo-jumbo me." Wayne Swan was particularly critical of the coal-fired electricity generators. "It was clear that their intent was to try it on with the government," he said. "My overwhelming view was that their claims were unfounded and a lot of them were engaged in the equivalent of throwing hay-makers." One staffer described the generators as "vexatious".

Invisible support

At the same time as the campaign against the carbon tax gathered ever-greater momentum, the companies that supported the carbon price were being ignored or ridiculed. A reading of non-mainstream media, mostly blogs and climate change newsletters, along with a small number of articles in the newspapers, provided the names of many major companies that supported the government's plans, including two of Australia's biggest banks (Westpac and National Australia Bank), Qantas, Origin Energy, Shell Australia, BP, Woolworths, Suncorp, AGL Energy, GE, Linfox and Pacific Hydro. Despite their national and international importance, none of these companies received more than a handful of mentions in the mainstream media noting their position. Some did not appear during the period in question at all. The debate was conducted as though the opponents of the government were speaking on behalf of all of business. When some of the wilder claims were made by, for example, the coal industry, balance was hard to find.³⁹¹

A study of the carbon tax debate in 2011 throws up some interesting observations of the forces unleashed when a government decides to influence energy choices. For example, on 5 May 2011 the *Australian* led with the "exclusive" that Westpac, Australia's second-biggest bank and a known supporter of carbon pricing, had "joined the carbon tax revolt".³⁹² The first paragraph of the story read: "Westpac chief executive Gail Kelly has joined the growing criticism of Labor's carbon tax, declaring an emissions trading scheme better for business and warning the 'uncertainty' caused by the lack of policy detail is affecting her customers." The story then moved away from Westpac for ten paragraphs. When it returned, it quoted Kelly saying that a "market-based mechanism is the best way to drive the innovation to new technology and new

³⁹⁰ Oreskes and Conway, *Merchants of Doubt*.

³⁹¹ J. Holmes, "Running a serious newspaper", *Media Watch*, 20 June 2011, www.abc.net.au/mediawatch/transcripts/s3248772.htm, accessed 24 September 2012.

³⁹² S. Murdoch and S. Maher, "Westpac chief Gail Kelly joins carbon tax revolt", *The Australian*, 5 May 2011, p. 1.

methodologies – that has been the best approach. A carbon price is one step towards an emissions trading scheme and I think we need to remember it is only one of the solutions that you should be putting in place.”

Kelly was unhappy with the way her statements were framed by the *Australian*. She appeared on ABC Radio National on the same morning to express her frustration: “That headline is just straight out wrong, really fundamentally wrong and quite annoying, actually.” But the *Australian* refused to acknowledge her view.³⁹³ The following day, on page two, under the headline “Kelly welcomes promise on details”, the newspaper reported, “Mrs Kelly yesterday criticised the *Australian*’s headline ‘Westpac joins carbon revolt’, saying it was ‘fundamentally wrong and annoying’. However, she did not back down from the story. She said the bank’s position on carbon has been consistent and long-held, as the *Australian* reported.” The newspaper was deliberately creating confusion. Kelly was supporting carbon pricing via a market mechanism and was not opposing a fixed price (“tax”) as an interim measure.

If Westpac emerged bruised, one of the most vigorous opponents of the government’s proposal, the Australian Coal Association, was able to achieve significant uncritical prominence, particularly in the *Australian*, for its extreme attacks. On 14 June, a page-one headline said: “Carbon tax ‘will cost 4000 coal jobs.’” The story claimed that “explosive economic modelling warns that the carbon tax could force eight black coalmines to close”, costing more than 4000 jobs in its first three years. But this analysis was arguably wrong. Three days later, under the headline “Carbon analysis rebuffs miners”, the *Australian* ran a story that Citi analysts had disputed the earlier report, arguing that “even a \$50-a-tonne carbon tax would have minimal impact on the country’s biggest miners”. But the *Australian* treated the views of Citi with contempt. While the claims of mine closures were the main story on page one, the coverage of the Citi analysis appeared on page twenty-five, inside the business section.³⁹⁴

Global giant GE, one of the companies most active in the campaign in support of the government, suffered a fate similar to Westpac. GE, which has major investments in renewable energy, issued a media release on 24 February welcoming the government’s announcement as being necessary to tackle carbon emissions and the threat of climate change. On 13 April 2011 the company was joined by a number of others, including AGL, Linfox, Fujitsu, BP and

³⁹³ J. Holmes, “The headline maketh the story”, *Media Watch*, 9 May 2011, www.abc.net.au/mediawatch/transcripts/s3211910.htm, accessed 22 September 2011.

³⁹⁴ Holmes, “Running a serious newspaper”.

IKEA, in issuing a statement backing the government. These organisations represented a diverse range of industries, including infrastructure, IT, energy, capital, construction and resources.

On 16 May GE released the results of a survey it had commissioned, which showed that Australian business was ready to move to a low-carbon economy, but that an unclear regulatory environment was hampering progress. The survey of 131 senior executives across a broad mix of industries found that more than half (54 per cent) felt their organisation was ready for a low-carbon future, with the vast majority (70 per cent) already implementing strategies to reduce their own carbon emissions. On 26 May GE issued the results of a report it had commissioned that revealed it was possible for economies to reduce carbon emissions while maintaining economic growth and prosperity, and that Australia was lagging behind its trading partners in achieving this.

GE's campaign to balance the polluting industries achieved little coverage in the main news, business or opinion pages of Australia's newspapers, and virtually none in the *Australian*, which ran one article on 21 May. The Melbourne *Age* ran inside stories on 14 and 16 April and again on 16 May. The *Herald Sun* ran two short news articles in the business section on 11 April and 16 May, although the latter was followed soon after by an opinion piece from a staff columnist abusing GE for being "just another part of the great anti-carbon dioxide main-chancing hands-in-your pockets caravan".³⁹⁵ GE was attacked, or simply ignored, on the grounds that it had a conflict of interest. But every business engaged in this debate was conflicted.

GE set out on a deliberate course to provide the Australian public with a different view than that which was dominating the media; but the media, in particular the *Australian*, was not interested in having the prevailing view challenged. The newspapers were not just covering campaigns by polluting industries and the Opposition leader, they were enmeshed in them.³⁹⁶

While GE's attempts to get media coverage received scant attention, the national media maintained a focus on Hazelwood power station, where jobs were said to be "bleeding out" as it awaited its fate. According to the *Australian*, a Latrobe Valley small business operator, Ross

³⁹⁵ T. McCrann, "Brazen? You're getting warmer", *The Herald Sun*, 17 May 2011, p. 29.

³⁹⁶ Chubb, "Really, fundamentally wrong".

Bertoli, was watching his engineering company shrink as the future of Hazelwood, his largest client, remained in limbo. “We’ve seen workloads from Hazelwood cut in half,” Bertoli told the *Australian*. “This area’s taken so many hits, my feeling is that we’re invisible.” The newspaper reported that Bertoli’s experience suggested the power station might be about to close.³⁹⁷ Investigations by the author in the Latrobe Valley appeared to show that Bertoli’s was the only business claiming damage had occurred.

Say no to environmental campaigners

The media’s commitment to helping defeat the government’s plans was most obvious in its treatment of environmental groups. While strategies of these groups were open to serious criticism, the media’s determination to marginalise and ridicule them knew few, if any, bounds.

Environmental groups entered 2011 still smarting from the Rudd-era criticism that they had played a destructive role, that they were too remote, critical and “pure”. The ACF called meetings of many of the groups after the election in 2010 to explore the prospects of a progressive coalition to back and help shape plans for carbon pricing. Combet said he told them they had “divided the progressive side of politics” and “undermined our capacity to tackle climate change”. He claimed to have said, “If we are going to get this through and we were up against Tony Abbott and climate change sceptics and [Sydney radio broadcaster] Alan Jones and a hostile number of stakeholders in the business community, then those who support action on climate change have to have a unified view, put aside differences and stop obsessing about targets.”

Whatever the impact of Combet reading the riot act might have been, this time nine pro-carbon-price advocacy groups formed themselves into a fighting force called Say Yes Australia. Through the followers, members and contact lists of its affiliates, the organisation claimed to reach more than 3 million people. Members included the ACF, Greenpeace, the Climate Institute, GetUp! and the WWF. The ACTU was also a part of it, marking the first time it had ever joined with the likes of Greenpeace. Most of the groups had not been a part of the SCCC, which had supported Wong’s May 2009 version of the CPRS, and a number of them had been trenchant critics of that process. Say Yes was to be the broad-based progressive alliance providing the communications support that had been so obviously lacking during the Rudd fiasco. There was a campaign budget upwards of \$2 million.

³⁹⁷ B. Smith, “Businesses suffering as station cuts back”, *The Australian*, 7 July 2011, p. 5.

While there was more support for the initiative from within the green movement than there had been for the SCCC, there was still controversy. The fact that Say Yes came together before any agreement on the carbon-pricing package meant it did not know the detail of what it was supporting. Critics saw this as an acceptance both of political incrementalism and the professionalisation of activists. These were trends, they argued, that combined to de-radicalise the movement, meaning they would not advocate policies that either reflected the scale of the climate change challenge or that risked putting the Labor Party offside. It was certainly true that Say Yes supported policies in 2011 that most of its member groups had opposed in 2009.

Say Yes marched ahead of its critics. An early 2011 strategy paper said the purpose of the campaign was to “build and energise the necessary public support for national legislation on pollution and climate change in 2011”. A July strategy update set a target of increasing support in opinion polls from 39 per cent to 49 per cent by the end of November, which was ambitious.³⁹⁸

Ultimately, of course, there was a decline in support for carbon pricing. In this respect the campaign was a failure. Furthermore, its planned climax in mid-2011, which was fashioned against advice from a number of officials, did serious damage. The campaign was to star internationally renowned Australian actress Cate Blanchett, who agreed to take part in a television advertisement supporting carbon pricing. Say Yes decided that her involvement would most appeal to tabloid audiences. They had in mind particularly the *Sydney Sunday Telegraph* and the Melbourne *Herald Sun*. The alliance gave the tabloids the exclusive story that Blanchett was coming on board.³⁹⁹

Far from achieving prominent, celebrity-focused soft stories, the decision backfired horribly. For the seven seconds that the actress appeared in the thirty-second television advertisement, she generated a deluge of negative column centimetres in News Corp publications around the country that took more than a week to play out. She was attacked on the grounds that she was a

³⁹⁸ This analysis of Say Yes relies on interviews with participants and also on M. Steketee, “When Greens eat themselves”, *The Global Mail*, 17 October 2012, www.theglobalmail.org/feature/when-greens-eat-themselves/432/, accessed 15 December 2013.

³⁹⁹ M. Grattan, “Surprising twists in carbon debate analysis”, *The Age*, 4 June 2011, p. 4.

“multi-millionaire ambassador for luxury car brand Audi”.⁴⁰⁰ On the same day, and in the same paper, there was an opinion piece headed “Pampered star is high priestess of hypocrisy” and a page-one article headlined “Carbon Cate – \$53m Hollywood superstar tells Aussie families to pay up”.

The moniker “Carbon Cate” became the tagline for the News Corp campaign against Blanchett. Melbourne’s *Sunday Herald Sun* headline was “Give us a break, Catey”. Another headline was “Carbon Cate’s TV row. Star criticised for ‘self-indulgent ad’”. Coverage of the issue spiked on 31 May 2011, with eighteen articles published mentioning Blanchett’s role in the advertisement. Negative reportage of Blanchett’s involvement continued solidly until 5 June.

The attack against Say Yes and Blanchett was extreme. At the same time, blame attaches to the environmentalists for giving the tabloids the opportunity. An evaluation undertaken by research firm Think: Insight & Advice concluded: “The two biggest criticisms of Say Yes from both inside and outside the Coalition were that ‘we were speaking to ourselves’ or that we were speaking only to ‘the politicians in Canberra.’” Particular criticism was reserved for the highest-profile event of the campaign – the Blanchett advertisement. The analysis shows that the ad went ahead despite a number of warnings that involving Blanchett would be seriously out of touch. The impact of the controversy was very damaging. “The highly charged political environment scared away potential supporters and turned off up to 30 per cent of donors, according to one fundraiser,” the report said. According to the report, “Potential corporate supporters ... also withheld critical public support for the campaign out of fear that their brands and reputations might be the next target of News Ltd tabloids and the shock jocks.”

According to the report, Say Yes suffered from a leadership deficit. While the formation of the coalition was a tremendous feat of negotiation, “the effort that went into bringing and keeping such a large and diverse group together meant that there was little energy, or time, for much else”. There was “much more talking than doing”.⁴⁰¹ A government staffer complained that “they were so proud of getting their bloody coalition together that they lost sight of what they were meant to be doing”.

Environment groups regarded this criticism as unfair. The coalition was the first time ever such

⁴⁰⁰ B. Hills et al. “Carbon Cate – \$53 million superstar tells Aussie families to pay up”, *The Sunday Telegraph*, 29 May 2011, p. 1.

⁴⁰¹ Steketee, “When Greens eat themselves”.

a broad group had come together, with a common aim but very different politics and values. Command and control-style leadership was simply not possible. This fact in itself, however, demonstrates the difficulties in trying to establish progressive coalitions. The government believed that after the Blanchett debacle, Say Yes folded its tent and took off home. Certainly the coalition was not then heard from much. In interviews for this thesis, campaign leaders argue the turning point was not the ads, but the fact that the policy was announced, which occurred around the same time. Their work was done. Environmental groups did not know how to support a piece of government policy. By nature they were essentially oppositional.

Slush funds

Another government staffer believes too much work was left to environmental groups in the period prior to the announcement of the Gillard government's carbon-pricing package on 10 July 2011. The government was overly focused on the policy detail, and its communications silence failed potential allies. There was an attempt to do better from July onwards. The first step was to allocate \$3 million in the CEF package for what were called ad hoc grants. These essentially formed a slush fund under the control of the minister for the use of environmental groups. There were no guidelines and no formal application processes. The government solicited projects based on conversations. Up to twenty communications grants were signed off in a matter of a few months in mid to late 2011.

Some of the groups that benefited were members of Say Yes. The ACF received \$398,000 to fund a series of presentations to workplaces and in community settings on climate change, from people trained by the movement started by former US vice president Al Gore. The Australian Youth Climate Coalition received \$271,000 for two forums in Brisbane and Perth on combating climate change, while the Climate Institute received \$250,000 to work with ACOSS and Choice to produce an independent assessment of the impacts of the carbon price on the cost of living.⁴⁰² A more structured grants program of a similar size began in early 2012 and continued through 2013. The government spent more than \$5 million on these types of grants to help mobilise the environmental movement. While some of the projects were no doubt worthwhile, the overall impact was marginal.

Environmental groups are open to the charge that they preach to the converted. But even more damaging is the fact that their climate change communications did not work because

⁴⁰² S. Maher and L. Vasek, "Green groups get \$3m from ALP's largesse", *The Australian*, 18 October 2011, p. 8.

they were fundamentally poorly conceived. Trying to convince voters to change their views on the need to accept a cost-of-living increase requires much more than an appeal to science and a celebrity. A measure of the failure of the communications efforts of these groups is seen in the success of the anti-government campaigns that ran in 2011.⁴⁰³

New paradigm

The Minerals Council of Australia, by contrast, was thirsting for money to expand its spectacularly successful attacks. In August 2011 the Council's chief executive, Mitch Hooke, while trying to raise funds, argued that its campaign against the carbon tax represented a change in the way lobbying was done in Australia. Hooke, a career lobbyist, wrote to council members: "The board recognises that over the period of the past four years, there has been a profound shift in the manner of public policy development and implementation. The new paradigm is one of public contest through the popular media more so than rational, considered, effective consultation and debate."⁴⁰⁴ This was a startling acknowledgment of the demise of rational debate, as cashed-up lobby groups like the Minerals Council and the Coal Association instead used the media to advance their interests, in the knowledge that some agenda-setting outlets would treat them uncritically.

Interviewed for this project, Ross Garnaut explained the position of Hooke and other anti-tax lobbyists by the fact that, unlike with the CPRS in 2008–09, the policy formulation process in 2011 was open and transparent. All the issues were argued out from different perspectives, "so the secret deal was less prominent in 2011. They'd been disappointed in the private deal-making; they had to argue their case on rational grounds and weren't doing so well in that, so were looking for new instruments."⁴⁰⁵ Speaking at the time, Garnaut noted a change in the tone of the "public contest". He addressed the National Press Club on 17 March 2011, saying, "I think ... the current discourse is less civilised than that in the old political culture. It's noisier, more ignorant ... people are more comfortable with shouting ignorant slogans."⁴⁰⁶

Observers have argued that the existence of the minority government was partly responsible for the change in the atmospherics. The argument is that when numbers are so tight, politi-

⁴⁰³ S. Copland, "Turning values into (direct) action", *Inside Story*, 24 September 2013, inside.org.au/turning-values-into-direct-action/, accessed 4 December 2013.

⁴⁰⁴ L. Taylor, "Year of the faux protester", *The Sydney Morning Herald*, 24 December 2011, p. 10.

⁴⁰⁵ R. Garnaut, interview with author, Canberra, 20 December 2012.

⁴⁰⁶ R. Garnaut, speech to National Press Club, 31 May 2011, www.garnautreview.org.au/update-2011/events-speeches/transcript-final-report-launch.pdf, accessed 28 August 2012.

cians become more than usually nervous that unforeseen by-elections could occur during temporary slumps in voter support. This means corporations see the act of trying to sway government through public opinion as more effective than through direct lobbying and political donations. This may help to explain Garnaut's observation that there was more behind-the-scenes deal-making in the Rudd era. On the other hand, it is also true that the most expensive onslaught of advertising and publicity occurred at the end of the Rudd era, with the mining industry campaign against the Resource Super Profits Tax. In 2009–10, third-party political advertising expenditure exceeded \$25 million, a large portion of which was spent by mining interests: the Minerals Council of Australia at \$17 million, BHP at \$4.2 million and Rio Tinto at \$500,000.⁴⁰⁷

In 2011 many business groups ran a campaign to seize the agenda. Their campaign depended on the media and the public overlooking their fundamental profit motive and being willing to treat their views as having a claim to truth. Australia is not alone in grappling with the issues raised by corporations claiming to have moral standing and being enthusiastically backed by conservative power centres. In the *New York Times* in October 2011, Gary Gutting observed that in debates over public policy, the immense financial resources of corporations give them a privileged position to argue not for what they think is the truth but for what promises to promote their profits.

It's a sign of corporations' power that their views are often treated on a par with those of advocacy groups that are, at least to some serious extent, arguing for what their members actually believe. In debates on any issue affecting them, the arguments that corporations advance receive extraordinary consideration, even though we know full well that corporate views express not convictions but self-interest.⁴⁰⁸

Public opinion poll evidence suggested that the campaign hit its target. Support for the government dropped to a record low in September 2011, the lowest in the history of Australian polling. Throughout the fierce onslaught, members of the MPCCC were worried that Gillard would cave in to the pressure. They half-expected to wake up one morning to headlines trumpeting her retreat. They did not know her real capabilities, and they learned a big lesson in political courage as

⁴⁰⁷ M. Priest, "Climate of chaos: the backroom deals that set a government's agenda", *Australian Financial Review*, 27 April 2013, p. 42.

they went. The damage, meanwhile, was truly severe. While there would be rare points of minor recovery in coming years, the government barely improved its support, a disaster that led directly to Rudd's return in June 2013, the heavy defeat of Labor at the subsequent election in September and the destruction of the Clean Energy Future package the following July.⁴⁰⁹

While these various disasters lined up at the gate, the shocking reality is that in most cases, through inept political strategy, the prime minister and her government deserved all that befell them. The next chapter analyses the Gillard decision to open the door to her enemies and stand aside to let them enter.

⁴⁰⁸ G. Gutting, "Corporations, people and truth", *The New York Times*, 12 October 2011, opinionator.blogs.nytimes.com/2011/10/12/corporations--people--and--truth/, accessed 13 October 2011.

⁴⁰⁹ D. Shanahan, "Tony aims to crush Julia while he can", *The Australian*, 22 September 2011, p. 1.

8

Dead silence

Introduction

While the media's conduct was quite extreme, the government pursued a fundamentally flawed communications strategy between February and July 2011. Gillard made a deliberate decision to focus on policy development, in the process ignoring the fact that her credibility was being destroyed. By the time ministers lifted their heads the damage was done. The government lost the climate policy argument in five months in 2011 and never regained its balance. The extent of the battering – and the shocking drop in the polls it endured – led Kevin Rudd to believe he could make a comeback. From late 2011 to June 2013 he never lost an opportunity to undermine Gillard in the eyes of the public and the view of her colleagues.

Eyes off the ball

Gillard came to office in June 2010 with a deep understanding of the consequences of Rudd's disdain for communicating with voters about the detail of the CPRS. She knew his silence ultimately caused the scheme's demise. She believed the government needed to start building support for carbon pricing from the ground up. This insight was expressed, albeit clumsily, in the proposal for a citizens assembly. She then grasped a completely unexpected opportunity to act quickly, which was created by the hung Parliament. In the process, she set aside what she had learned the first time and committed exactly the same mistake as Rudd. For the crucial months between February and July 2011, Gillard ignored voters. The circumstances and reasons were both different, but the effect was similar. While Gillard achieved success in getting her scheme through Parliament, the political cost to her was so high that the cause of effective carbon pricing was put back by many years.

A public service adviser noted, "It was the death of a thousand cuts; it was lost in those months in 2011. While Combet was negotiating the package, and that was a herculean effort, they all took their eye off the ball." There were frequent and increasingly urgent suggestions, mostly informal, sometimes in a written brief, imploring the prime minister to initiate some form of even "soft" campaigning to fill the void. There were PowerPoint presentations, draft ads, suggestions for announceables – everything was tried. They were repeatedly met with the refrain: "Nope: we have to have a package to sell before we get out there – better to say nothing than either say the wrong thing or compromise the multi-party negotiations."

This conscious decision to remain silent was taken after consideration of all the advice to the contrary. Criticism of Gillard that she had a “tin ear” began to circulate, even among some of her loyal friends. It was unclear to observers outside the PMO whether the silence was because of the leader’s tone-deafness, the groupthink that some believed permeated the team around her, or both.

Inside her office, most were as embroiled in the work of getting a result from the MPCCC as the leaders. The process was long and uneven, with important details not finalised until near the end. Gillard and Combet believed that fighting back against Abbott and his allies in business and the media risked inadvertently alienating Greens or independents. The process was complicated by the fact that inside the MPCCC the government had to negotiate with two groups – the Greens and the independents – that came from opposite positions. One participant noted that “when you are dealing with external members of the Parliament, you don’t have the luxury of knowing where it’s going to end up.”

The consequences of a mistake could have been no deal at all and quite possibly the end of the government. It was felt that only when the MPCCC had reached an agreement could the government mount an argument in support of it. Gillard notes that her focus and that of the team around her was on finding a way to “herd” the disparate members of the committee into an agreement. They found this “hard enough”. She said, “Our focus was on that rather than on the public communications associated with it.”

An adviser said: “So we took a decision not to say anything until we had the whole deal. And when you talked it through, it didn’t feel like we had any other option.” One public service source said, “People underestimate how delicate the negotiations were. It only takes one newspaper article, or one person to say something wrong, to change the way somebody acts throughout a negotiation. No one should assume it was a *fait accompli* that there would be a deal.” Combet claims it was never certain that agreement would be reached, and he was “terribly worried for a long time about being able to pull it all together and to pull off the negotiations”. He received universal respect for the effort he put into policy development and the fact that agreement was achieved. The government was thus engrossed almost exclusively in policy development. When the fierce reaction to the 24 February announcement started, and for months afterwards, Combet was locked away, buried in spreadsheets, negotiating with the main stakeholders and working hard to get broad agreement at the MPCCC for the best policy outcome.

Interviewed for this thesis, Combet said, “I’ll take the criticism about the communication.” But he also was keen to point out the complexity of his task and how much of his time and attention it took. “This had to be stress-tested very thoroughly. We had spreadsheets, very large spreadsheets, in front of us looking at all of these elements, and different sensitivity analyses of carbon pricing impacts.”⁴¹⁰ In this comment he has put his finger on many of the things that went wrong for the government in 2011 and beyond. People said that working for Rudd was death through detail. But the Gillard government’s communications agonies in 2011 sprang from a similar managerial impulse to deal with policy detail down to microscopic levels. Combet’s work was brilliant, but the government was overwhelmed by its refusal to make quick decisions in advance of analysis.

Some of Gillard’s colleagues argue that her long-term focus and conviction that a year of lived experience would put paid to scare campaigns and fear cost her dearly by making her overconfident she could retrieve the situation. Others reject this interpretation, arguing that Gillard was being buffeted by Rudd as well as by the anti-carbon tax locomotive, and the only way she could display leadership to her colleagues was to argue that the situation would improve once people lived through the experience. It was the best argument that she had to mobilise and then keep people together. Was she making that argument while resting on her laurels? The answer to this was definitely not, according to one senior colleague: “I don’t think it was a real deep-seated conviction that everything will be right as much as it was part hope, part conviction and also part ‘This is what I need to do to allay the fears of people on my own side.’”

There is a view in some sections of the government that while Combet was in his bunker suffocating in spreadsheets, Gillard should have been organising the ALP team, the ACTU, environmental groups and other supporters into a more effective fighting force. One insider said, “To think Greg could do it alone would be too much to expect of one human being whose expertise and time were in the policy design. I don’t think he got the support he should have, which is pretty terrible.”

The voters, meanwhile, were on red alert for signs of climate policy incompetence. The anti-government attacks raged in a context forged by the earlier Rudd-Wong communications failures. Other factors were added to the brew, including Copenhagen, the tragedy of the home insulation program, the abandonment of the CPRS, the widespread ridicule of the citizens assembly idea and Gillard’s own goals of 24 February 2011, when she had announced the out-

⁴¹⁰ G. Combet, interview with author, Melbourne, 17 October 2012.

line of carbon pricing and agreed that the three-year fixed term could be called a tax. Whatever the government decided to do, it would have an uphill battle to gain public trust.

Government shocked

Another factor that led to the silence was that ministers and staff simply were not prepared for the ferocity of the opposition campaign. The government believed the public had accepted that a price would be imposed on carbon when the September 2010 agreement to set up the MPCCC was announced. They thought that if they were to face an attack for breaking an election promise, it would have begun in September 2010. They saw 24 February as a reiteration with a bit more detail of what was already known. Their critics believed this was where an element of mass delusion came in. In their minds, they were introducing a huge and historic economic and environmental reform. To the public, they were introducing a tax, which was something they had pledged not to do.

The then parliamentary secretary for climate change, Mark Dreyfus, said:

I think that when the ferocity of the attack became clear – and the direction – which was to attack the prime minister’s credibility using some phrases that came from the campaign taken out of context – with hindsight I’d say we might have done it differently, perhaps counterattacked more vigorously at the time. I don’t think we anticipated where it was going to go.

Gillard said, “I was a bit surprised by the business community. I can understand them being worried about Greens playing too much of a role in a minority government. It’s rational to be concerned about that. I thought I could satisfy their concerns on that. And the final formation of carbon pricing ought to have satisfied their concerns.” Gillard worked hard with business groups for what she would describe as a “fair go”. She often had them come to the Lodge or Kirribilli to discuss their issues. Despite appearances generated by the media onslaught, business did not represent a homogenous group. Aside from the companies that supported the tax, the government saw other distinctions. A senior adviser believed that the Australian Industry Group, for example, representing more than 60,000 businesses, some of which had a lot to lose, operated rationally. On the other hand, a front group run by prominent business leader and climate change sceptic Dick Warburton took a purely political position. The government was deeply disappointed in the role played by the Business Council of Australia,

which represents the CEOs of Australia's largest companies, regarding it as lacking courage and integrity.

Gillard's undoubted ability to negotiate good outcomes in small groups was not enough to win over important business lobbyists. By this time some of them were firmly in the Abbott camp, believing that to make an arrangement with the prime minister would be to alienate the next prime minister, whose victory was inevitable. Many of these groups had swallowed Abbott's overheated claims that the fall of the government was imminent.

To Gillard and Swan, there is also a nagging unanswered question that takes us right back to beginning of the Rudd Labor government in 2007. There was one other major election issue that year, aside from climate change. This was WorkChoices, the 2005 suite of major industrial relations reforms brought in by the Howard government with the enthusiastic backing of business. The policy, intended to improve productivity, included a number of provisions to reduce workers' rights and entitlements and undermine union power in the workplace. The policy was bitterly opposed by the unions, which campaigned against it powerfully and successfully (and in doing so created a template eagerly followed by business in its dealings with the Rudd and Gillard governments). Business had worked hard to get the Howard government to enact WorkChoices and had a deep attachment to it. But Labor promised to overturn the policy and, with Gillard in charge of the workplace relations portfolio, acted soon after assuming office.

Gillard and Swan raised the question, in interviews for this thesis, whether the bitterness of the business campaign against the carbon tax was related to the decision to overturn WorkChoices. Gillard said she considered it possible that business saw its interests being best served by an election, a conservative government and a revisiting of industrial relations rules. Swan was more forthright, though he acknowledged he had no evidence for his suspicions. He said the government came up against Australia's entrenched vested interests, which were determined to "smash us and smash us and smash us again".

I think the power of corporate Australia when they don't want to do things or go along with things is pretty big. And when you've seen the way they operate behind the scenes, through climate change and through mining tax issues, they are brutal, they are powerful, they are selfish, they take no prisoners. And my other point that I'd leave you with is that the power that business expects to exercise in our democracy is far in excess to the amount of power it ought to have.

Gillard argued that there were "things you couldn't wash away even with a better communi-

cations effort.” For her, a government has two choices in how it communicates with the business community. “The first is the government develops a fully formed proposition and then shows it to them at the end. That’s the style of the Resource Super Profits Tax, and we can see what happens with that approach.” The second, and the one adopted by her government, is: “You invite business into consultations, which means inevitably you’ve got to put up with a period of time where people are running around screaming about what’s happening and those that are implacably opposed are making hay with it all.” She said that, “while that’s happening, the government is engaged in the fight with its hands tied behind its back” because final decisions have not been made. “And there are leaks, and it’s usually the strongest opponents who have got the greatest motivation to leak, so it’s shock-horror leaking, it’s never, ‘Gee, it’s going very well, and we’re getting a respectful hearing when we put forward our case.’ Nobody bothers leaking that, and if they did nobody would publish it.”

Gillard said that a second item that would not be washed away with better communications was the role of the Opposition. “They decided to wreck the joint,” she said. “It was a conscious political decision to make the Parliament unworkable and the country ungovernable, to try to force an election. There is not a strong history of minority government at the national level, but there is at state level. And it’s never been subject to such a campaign before.” She said she always thought the government would have to endure a lot of “incoming missiles”.

But there were edges to what the Opposition was prepared to do that surprised me ... [Abbott] was prepared to get a very big tiger by the tail and have it roar for him through his people’s revolt coalition of climate change sceptics, people who were against having a woman as prime minister, people who were far right-wing in their politics ... he brought them in and used them.

Observers say that Gillard showed great personal resilience in the face of the onslaught. She was usually at the top of her game, no matter what kind of day she was having. Her shoulders sometimes dropped slightly in cabinet meetings, but mostly her response to bad news or the general zeitgeist was to be stoic and move on to the next topic. One observer remembers:

There was one example I can remember of her being late to cabinet and coming in to the room looking breezy and quite together, and then I read in the press the next day that the meeting which made her late was a quite heated discussion with a couple of factional leaders about their wavering support for her. She must have been under

immense pressure, but it never really showed, even in a reasonably closed forum like cabinet. She never lost her cool.

Another remembers that on one occasion she was disappointed at the serious lateness of an item for cabinet consideration, which she had wanted dealt with urgently. “Her criticism was sharp, but measured. You could tell she was mightily peeved, but there was always an inner steel. I think that’s what made her such a good negotiator.” Gillard’s personal calm, which is testified to by all those involved, was maintained in the face of a traumatising drop in her own and the government’s popularity. This disaster was exacerbated by Rudd’s opportunism.

The prime minister’s approval rating plummeted to the second lowest on record, just exceeding Paul Keating’s 1993 result of 17 per cent, which followed a number of reverses in the context of a shaky economy and rising unemployment. Gillard’s personal brand was trashed in the course of just six months. The titanic battle over the carbon tax was only one of a number of causes for the sharp declines. Gillard had proclaimed in June 2010 that her priorities were to resolve three outstanding issues: asylum seekers, carbon pricing and the Resource Super Profits Tax. The first of these was never fixed, and the deep lows in September 2011 were significantly attributable to a High Court setback on the issue.

Table 2: Newspoll results

If a federal election for the House of Representatives was held today, which of the following would you vote for? If “uncommitted”, to which one of these do you have a leaning?

DATE	ALP%	COALITION%	GREENS%	OTHERS%
ELECTION AUGUST 2010	38	43.7	11.8	6.6
18–20 FEBRUARY 2011	36	41	13	10
4–6 MARCH 2011	32	45	15	10
8–10 JULY 2011	27	49	12	12
16–18 SEPTEMBER 2011	26	48	13	13

Table 3: Newspoll results

Are you satisfied or dissatisfied with the way [Gillard] is doing her job as prime minister?

DATE	SATISFIED%	DISSATISFIED%	UNCOMMITTED%
18–20 FEBRUARY 2011	50	39	11
4–6 MARCH 2011	39	51	10
8–10 JULY 2011	30	59	11
2–4 SEPTEMBER 2011	23	68	9
16–18 SEPTEMBER 2011	27	61	12

The mining tax was waiting to pass the Parliament in September 2011, but when it came into operation, the compromises forced on the government in 2010 ensured that it collected virtually no revenue. On one view, carbon pricing was the solitary bright spot, but not in the minds of voters.

Qualitative research conducted both for the government and for private organisations showed that the communications failures beginning in 2008 had all but destroyed the cause of carbon pricing. The research showed that ordinary voters were having difficulty in describing climate change and its causes; there was confusion between causes and effects; and the issue was almost completely dominated by the carbon tax debate. There was deep cynicism about the motivations of those on all sides of politics; people were essentially devoid of knowledge of carbon pricing; the predominant concerns were about its cost impacts; and voters wrongly believed that China and India were doing nothing, which would mean sacrifices by Australians were futile.⁴¹¹

Abbott was not profiting as much from his assaults as would be expected. Throughout his career he had mostly been a divisive and unpopular figure.⁴¹² His relentless negativity as Opposition leader was not helping shape a more appealing persona. While the government would have lost an October 2011 election in a landslide, ministers believed that Abbott's unpopularity meant there was always scope for a turnaround. The danger of them underestimating him,

⁴¹¹ R. Garnaut, interview with author, Melbourne, 20 December 2012.

⁴¹² Marr, *Power Trip*.

however, as Rudd had done so spectacularly, was ever-present.

Rudd revives

The Opposition was not the only beneficiary of the collapse in support for the government, the prime minister and the carbon pricing. Abbott was a formidable enough enemy, despite the fact that Australians did not embrace him. But an even more dangerous and damaging opponent for Gillard nested in her own cabinet, eager to seize the opportunity that Gillard's mishandling of the carbon tax communications created for him. Serving by this time as foreign minister, Rudd was making a comeback in the polls. Newspoll recorded in early September 2011 that 57 per cent of voters thought he was the best candidate to lead Labor, compared with just 24 per cent for Gillard. Gillard, who was in fact a far stronger personality, even though voters could not see this, kept him at bay. But the ultimate cost of the warfare was government.

Table 4: Newspoll results

Thinking of the leadership of the Federal Parliamentary Labor Party, which one of the following do you think would be the best candidate to lead the Labor Party?

DATE	RUDD	GILLARD
14—16 MAY 2010	45	40
4—6 MARCH 2011	44	37
15—17 APRIL 2011	36	29
2—4 SEPTEMBER 2011	57	24
23—26 FEBRUARY 2012	53	28

When Gillard's personal ratings and Labor's primary vote dropped to frightening lows, her supporters made the defence that Australian political life had seen instances in the modern era, involving the former prime ministers Keating and Howard, where recovery had occurred from apparently disastrous polling. This argument aligned with Gillard's plan to pass the CEF package in time to permit a year of lived experience of its impact. Gillard's reading of history was sound. While polls were measuring record and near-record lows, Abbott's lack of connection to voters offered the prospect of a reversal. But the self-destructive instincts of the Labor caucus began

to surface. A small but noisy band of malcontents on the backbench spent their time distinguishing the earlier periods from Gillard's, arguing that her poll figures had been worse for longer and that the government could not win with her as leader.

The *Australian*, on 23 September 2011, fired the shot that brought the period of subversion that had begun during the 2010 election into the full glare of serious analysis. Dennis Shanahan announced, "The destabilisation of Julia Gillard's leadership is under way, there is no knowing where it will end or what the result will be, but be in no doubt – it has begun." Media backgrounding by Rudd acolytes had been gaining in volume for more than a month, but now, according to Shanahan, something had changed. "What is different now within the caucus is that some Labor MPs have decided the Prime Minister's leadership is terminal and they are determined to convince their colleagues that it is so."⁴¹³

Any chance that Gillard had of recovering from the mistakes of early 2011 were destroyed as she suffered a campaign of leaks from cabinet and caucus designed to shred her authority and create an inevitable momentum for leadership change. Many voters wanted a reason to reject Abbott. But Rudd and a group of backers had continually damaged Labor's prospects. They played the game of asserting through media briefings and other tactics that Rudd would win an election where Gillard would not, knowing that the leadership speculation would diminish her prospects still further. Then, having all but destroyed Gillard's leadership from within, they scaled the high moral ground to argue that she should resign for the good of the party. Policy differences with Gillard were never the issue for Rudd, who seemed to be motivated solely by a self-righteous hunger for vindication and revenge.

This is not to say that Gillard was blameless. The capacity for self-harm that surfaced during the 2010 election campaign, then again in early 2011, was too often on display. Yes, there were mistakes. But few first-term prime ministers have experienced the same pressure. The continued subversion by Rudd, coupled with the take-no-prisoners style of Abbott, distracted her gaze, undermined her confidence and narrowed her options, creating fertile ground for error. The dimension of the errors has meanwhile obscured one of the great policy-making triumphs – and triumphs of political strategy – of the modern era. This was the Clean Energy Future Package devised by the Multi-Party Climate Change Committee.

⁴¹³ D. Shanahan, "Frustration only builds", *The Australian*, 23 September 2011, p. 12.

9

A fleeting triumph

Introduction

While the scare campaign raged, the MPCCC sat in the cabinet room, in the heart of Parliament House, dealing with its own pressures as it inched towards a new climate policy for Australia. The committee was an excellent example of innovative governance designed to enable political actors to trade resources in a bid to deal with the wicked problem of climate policy. The result was the triumph of the Clean Energy Future package, which passed the House of Representatives in October 2011.

As Hugh Compston notes, if resource exchange is to be used by policy actors to help them achieve their policy preferences, it follows that they must have a strategy, defined as a plan of action designed to maximise their chances of realising their policy preferences. Since policy network theory specifies that policy decisions are determined mainly by resource exchange, it follows that actors' strategies must include decisions about how available resources are to be deployed. Strategies must also include communicating to other actors their policy preferences, diagnoses of problems and solutions, and (at least to some extent) their intentions in relation to deployment of resources, as well as the collection of information about others actors' preferences, resources, conceptions of problems and solutions, and strategies. Forms that this communication may take include provision of information, argument, bargaining, and the making of threats and promises.⁴¹⁴

This chapter identifies the resources available to the government, the Greens and the rural independents – all major players in the policy network – and examines how they were exchanged. The government had the legal authority to write and amend policy proposals while the others had the power to approve a proposal or withhold approval unless policy concessions were made. It concludes with an evaluation of Gillard's role in making the process work. But her consultative skills were continually compromised by the overwhelming weight of the baggage she carried as a result of Rudd's mistakes as well as by her own misjudgements. The damage she suffered from industry, media, the political Opposition – and a cam-

⁴¹⁴ H. Compston. "Networks, resources, political strategy and climate policy", p.736.

paign of destabilisation from within her own party – contributed to an overall loss of authority and a devastatingly low standing in opinion polls.

The political context of the MPCCC

The MPCCC participants agreed to strict confidentiality, which they have mostly observed. It has been possible, however, by interviewing them and cross-referencing their views, to obtain a good understanding of how the CEF was developed. The triumph of the process in formulating a package that then passed through the Parliament, amid shocking rancour, has obscured just how testing the negotiations were. There were times when frustration boiled over and others when genuine despair was almost overwhelming. The compromises required to build the CEF package were hard to reach, often the result of horse-trading on a scale that would offend faint hearts.

Despite deep differences, leaking to the media was relatively rare. But when it did occur, the effects were frightening. In February 2011 an apparent leak had a drastic impact, as we saw earlier. Another apparent leak in June 2011 almost derailed the talks altogether. The then parliamentary secretary for climate change, Mark Dreyfus, spoke for all when he said, “It was a very, very interesting process but a very difficult negotiation.”⁴¹⁵

Among the many areas of serious dispute were the ones that caused the Greens to embrace Liberal Party scepticism in the Senate and vote down the CPRS in 2009. These were the adequacy of the carbon reduction targets and the extent of support for industry, particularly the coal-fired generators. While there was political grandstanding, Labor and the Greens brought tremendous energy and commitment to achieving a result. Combet and Milne never grew to like each other, but they managed to continue working together. Both provided good staff who generated creative ideas. The government also brought to bear the full weight of the federal bureaucracy, which by then was vested with enormous experience in climate change policy-making.

The rural independents, Tony Windsor and Rob Oakeshott, held views that were different from those of everybody else present. But there is general agreement that they were conscientious, arrived with open minds on a wide range of issues and helped to make sensible de-

⁴¹⁵ M. Dreyfus, interview with author, Melbourne, 21 December 2012.

cisions.⁴¹⁶ Gillard believed they delivered “some of the creative tension in it”. They brought the farmers’ perspective, which provided the meetings with a good sense of “how far you could stretch these policy propositions before they were going to break with that section of the community”, she said.⁴¹⁷ The outside experts were seen by all as productive contributors.

Amid the good intentions, though, the competitive hatred that the Labor Party and the Greens have for each other was always lurking. The 2010 agreement to work together came through gritted teeth after the Greens had snatched the seat of Melbourne, virtually owned by Labor since 1904, at the August election. To Labor, the Greens were unscrupulous competitors for votes in old heartland seats that were now dominated by affluent, professional and left-leaning voters. Labor MPs saw a rival that was willing to make brazen use of the fact it could promise anything to secure votes without having to face the awkward challenge of delivering in government, a party pandering to a constituency for which compromise was unnecessary and rising electricity prices irrelevant. They saw the Greens as enthusiastic to achieve environmental outcomes at the expense of jobs and the lives of working people.

The Greens, meanwhile, looked at Labor and saw a party whose time was up, a relic willing to support big polluters and the dead-end jobs they created to maintain a grip on a rapidly diminishing support base. Greens saw themselves as taking over from Labor as the party for progressives. It was just a matter of time. This view was strengthened by the fact that Labor’s traditional working-class base was declining in size and importance. This historic shift came about as market reforms eroded the significance of old-style manufacturing and created a new group of electorally powerful and upwardly mobile small entrepreneurs and contractors in the suburbs of the capital cities.

The Labor Party itself was hollowing out as members deserted, leaving union officials and factional soldiers at the top in charge of not much more than a shell. The share of Australians belonging to both the ALP and unions was in freefall, with the latter attracting just 18 per cent of workers economy-wide and just 13 per cent in the private sector.⁴¹⁸ As it happened, the prime minister and minister for climate change both saw themselves – much more so than

⁴¹⁶ R. Garnaut, interview with author, Melbourne, 20 December 2012.

⁴¹⁷ J. Gillard, interview with author, Canberra, 11 December 2012.

⁴¹⁸ M. Latham, *Not Dead Yet: Labor’s Post-Left Future*, Quarterly Essay 49, Black Inc., Melbourne, 2013.

their predecessors Rudd and Wong – as being from the old-style Labor Party, prioritising the welfare of working Australians and unionists. Gillard and Combet had a different worldview to their Green competitors.

When these rivals drew up to the cabinet table to reach agreement on climate policy, a policy most enthusiastically supported by inner-city professionals without much to lose, anything was possible. A breakdown of talks almost happened, as we shall see. Because action to price carbon was a condition of Greens support for the government, the result would probably have been a new election as the governing agreement disintegrated. Few wanted that except for Tony Abbott, who had mustered his supporters in business and the media and was waiting.

The Greens came to the table with something to prove. They needed to show that the outcome was better, and greener, than the scheme they had helped to throw on the scrapheap in 2009. The government was determined to give away as little as possible. Most of the major features of the CEF package followed from tough negotiations from different starting points (although, as we shall see, two of the best initiatives were agreed without hesitation). The arguments started at the top, with the one that had always been the biggest issue of all: targets.

Targets

Combet wanted to tackle targets first and was, he said, “pretty belligerent” about it. “They [the Greens and environmental NGOs] probably didn’t like it because they were obsessed with targets. It’s all just a load of crap. You can carry on about targets as much as you like, but you need an agreement to implement them.” He claimed he won the argument and was able to put the dispute to one side. “We were able to start to develop some consensus about how we would go about it and what wouldn’t trip us up,” he said.

But even years later, despite the agreement having been enshrined in legislation, there are different views as to what happened. The struggle for climate policy history between the government and the Greens has found full expression in heated claims and counterclaims about the background to decisions at the MPCCC, especially on the issue of targets. Interviewed for this thesis, the then Greens deputy leader, Christine Milne, stressed that the 5 per cent target was “just a default”. This enabled her to argue that, in fact, there was no target in the CEF plan.

But Combet was right to the extent that neither side permitted the issue to derail the process, as had occurred in the Rudd era. An analysis of how the committee overcame the dispute about the target is important because it led to the most controversial aspect of the policy: the fact that it applied a three-year fixed price on carbon before the move to an ETS. This was the so-called great lie, the “great big new tax on everything” that destroyed Gillard’s credibility with voters.

To understand the argument, it is necessary to review briefly the essential difference between emissions trading and a carbon tax. An ETS works by setting a cap on emissions. The cap is determined by the target. Polluters are required to hold a permit for each tonne of carbon dioxide they emit. The level of the cap determines the number of permits available. Polluters who do not have a permit must either cut back on their carbon emissions or buy a permit from another polluter, who must then cut back. So a price is put on pollution equal to the price of buying a permit. But it is not the price that causes the overall cuts in emissions. The cap determines the level of emissions that are permitted, and the required cuts in emissions create the price. Permits have a value because they allow polluters to avoid making cuts in emissions.⁴¹⁹

A carbon tax, on the other hand, is a cost added to all emissions of affected industry equal to the level of the tax. Because industry has to pay to pollute, it creates an incentive to cut back on carbon emissions. There is no cap on emissions in a tax-based system and therefore there is no target established. People are free to emit as much or as little as they like, but if they do emit, they must pay the tax. Unlike a trading scheme, under a carbon tax it is the price that determines the level of emissions.

The decision to impose a three-year fixed price meant it was not necessary to commit to a target in the first three years of operation of the CEF package. But the government wanted to legislate the 5 per cent target as a default to apply from 2015, when emissions trading commenced, unless it was changed according to an agreed process. In a major concession, the Greens signed up to this. At the same time, they helped develop some important safeguards along the way, as we shall see.

The Greens understood the government would not budge from the 5 per cent target set by

⁴¹⁹ This discussion relies heavily on D. Pannell, “Explainer: The difference between a carbon tax and an ETS”, *The Conversation*, 30 June 2011, theconversation.com/explainer--the--difference--between--a--carbon--tax--and--an--ets--1679, accessed 4 August 2011.

Rudd and Wong in 2008 because it feared the economic impact and, perhaps in particular, having to endure even harsher industry campaigns. While they understood the government's position, the Greens could not accept it. This was because they had already helped destroy the CPRS on exactly this point of difference. They could go along with a "default" 5 per cent because they had faith that, after three years had passed, the world would be moving towards strong action on climate change. This would establish the conditions to secure a target bigger than 5 per cent, meaning the 5 per cent would never apply in practice, or would apply for a short time only.

The three-year fixed price was a central issue dividing the government and the Greens. Gillard, Combet, the independents and those advising them preferred to start with an ETS and avoid a fixed-price period. But the Greens pushed back very hard, asserting they would not participate in talks unless they got the three-year fixed price. This would provide their supporters, who were hoping for more ambitious targets, with a rationale; it would provide an excuse to argue they could participate in the new negotiations because they were not required to lock in 5 per cent from the beginning, which the CPRS had demanded (after a low \$10-per-tonne fixed price for one year).

The MPCCC negotiation was conducted in two stages. Fearing the talks would collapse, the government accepted that if agreement on targets could not be reached, then the focus should be on a price for three years. But Gillard and Combet then did something very smart. They proposed that they would return to discuss the actual price later in the negotiations. The Greens accepted. When the Greens signed up, they were hoping for a price much higher than the \$23 per tonne of carbon dioxide emissions that was finally agreed on. While, as noted above, a "tax" does not require the setting of a target, it implies one. The Greens were hoping for a price per tonne that would imply more than 5 per cent. But they did not get it. The \$23 a tonne, which was about the same as the European price at that time, was commensurate with a target of about 5 per cent.

Negotiations over the price were complex and very difficult. By the middle of June 2011, the government was pushing for a carbon price of \$15 per tonne; the Greens, arguing this was much lower than the European price, weren't budging from a figure more than double that, and even aspiring as high as \$40. After more horse-trading, the gap had narrowed to a range of \$20 to \$26 but it still seemed unbridgeable. Milne and Combet were handling the day-to-day negotiations, with advisers shuttling between offices. But as the talks approached the critical stage, their work-

ing relationship was deteriorating.

Finally, as 30 June approached, the deadline for agreement imposed by the prime minister, the issue was referred up to Gillard and Brown, and somehow they managed to agree to the midway point of \$23, with increases of 2.5 per cent per annum in real terms. “There was an impasse there and time was up,” said Brown. “It was the two leaders coming together to make the hard compromise decision which makes politics work, and we did. It was a considerable concession from the Greens, but in order to ensure the scheme, we agreed. The Senate bells were ringing, so we shook hands and I had to rush off.”⁴²⁰

It is true it was a momentous concession, although this was not apparent to everybody. While these tense negotiations were taking place, the business community, seeking a period of certainty before the move to a floating price, was also clamouring for a fixed price. But in their case they wanted the initial CPRS figure of \$10 a tonne. This was much lower than the European price at the time. But in the coming years Europe’s inability to recover from the GFC saw the figure plummet, meaning the Australian fixed price became much higher than the European one, making Australian business relatively less competitive. This issue lay at the heart of continuing business hostility to the ‘carbon tax’ and their support for the Abbott policy of repeal.

The Greens pushed for and had a temporary victory with the establishment of a \$15-per-tonne floor price from 2015. Combet was reluctant from the start. “I was never attracted to a floor price. I just think you need a market price, and to get to it as efficiently as you can,” he said. The Greens argued the floor would provide certainty for investors in the renewable energy sector. But it would also increase costs and reduce competitiveness for businesses in the event of a lower international carbon price. We shall return to this issue.

Governance and monitoring

Milne’s argument that a 5 per cent target would never eventuate, despite being legislated as the default, was based on the Greens’ confidence that the international community would make strong moves to fight carbon pollution by 2015. She believed that a new Australian climate policy governance mechanism, known as the Climate Change Authority (CCA), would recognise there was a case for a higher target than 5 per cent and would recommend it accord-

⁴²⁰ Priest, “Climate of chaos”.

ingly, which would then be implemented.

The CCA, which was supported by both the government and the Greens, although they argued about some details, was based on a UK model. It was to be headed by former Reserve Bank chair Bernie Fraser, who would make annual recommendations on Australia's greenhouse targets and caps, based on an assessment of activity in other countries. Following public hearings and submissions, the authority would also consider changes needed to the RET, a new carbon-farming initiative, a national emissions-reporting system and the use of offshore carbon offsets under the scheme. The government of the day could ignore the advice of the CCA, but it would have to justify its decisions to Parliament.

There were several other significant innovations in governance arrangements that arose from the negotiations. In particular, the MPCCC enhanced the role of the Productivity Commission. In 2014–15, the commission would review the industry compensation provided as part of the climate policy. It would target any pocketing of windfall gains from assistance packages. There was a mechanism for taking the review into account. For Garnaut, this went some way to allaying his fears about assistance and compensation. He said, "The governance arrangements were much less liable to be mugged by rent-seeking corporate interests. The proposed review by the Productivity Commission was enormously important." He argued that, unlike the CPRS, "If the Clean Energy Future gave too much away, it would not do so forever."

Generators

Treatment of industry, particularly the coal-fired generators, was the second major cause of the Greens voting with the Coalition parties to destroy the CPRS in 2009. At the MPCCC they capitulated on this issue, too. The CEF package was more generous to the Victorian brown-coal generators than its predecessor had been. This was because the assistance was targeted to those with emissions intensity above one tonne of carbon dioxide per megawatt hour of electricity. By contrast, the threshold in the CPRS was 0.86 tonnes per megawatt hour.

This argument, too, was hard-fought, and as the deadline of 30 June approached, it remained unresolved. The government brought in executives from peak energy regulators, the Australian Energy Market Commission (AEMC), to brief the committee. Gillard and Combet believed it was essential for the Greens to understand that the prime minister of the day was required to take advice in key sections of the economy, of which energy was one. They believed this was the difference between being in government and just negotiating behind the scenes as individ-

ual legislators and protest groups.

The chair of the AEMC, John Pierce, who faced very hostile treatment from Milne, wrote to the committee after his appearance that:

Without an appropriate level of transitional assistance for highly emitting generators we believe there is significant risk to energy security because of the impacts of a number of the generators not having a net equity position that would allow them to operate and maintain their plant, operate effectively in the contract market, and have the willingness and capacity to invest in new plants.⁴²¹

The MPCCC's non-political participants were asked to put a view. Garnaut, as he had for years, argued that there was no economic case for "compensation" to the generators. He wondered why fluctuations in the carbon price of the dimensions being contemplated automatically put Australia in dangerous territory when mining companies managed much bigger price fluctuations every year of their lives.

We were being told that there would be asset value writedowns and that would automatically trigger the calling of loans; but every downturn sees banks managing this sort of disruption, and only sometimes with severe consequences. We were told that single generators would run into operating difficulties if they suffered asset value writedowns, when most were parts of diversified companies with rich balance sheets.⁴²²

Garnaut said he "doubted that some of the interlocutors who were putting these arguments believed them ... I was appalled that thin air was being accepted by people in government."⁴²³ He reiterated his position from 2008–09, that any decision came down to an income distribution question: whether, with a finite cake to cut up, you place more value on money going to households and businesses who pay tax or the overseas shareholders of the generators.

In 2011 Garnaut accepted the theoretical possibility of a disruptive financing problem. "I said

⁴²¹ Correspondence from J. Pierce, chairman of AEMC, 21 June 2011, cited in Commonwealth of Australia, *Securing a Clean Energy Future: The Australian Government's Climate Change Plan*, 2011, p. 75.

⁴²² R. Garnaut, email correspondence with the author, 14 January 2014.

⁴²³ Garnaut was and had been since 1995 the chairman of a company listed on the ASX, the Toronto Stock Exchange and the NASDAQ Stock Exchange in New York. Before that he had chaired for long periods two banks, which at the time of his departure had one of the highest rates of return on equity of Australian banks. He thus had a high level of experience with corporate finance.

let's deal specifically with the problem if it arises." The risk was small. But he recommended two mechanisms to strengthen the regulatory framework, which were adopted. These were the formation of a body known as the Energy Security Council, which would advise the government on any emerging risks to energy security; this would be a sufficient response. But he suggested that the proposed council would "leave some anxieties", which should be addressed through a temporary Energy Security Loan Guarantee. "The government would be a lender of last resort to distressed generators, if needed. That was most unwelcome, because what was wanted was cash and not protection against financial problems."

The government decided to accept the recommendations as well as hand out cash and free permits.⁴²⁴ The heavy-emitting power stations, such as those in the Latrobe Valley, achieved a package worth \$5.5 billion over five years. The CPRS would have provided a higher nominal value of assistance but spread out over a longer time period – around \$7.3 billion over ten years, according to the carbon price modelling at the time. Given the time value of money, the CEF's delivery of the assistance over five years meant it was worth more to the generators in the net present value terms that businesses and investors use to evaluate the worth of streams of payments or obligations over periods of time. The government gave the highest-emitting generators \$1 billion in cash before 30 June 2012.

The process by which the government arrived at these decisions was intense and time-consuming. Combet said, "These are not some random 'out of the back of the pocket', you know, 'chuck a bit of money around' decisions, as has been characterised by some in this debate. They have been very carefully calibrated." He said the government was determined "to make sure electricity continues to be supplied and that we have a transition to clean energy over time".⁴²⁵

Treasurer Swan said that he "did not have the same sympathy for the generators" as for the EITE industries that had been damaged by the GFC and the high value of the Australian dollar. "And I think at times they were just completely outrageously irrational and really swinging punches. But, of course, most of it was bullshit."⁴²⁶ Swan reflected that "our nightmare was we'd bring it in and then one of these bastards would fall over". In 2012 the Energy Security Council was anxiously

⁴²⁴ Garnaut Climate Change Review, "Transforming the Electricity Sector", Updated Paper 8, 2008; Commonwealth of Australia, White Paper, vol. 2, pp. 13–46.

⁴²⁵ G. Combet, interview with author, Canberra, 17 October 2012.

⁴²⁶ W. Swan, interview with author, Canberra, 29 May 2013.

scanning for news of a generator in trouble. Swan said:

They reckoned they were all going to go broke. So we were having meetings here every week to get the reports – you know, “Anyone gone broke yet?” We were taking it seriously, that someone could go broke. So we had a pot of money and if one of them was going to fall over, then we were going to move in, right? So we took that threat really seriously. Not even one got close, nowhere near.⁴²⁷

Garnaut saw the decisions on assistance to the generators as legitimately the government’s to make. He said that, the decision having been made, “my position since then has been let’s get on with it and make [it] work”. He argued that the “comfortable profitability” of the main generators, the fact they have since been able to refinance debt and that, in several cases, international shareholders have recapitalised them, proved his earlier views correct.⁴²⁸ “Of course the proof is in the eating. No financial disruption, although market conditions have been far less favourable than the most evil of the conditions contemplated by the generators at the time, as a result of the slump in electricity demand since 2008, which has led to big falls in wholesale prices in addition to carbon pricing.”

It was agreed that the generators’ package would be represented as a government decision, as against an MPCCC decision, to confirm the Greens disagreed and were not a party to it. They would, however, vote in favour of it in the Parliament. For the generators, the compensation was not enough. As we shall see, they continued to use media pressure to argue that dire outcomes had not been headed off.

The package contained another major opportunity for the most heavily polluting brown-coal generators. Milne said that when Combet “wouldn’t give up on coal compensation”, she insisted on a plan for the closure of around 2000 megawatts of emissions-intensive generation capacity by 2020, subject to negotiation with eligible generators. The cost of this would be at least \$2 billion. The government would call for power stations to tender to close, so the amount of money set aside was confidential.

A government adviser acknowledged that the government’s hands were tied on compensa-

⁴²⁷ Ibid.

⁴²⁸ R. Garnaut, interview with author, Melbourne, 20 December 2012.

tion to emissions-intensive generators by decisions in the Rudd era. This meant that something was needed to make the entire energy package more appealing to the Greens. “So the Greens definitely had a hand in owning the contract-for-closure idea”, although the government had been “working on it for some time and was waiting for the right time to put it on the table”.

The program would also provide certainty as to which power stations would close first, ensure appropriate employment safeguards and compensation, and prevent brutal job losses. Decisions were to be made by 30 June 2012 about which power stations would shut, and the closures were to occur between 1 July 2016 and 30 June 2020, although proposals for earlier closure would be considered.

Some power station workers found it hard to see past the immediate impacts and were deeply suspicious of promises they would not be “left in the lurch”. For others, the contract -for -closure program represented a sensible approach to commencing the process of restructuring. Latrobe Council’s Allison Jones was shocked by the policy, but she acknowledged:

After some years of not being on the map in the low carbon space in Canberra, it felt like Council had begun to build solid relationships. I thought that this might actually be the start of an innovative and proactive approach to assisting our community and the broader region to transition.

There was also a \$200 million structural adjustment fund for affected communities. Jones and others in the Valley believed the government would help to implement the local policy of diversification, which had been developed with great hope and courage in 2010. They believed the \$200 million offered a path to a new and exciting future. As time went by, this fund was to become the chief focus of both community yearning and disappointment. But writing at the time, Jones, who was invited by Combet into the lock-up that preceded the public release of the package, saw some opportunities. In her notes she recorded that the CEF recognised “some communities will be impacted”; that the government would work with the council and other regional bodies to implement the local policy, which had been developed with great foresight in 2010. Jones identified challenges as well. The \$200 million Regional Structural Adjustment Fund (RSAF) for affected communities was “not even close” to the figure of

\$1 billion which regions believed they had a reasonable expectation of achieving. Still, Jones noted that Latrobe City Council was looking forward to working with the government “in the next weeks and months” to ensure a smooth and successful transition to a low carbon future. “The council seeks a genuine partnership approach through increased government / community engagement and proactive joint initiatives,” she said.⁴²⁹

The contract for closure policy, along with the floor price and Regional Structural Adjustment Fund (RSAF), emerged as among the most controversial parts of the CEF package. The public anxiety that flowed from these policies is explored in Chapters 10 and 11.

Emissions-intensive, trade-exposed industries

Assistance to EITE businesses was another area of dispute in 2009 which continued into the Gillard era. In mid-June 2011 this issue lay at the heart of tension that almost got the better of some MPCCC participants. Combet feared failure might be imminent. As we have seen, when the Rudd government made its attempt to price carbon in 2008–09 it was generous to steelmaking, aluminium smelting, glass manufacturing, chemicals and many other industries.

In 2011 the Gillard government wanted to retain the handouts in full, even including the extra “recession buffer” negotiated by Wong and Macfarlane in late 2009. This was despite the fact that, by 2011, it was very clear there was not going to be a GFC-induced recession in Australia.⁴³⁰ Labor presented the Greens with its formal offer at a meeting before the Canberra press gallery’s annual charity event, the Midwinter Ball, on Wednesday 15 June. The offer contained a trade-off: support for industry in return for spending on renewables.

The Greens claimed the industry assistance was too high and should decline faster. But the government, by significantly increasing support beyond the level of the CPRS, went in the opposite direction. The CPRS had imposed a cap on permits at 100 per cent of liabilities for existing facilities. This was removed in the CEF package, which made it possible for EITE industries to get more than their carbon price liability in free permits. In Combet’s words, they could “make a buck” out of the scheme.

That wasn’t possible previously, and the reason that I did that was to create a huge incentive for businesses to invest in clean energy and energy efficiency methods. That is, there is an investment incentive. If you’re going to make reforms like this, you

⁴²⁹ Allison Jones. Interview with author, Morwell, 30 October, 2012.

have to do things like that to make sure that impacts on the real economy are manageable and that there are proper incentives for business. I put a lot of work into that.

Swan agreed this was good policy. “Someone like Ross Garnaut would say the compensation in that area was too generous. It may have been, but it was recognising this was a difficult time to actually do this.”⁴³¹ Criticism of the EITE agreement was widespread. For example, finance journalist John Durie said:

The federal government should resist the urge to subsidise projects doomed to fail ...
The carbon plan ticks most of the boxes on good policy, but falls down with its insistence on throwing money at ventures that are already heading for the rubbish bin ...
The whole idea of a market-based system is for the market to send signals – not for the government to pay bribes.⁴³²

The Greens were furious. And by the Friday of that week, left-wing activists GetUp! were organising a grassroots campaign against the government’s “lack of action” on renewable energy. The government believed the Greens had leaked aspects of the negotiations to apply external pressure. Gillard remembered the moment as “pretty hair-raising”. She worried that the stage had been reached “where it was so big, so hard, everybody was so overtired, that the risk of something small that went badly could have upended every applecart”. Combet angrily rang Get Up! national director Simon Sheikh and issued two media releases. He said, “I would urge GetUp! to be more careful in the future and ensure that they check the accuracy of their communications to their members, who have a very legitimate interest in the current debate around a carbon price.”⁴³³ GetUp! was unmoved.

On the Sunday afternoon, Gillard, Swan, Combet, Brown and Milne met in the prime minister’s office, determined to avoid failure. The government held the line on compensation to EITE business and electricity generators. In return, the Greens made headway on a \$10 billion renewable energy fund. On reflection, some members of the government’s wider team believed they gave too much away. Elements of the cabinet and bureaucracy were aghast at the

⁴³⁰ F. Jotzo, “Against the odds, a nation warms to policy”, *The Age*, 11 July 2011, p. 15.

⁴³¹ W. Swan, interview with author, Canberra, 29 May 2013.

⁴³² J. Durie, “Don’t mess with carbon markets”, *The Australian*, 13 July 2011, p. 40.

⁴³³ G. Combet, “Factual errors in GetUp! email”, media release, 17 June 2011.

concept of \$10 billion worth of winners for clean energy projects. It is possible, however, that the tough decisions on that Sunday saved the talks.⁴³⁴

Clean energy financing

The government bought off the Greens with the boost to renewable energy finance. Under the deal, \$10 billion over five years would be given to a new Clean Energy Finance Corporation (CEFC), which the government would set up but which would be run by an independent board of directors. The corporation would make loans or take equity shares in projects that could not find funds from private lenders. Any returns the corporation made through supporting a clean energy project would be reinvested.

The Greens claimed this decision as a major win, but in fact the government had been considering a green investment bank since the idea came to the attention of advisers when it was supported by the three major parties in the UK. Some inside the government had been pushing for it as part of the ALP's election policy in August 2010. At that time, there was internal opposition and it did not go ahead, but it came to be recycled in the MPCCC negotiations. Combet said:

It is a significant thing. I had that in mind the whole time. We put that on the table ... we knew that would be a big carrot for them, so we were working on it for months beforehand, and eventually it got played in the discussions. But having said that, I don't want to discount their input. They were definitely interested. They had the same idea.

A clever solution was found to the Greens' opposition to converting coal-fired power generation to gas-fired generation. The government also put on the table changes to the governance arrangements of renewable energy funds totalling \$3.2 billion. A new Australian Renewable Energy Agency (ARENA) would be set up. One government negotiator noted that "it was a very, very important day in the negotiations" when that card was played. The government understood the Greens were frustrated about how a number of renewable energy programs were being managed. They were particularly cynical about the commitment of the minister for resources, energy and tourism, Martin Ferguson, who was widely believed to be a climate change sceptic. With its

⁴³⁴ L. Taylor, "Cooling of the planners leaves a hole in the electoral layer", *The Sydney Morning Herald*, 11 July 2011. It has also turned out to be good policy. The Clean Energy Future Corporation is running very successfully.

ARENA initiative, the government wrapped up a number of programs into a statutory body that would be run independent of any minister. The adviser said: “And that gave them a big existing bucket of money that, while it was not in their control, was no longer in the control of a minister they didn’t trust, either.”

Coal and steel

The Greens also balked at an emotional but relatively peripheral issue: support for the coal industry. The miners received a \$1.264-billion assistance package for what the government believed would be the worst-affected mines. A further \$70 million would be available to help find new technologies to mitigate emissions. While the Greens would not sign up for this – it was also established as a government rather than an MPCCC policy – the sums were attacked by the Coal Association, which considered them inadequate and badly targeted.

The design of the support was the same as the CPRS, but it was delivered in cash rather than permits. This meant it might eventually prove to be worth more in nominal terms. While it was technically not part of the MPCCC agreement, the budget appropriation was not opposed by Greens.

Also against the wishes of the Greens, the government agreed to a \$300 million Steel Transformation Plan (over four years) to help the industry transition to a clean energy future. This was extra to the EITE assistance available to steel producers.

Fuel

While the major conflicts were between the government and the Greens, they joined forces in an important tussle with rural independent Tony Windsor, who was determined to exclude petrol from the scheme. It was a long fight that Windsor won, a win that significantly reduced the scheme’s coverage. The CPRS had included transport fuels, while excluding heavy road vehicles for one year and cars and farm vehicles for three years. The CEF package, by contrast, exempted fuel forever for motorists, trade contractors, small business vehicles and truck drivers in agriculture, fisheries and forestry. Milne complained that Windsor had “no rationale, no nothing”. She said, “Every economist you spoke to said it should be in, but it didn’t matter – either Windsor got the tax on fuel out or he was out.” Others are still incredulous that after years of rhetoric on the evils of petrol, the Greens signed up to a deal that did not include

it.⁴³⁵

The government, which was committed to returning the budget to surplus after the spending on the GFC stimulus packages, was concerned that Windsor's move would have a major fiscal impact. So, against the wishes of the independent member for New England, it decided to exclude other road trucks for two years only. Rather than have the agreement founder on this issue, the government put the heavy vehicle exclusion, along with the generator and coal and steel assistance, outside the framework.

Household assistance

Another major innovation, which the MPCCC supported unanimously, tied compensation to tax reform. This overhauled the personal income tax regime to treble the tax-free threshold from \$6000 to \$18,200, in the process freeing a million Australians from the need to pay tax. The idea that you can tax something that is disliked, which is pollution, in order to reduce tax on something that is valued, which is work, was a masterstroke. The cost was \$8 billion over the following three financial years. By adding genuine tax reform to the package, the government corrected a major flaw in the CPRS, which had sought to compensate households through direct handouts alone.⁴³⁶

Swan drove the tax reform after he accepted advice that Labor's previous handout mechanism – the Low Income Tax Offset – warped the tax scales and discouraged some workers from accepting more hours. Marginal tax rates would increase to claw back some of the benefit to higher-income earners, but no worker would see their total income tax burden rise because of the simplification of the tax scales. As a result of the overall package, lower-income households would be overcompensated (4 million by 20 per cent) and middle-income households would at least be no worse off (tax cuts for all Australians earning \$80,000 or less). About 1 million of the nation's 9 million households would not receive any compensation and would be out of pocket by up to \$950 a year.⁴³⁷

All sides agreed that support for households was handled much better in the CEF package than in the CPRS, which meant it could be used much more effectively in the advertising and promotion of the scheme. As it emerged, household assistance was to become the central

⁴³⁵ M. Priest, "A tortuous process towards final resolution", *Australian Financial Review*, 11 July 2011, p. 15.

⁴³⁶ G. Megalogenis, "Tax reform the secret ingredient", *The Australian*, 11 July 2011, p. 1.

⁴³⁷ P. van Onselen, "Old-fashioned Labor reaches out to its core", *The Australian*, 11 July 2011, p. 16.

feature of the government's strategy to get public acceptance for the CEF package.

Which scheme was greener?

When two Liberal senators crossed the floor to vote with the government in favour of the CPRS in early December 2009, the Greens had the opportunity to provide Australia with a price on carbon. Had it been enacted at that time, carbon pricing would almost certainly have been a feature of Australia's economy and society for good. Yes, Rudd ignored and attempted to humiliate the Greens. And yes, by the time of the Wong – Macfarlane negotiations in November 2009 the government had abandoned environmentalists. But the fact remains that the Greens had the last-minute chance to act, no matter how imperfect the scheme was.

The place of the Greens in history requires that they convince Australians they achieved a better deal for the environment by voting down the CPRS. There are arguments both ways, but the evidence shows that they made a major blunder. One simple way of answering the question of whether the CEF was more or less green than the CPRS is to remember that both were "cap and trade" schemes (once they moved on from their initial fixed-price periods). The cap was how the government put a limit on the amount of emissions able to be released into the atmosphere. Under both the CPRS and the CEF, the government had the same targets: to reduce Australia's net emissions (domestic emissions minus internationally sourced reductions in emissions) to 5 per cent below 2000 levels by 2020 (or more, depending on international progress). The caps for entities covered by the scheme would be set to achieve this target for the whole economy. So there would be no difference between the two schemes in the amount of net emissions reductions achieved.

It is arguable, however, that there are differences between the schemes if you look only at domestic emissions (that is, if you ignore Australia's internationally sourced abatement). First, there are important ways in which the CEF was both better and greener than the CPRS. Comparing the domestic abatement from the two schemes, the CEF \$23-a-tonne fixed price was higher than the \$10 a tonne proposed under the CPRS, so it might be expected to encourage more domestic emissions reductions. Also, the CEF had a three-year fixed price period, as against the CPRS's one-year period. Again, this longer fixed-price period might encourage more domestic emissions reductions.

The CEF had some smarter policy elements to it and, perhaps most importantly, was more flexible and provided for more ambition than the CPRS. The governance and household assistance arrangements were major advances. So was the willingness to use the government's

balance sheet to mobilise renewable and clean energy at a time of very cheap interest rates, because of the post-GFC strength of the Australian economy. The understanding around climate policy in the world at the time of writing is that an ETS – or a carbon tax – is a key feature for dealing with climate change, but governments also need to invest in new technology. The CEF had this feature but the CPRS did not.

But in clear and very important ways, the Greens settled for a scheme that was not better, and which in some cases was less “green”, than the one they rejected in 2009. The features of the CPRS that the Greens claimed were fatal remained in the scheme they signed on for in 2011.

KEY ISSUES	COMPARISON BETWEEN CPRS AND CEF
COVERAGE	THE CPRS COVERED AROUND 80 PER CENT OF CARBON POLLUTION, WHEREAS THE CEF REDUCED THIS TO 60 PER CENT.
TARGETS	THIS WAS ONE OF THE MAIN REASONS THE GREENS REJECTED THE CPRS. BUT THERE WAS EFFECTIVELY NO CHANGE IN THE CEF, ALTHOUGH A MECHANISM TO LIFT TARGETS WAS DEVELOPED.
ENERGY SECURITY FUND	ASSISTANCE TO COAL-FIRED GENERATORS WAS ANOTHER REASON THE GREENS REJECTED THE CPRS. BUT THE CEF ASSISTANCE TO EMISSIONS-INTENSIVE GENERATORS WAS WORTH MORE IN NET PRESENT VALUE TERMS THAN UNDER THE CPRS.
EITE ASSISTANCE	THE CEF MAINTAINED 94.5 PER CENT / 66 PER CENT HEADLINE ASSISTANCE RATES AND CORE STRUCTURE AGREED WITH THE COALITION IN 2009 DESPITE GREEN CRITICISM AND REQUEST FOR IT TO DECLINE FASTER; CPRS CAP ON PERMITS AT 100 PER CENT OF LIABILITIES FOR EXISTING FACILITIES REMOVED IN CEF, MEANING INDUSTRY COULD “MAKE A BUCK” OUT OF THE CEF.
COALMINE ASSISTANCE	THE CEF DELIVERED ASSISTANCE IN CASH RATHER THAN PERMITS WITH THE SAME DESIGN AS CPRS. BECAUSE IT WAS CASH, IT OPENED THE POSSIBILITY IT WOULD BE MORE IN NOMINAL TERMS THAN WITH LOW CARBON PRICES.

STEEL TRANSFORMATION PLAN	THE CEF GAVE \$300 MILLION IN ASSISTANCE FOR STEEL MANUFACTURERS – IN ADDITION TO AGREED EITE ASSISTANCE, WHICH WAS NOT PROVIDED UNDER THE CPRS.
FUEL	HOUSEHOLD AND LIGHT VEHICLE USE OF FUEL WAS PERMANENTLY EXCLUDED FROM TAX UNDER THE CEF, WHEREAS WITH THE CPRS, THE CARBON PRICE WOULD HAVE APPLIED TO LIGHT VEHICLES FROM 1 JULY 2014 UNDER SOME CONDITIONS. AGRICULTURAL, FORESTRY AND FISHERIES USE OF FUEL WAS PERMANENTLY EXCLUDED FROM THE CEF, WHEREAS WITH THE CPRS, AGRICULTURE, FORESTRY AND FISHERIES FUEL USE WAS OUT FOR ONLY THREE YEARS.

As we have seen, the Greens obtained important concessions for giving way on these points.

But the absence of the items they won in 2011 was not the reason they opposed the CPRS in 2009: it was because of targets and generators.

In her interview for this thesis, Milne claimed that the CEF was “a thousand times better” than the CPRS. She claimed that the Greens’ positive influence could be seen in many ways. The establishment of the CCA to depoliticise target-setting was the main one (although the government also had this idea). The CEF permitted only 50 per cent of polluter liabilities to be covered by imported carbon credits, against 100 per cent in the Rudd scheme;⁴³⁸ the 2050 emissions target was increased to 80 per cent, from 60 per cent; the Carbon Farming Initiative would encourage farmers to work on storing carbon in the soil and vegetation; and the CEFC would have \$10 billion to invest. But Milne’s examples do not address the two fundamental issues – targets and industry assistance – that caused her party to decide to vote with Liberal and National Party sceptics in the Senate in December 2009.

The options available to the MPCCC negotiators – the government, the Greens and the two rural independents – between the end of February 2011 and July 2011 were restricted by the aftermath of the chaotic approach of Rudd. This applied particularly in the case of the generators’ compensation. What had been given could not be taken away. At the same time, their options were enhanced by the Greens’ understanding that in 2009 they had failed to recognise the importance of grasping the opportunity on offer. While the Greens claim outstanding polit-

ical adroitness for rejecting a flawed scheme in favour of a less flawed one, the truth is they were lucky to get a second chance. Should the Greens have made a last-minute decision to support the CPRS in December 2009? Prospects at the time and events since tell us the answer is yes.

Gillard's leadership

The MPCCC came to be regarded by Gillard as a blueprint for a new form of governance when trying to deal with wicked problems.⁴³⁹ She argued that the engagement of outside experts “strengthened the process” and that she had sought to replicate it. She said:

It's an interesting change to the traditional Westminster model where governments govern, cabinet has subcommittees, and they consult public servants. They might go out and consult externally but then they go into a locked room to make a decision. Actually having experts at the table to participate in discussions changed the dynamic.

Gillard claimed that permitting the Greens to request research and modelling meant “some of the things they would have agitated about fell away ... So that was useful in cutting away some of their more extreme arguments from under their feet.”⁴⁴⁰ She argued that the fact carbon pricing had become so controversial had resulted in little analysis of what the multi-party committee model could do for other difficult issues. There would be a limited number of times any government would invite representatives of other political parties or independents into the cabinet room. “But there would be some key times – vexed issues – where that might be appropriate.” She believed the engagement of experts at the heart of government could be more routinely practised. Others have disagreed with the prime minister on the wider applicability of the multi-party committee. After the committee's work was done, Ross Garnaut, speaking as one of the experts, said the process was a one-off success because “we were fortunate with the people on the committee”.

His assessment that the prime minister “handled the discussions well and brought everyone into the conversation” was agreed to by all.⁴⁴¹ Rural independent Tony Windsor said the committee process worked. “[T]here has never been an occasion where I have felt – and I

⁴³⁸ The ALP claims that, for complex reasons, the 50 per cent limit was not binding – the Europeans would only allow the equivalent of less than 50 per cent of permits to be bought for this scheme. The concession had no material impact – positive or negative.

⁴³⁹ J. Gillard, interview with author, Canberra, 11 December 2012.

⁴⁴⁰ Ibid.

⁴⁴¹ R. Garnaut, interview with author, Melbourne, 20 December 2012.

think I speak for Rob [Oakeshott] as well – that you [Gillard] have attempted to welsh on any deals.”⁴⁴²

Participants interviewed for this project believe Gillard was able to take advantage of the opportunity created by the hung Parliament because she had the instincts of an honest and inclusive leader with a willingness to compromise. Her approach was a precondition for the mere existence of the multi-party committee, let alone for its good outcomes. Staff and ministers who did a lot of negotiating side by side with the prime minister directly, and also a lot of negotiation on her behalf, have maintained strongly that she was the anchor throughout. This was a commitment that represented a world of difference from the Rudd experience.

One of those who sat around the table in the cabinet room characterised Gillard’s style this way:

I think certainly Julia set that tone because she is a very calm, measured and very considered negotiator. She does it in such a conciliatory way, and I think it is really conducive to helping people make decisions that they might otherwise not make. She does it in a way that really helps people because it’s not about a win, it’s not, “Ha, I got you,” or “I’ve got you over a barrel, give me this or that.”

Observers often pointed to the extent of the collaboration between Gillard and Combet and their different but complementary negotiating styles. “I often heard him saying he would deliver this or that for ‘the boss’, as he called her,” said one.

The Juliar brigade enraged

It took three months, from July to October 2011, for the CEF package to pass the House of Representatives. Australians watched the euphoric scenes on the nightly TV news – hugs and kisses involving the prime minister and senior ministers. Even Gillard and Rudd took a deep breath and exchanged a kiss. After the 74–72 vote, Gillard said, “Today, the House of Representatives moved from words to deeds ... This Parliament today has grabbed the future with both hands ... we have got this done.” She boasted she had knocked down “the brick wall” that had crushed the scheme of her predecessor. “This is going through, this is done, full stop.”⁴⁴³

⁴⁴² T. Windsor, *Hansard*, 26 June 2013, p. 7168, parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22chamber%2Fhansardr%2F4d60a662--a538--4e48--b2d8--9a97b8276c77%2F0159%22, accessed 14 July 2013.

⁴⁴³ M. Grattan and D. Wroe, “Abbott’s blood oath to repeal carbon tax”, *The Age*, 13 October 2011, p. 1.

It was a moment of relief to public servants and staff as well. Many of them had worked towards this for four years, since the days of Rudd's exhilarating promises in late 2007. They had put in crazy hours, poured their hearts into it and jeopardised their personal relationships. Some brought their families along to Parliament House to watch the historic moment, in the process explaining where they had been all that time.

Abbott attacked "the unseemly spectacle of a government cheering itself for breaking its own election promise. They celebrated their betrayal with a kiss." He gave the "most definite commitment any politician can give that this tax will go. This is a pledge in blood." Question time later was repeatedly disrupted by the Juliar brigade in the public gallery yelling "no mandate" and "democracy is dead". As guards ejected some people, others took up the chant.⁴⁴⁴ They would never give up. Tony Abbott could have no better allies.

The extent of the communications catastrophe in the first half of 2011 became frighteningly clear in the second half and into 2012. By 10 July 2011 the government had sat through nearly five months of brutal attacks on its climate plans and on the integrity of the prime minister. The result was everything the scheme's opponents could have hoped for. The future belonged to them.

⁴⁴⁴ M. Franklin, "Tony Abbott slams 'veiled socialism'", *The Australian*, 11 July 2011, p. 8.

10

Failing to cut through

Introduction

On 10 July 2011, three months before the triumphant hugs and kisses, when the new CEF package was introduced to Australians on Carbon Sunday, it was variously described in the media as a “revolution”, a “massive gamble”, “politically risky” and “a mindboggling combination of insanity and stupidity”. Business lobby groups maintained their hostility, arguing that the price of \$23 per tonne of carbon was too high and that it would leave many companies facing a sharp reduction in their competitiveness. The coal-fired generators continued using media pressure to demand more money and to raise fears that blackouts were looming.

In the face of the anger and noise, the government launched a determined and meticulously planned bid to sell the benefits of the package in the second half of the year. Virtually the entire cabinet fanned out across the country, with every region being visited at least once. The strategy was conceived and executed on the model of an election campaign. The approach was illustrated most clearly by the deluge of federal ministers, including the prime minister herself, who visited the Latrobe Valley in the period after Carbon Sunday. An expensive and sophisticated advertising campaign swung into action.

The contrast with the silence of both the previous five months and the Rudd and Wong era could not have been clearer. The uncertainty and anxiety that had plagued the country in 2008–10, particularly the regions, was being remedied. But it was too late. Internal research for the ALP and the government made it clear that voters were totally detached from the exercise. When the government said the words climate change voters thought they heard carbon tax. The campaign was a disaster. This was so much so that by March 2012 the government decided to stop talking about climate change at all. The failure to communicate that began in 2008 ended here. Australia had moved from a country where there was tremendous momentum for action on climate change to a country where the government dared not utter the words. The practical outcomes of this were also most clearly seen in the Latrobe Valley.

Canberra campaigns, too late

The year 2011 was the year of climate change in the Latrobe Valley, as it was in the rest of the country. Extreme weather was a backdrop to extreme politics. In early February, after scorching temperatures, a bushfire destroyed homes, cut power and closed the Princes Highway. Just a few days later, heavy rain caused cracking in the highway near Morwell, in the heart of the Valley, and led to a diversion that remained in place for several months. The flood triggered damaging landslips. While the region was being pounded by the elements, it was at the centre of a national scare campaign in which its key private-sector-employer was playing a leading role.

As noted earlier in this thesis, the Valley had been unable to get any reassurance from Canberra about its future. But in April 2011, the wall that Rudd and Wong had erected between the government and the most vulnerable places in Australia started to show signs of cracking. Demonstrating considerable courage – he was a hated figure in certain quarters of the Valley – Ross Garnaut paid a visit to Morwell. It was not quite a visit from Julia Gillard or Greg Combet, but it was an important start. Still working with the MPCCC, Garnaut had just issued a number of controversial updates to his 2008 review and had more to come.

On the night of his 12 April visit, police expected trouble. A Facebook page run by a local sceptic was calling for supporters to join a demonstration, “to protest against Professor Garnaut’s advice on climate change, which may force the closure of Latrobe Valley power stations ... potentially putting many locals out of work”.⁴⁴⁵ The protest organiser said that without the power industry, the region could be “suffocated by this government bureaucracy, long before the contentious climate science being used to justify it becomes clearer”. In the event, only about a dozen protesters answered the call to gather outside the offices of the Latrobe City Council. Police seemed to outnumber them, Garnaut slipped in the back door and the evening passed without incident.

Garnaut had been asked to address the first meeting of a local committee established to help plan the transition to a low-carbon economy. The committee had existed for a year, but had not met because nobody had known what to do in the federal policy-making vacuum. The council’s Allison Jones said, “After a comprehensive process, we felt quite prepared. We were

⁴⁴⁵ Facebook, “Protest the carbon tax – rally outside Garnaut’s climate meeting Morwell”. Accessed 1 August 2012. <https://www.facebook.com/events/183907908322058/>.

ready. But events in Canberra signalled to council that we were ahead of the game. It seemed as though suddenly we were ahead of a game that we weren't even sure was even being played anymore."⁴⁴⁶

But now the game had resumed. Garnaut explained to the twenty-seven members and observers that he understood how daunting their task was. They knew that already. It was why they had defied local controversy and invited him to talk. He underlined his concern for them by saying his visit was one of only three trips outside his office he would make in the coming six weeks while he pulled together his final report. He spoke and answered questions patiently for nearly three hours. He issued warnings and discussed options.

But no words stirred those present more than the ones he spoke in response to this question: "Are you confident that Australia will really end the ongoing uncertainty of climate change policy and take action?" The owlish professor peered through his glasses and replied, "Oh yes. That's definite. I would bet on that. I'm speaking as an adviser ... If you wanted me to bet on that I would." Committee members were startled. The meeting broke up soon afterwards, with a number of those present agreeing they had not known whether to laugh or cry at the professor's spirited offer of a wager. Certainty was coming. But was that better?

Finally, on 18 May, after Garnaut had proved the place was safe, with the media storms raging and the MPCCC still trying to sort out its differences, Greg Combet broke more than three years of federal government silence and spoke at a forum organised by the GTLC. Combet was received respectfully by the 250 eager attendees and even by a small demonstration of about fifty mainly elderly people gathered on camp chairs in the cold outside, quietly holding placards denouncing the carbon tax. The minister ignored the demonstrators and explained that he wasn't alone in the government in his awareness of the Latrobe Valley. Canberra was finally taking an interest in the parts of Australia that would suffer the heaviest burden from the politicians' plans to make the most polluting industries pay for their mess.

Gillard had been prime minister a little over a year when she visited the Valley on 16 July 2011. It was a winter Saturday, just six days after the release of her package. She was responding to a pressing request from the CFMEU's Mining and Energy Division, whose local leaders

⁴⁴⁶ A. Jones, presentation to Committee for Economic Development, 30 September 2010.

had been under pressure from fearful, often antagonistic members. The union was demanding that the prime minister reassure them they would not be abandoned in the transition away from coal.

The visit started with a bruising encounter with Hazelwood management, which then turned Gillard over to a confrontation with 120 anxious workers in a small space, standing by as she was all but engulfed by their anger. She declared forthrightly to the hostile meeting that she would “stand alongside” them and not leave them “in the lurch”. She acknowledged afterwards that the workers were very aggressive. “A lot of it was personally directed at me. It was tough. I had to stand my ground. One of the older guys said to me afterwards that at least I’d come and at least I’d taken it. I thought that summarised the whole thing.”⁴⁴⁷ Hazelwood worker Gary Severson said after the meeting: “I don’t think too many people were convinced by what she was trying to sell. She couldn’t give us answers on job security or the impact it’s going to have on the area. There’s so much uncertainty, I’m losing sleep just thinking about it.” Hazelwood unit controller Mark Richards was more blunt: “She lied about the carbon tax. And she’s stuffed the Labor Party in this district because of that lie.”⁴⁴⁸

Later, at another centre of union power, the GTLC, Gillard heard a different message. Secretary John Parker, a stalwart of proactive transition arrangements, believed the Hazelwood workforce was “moaning and whining” about the carbon price: “The CFMEU leadership couldn’t control the members so they pressured the prime minister to come down and be seen.” Parker went on, “We said to her, ‘Look, we’re not ready to ask you for anything, we’re not asking you for money, we’re not going to whine at you. We are looking at a strategic plan of what we need and where to place money. And then once we get that, we will come lobbying’”.⁴⁴⁹

For the Latrobe Council, Gillard’s trip was a sign of how much had changed. It was an exhilarating day for them after years of hard work to get noticed. The manager of regional partnerships, Julia Agostino, recalled that the council officers were feeling their inexperience, “being quite deferential and not knowing what to expect”. But they managed to squeeze out a request that the government keep talking to the community, to which the prime minister agreed. “We got about twenty minutes of her time and then she was gone,” said Agostino.

⁴⁴⁷ J. Gillard, interview with author, Canberra, 11 December 2012.

⁴⁴⁸ M. Richards, interview with author, Morwell, 3 December 2012.

Ten days after Gillard's visit, the Valley heard a very different message. Tony Abbott also made his way down. He addressed a controlled meeting of selected participants and then told the media: "I don't want Hazelwood to close. I'd like it to be cleaner and emit less but the bottom line is I don't want it to close ... brown coal has been the key to affordable, plentiful power."⁴⁵⁰ Some cheered, but the wiser heads groaned. There was absolutely no future in burning brown coal for electricity. Some locals realised that Abbott probably understood that. He just wasn't saying so.

Firing blanks, Part II

Government discussions aimed at developing an advertising campaign for the CEF package were initially influenced by thinking that they needed to explain climate change to the community prior to selling the policy to mitigate it. According to one adviser, the thinking was: "The sky is falling and we're all certain about it and therefore we must take action and therefore we need a carbon tax." But it was soon agreed this would never fly. The time for that kind of messaging was long past. A different approach soon became influential, based on US work called Six Americas.

When adapted for Australia, the research showed that there were five distinct segments in the community, ranging from the sceptical to the passionately engaged.⁴⁵¹ Segment 3 was the largest, representing 29 per cent of the population. Its typical members were mothers in their thirties and forties. They believed climate change was real, were becoming more convinced that it was due to human activities, and although its impacts concerned them, they were not deeply committed to action. Segment 2 represented 26 per cent of the population, many of them younger females or young to middle-aged males who did not really have an opinion. Segment 1 represented 10 per cent of the population and was typified by middle-aged males. They did not understand carbon pricing but were vehemently opposed when it was explained. The other two segments were represented by older females who believed passionately in climate change action and older males who were completely hostile. The government saw no value in trying to reach either of these groups.

⁴⁴⁹ J. Parker, interview with author, Morwell, 30 October 2012.

⁴⁵⁰ L. Taylor, "Coalition U--turn on coal power station closures", *The Sydney Morning Herald*, 21 July 2011, p. 8.

⁴⁵¹ M. Morrison et al., "A comparison between attitudes to climate change in Australia and the United States", *Australasian Journal of Environmental Management*, vol. 20, no. 2, 2013, pp. 87–100; M.D. Morrison, R. Duncan and K.A. Parton, "Targeting segments in the Australian community to increase support for climate change policy", *Australasian Marketing Journal*, vol. 21, no. 4, 2013, pp. 212–17.

While the segments had very different approaches and responses to climate change, there was one thing they all agreed on. This was that the future would be different from the past. An overarching and unifying view was that investment in the renewable energy industry could deliver economic prosperity and job opportunities. Renewable energy was seen as a smarter way forward, using Australia's infinite natural resources to secure a leadership role in the global renewable energy industry. People were united in a desire to do something that was planned and positive. The idea of a clean energy future for children and grandchildren resonated across segments. Even people who opposed the tax were prepared to support new industries. While a clean energy future united the segments, their specific information needs were quite distinct. Each would be motivated to act for different reasons.

Effort was put into a more pragmatic communications strategy. On one level, the household assistance package needed to be seen as a response to what was clearly understood to be out-of-pocket concerns. But the larger narrative needed to motivate people to understand and advocate for a mechanism to drive the economy towards new industries that all agreed were going to be part of the future. "It was an attempt to move the debate from carbon tax," said one insider. The campaign treated the CEF as an economic initiative: Australia will be a leader in developing new technologies that will give us a clean energy future.

The DCC's communications activities included an advertising campaign from July to September 2011; a brochure that was mailed out to all households in Australia; a website launched in July 2011; a social media campaign; an electricity bill insert explaining the impact of the carbon price on household electricity prices; public relations to local organisations and to local and regional media; a grants program for organisations and businesses; and a public information campaign. Following Carbon Sunday, Combet and Gillard spent a lot of time on regional visits and electronic media appearances, trying to rebut the scare campaigns. The passive approach between the February 2011 announcement and 10 July 2011 had definitely ended.

In October 2011, before the DCC developed its second round of ads, it conducted market research to determine whether the campaign was on the right track. This research showed that, while there was improved awareness of renewable energy, the extent of the communications misfire was catastrophic. The strategy had been based on half a brief. There was no prospect of getting to the heart of the issue, which was the carbon tax broken promise, because the government could not run advertising that was overtly political.

The research showed that people were extremely hostile. Most were not listening, and those who were viewed the process with exceptional cynicism. They were not interested in learning about why the government had implemented the CEF, or what it meant, or how it worked. They were repeating everything that Abbott, business and the media had thrown at them. There was a tremendous concern about cost of living, which the household package did not ease. There was confusion about climate change science and a view among some that the issue was a stalking horse for socialism. A post-campaign analysis concluded that: “People won’t be scared into action by the truths of climate impacts; they need to be convinced that action can bring with it a satisfactory quality of life for them and their children.”⁴⁵²

Focus groups showed voters lacked understanding of the reason for carbon pricing and could not see why the government had treated it as a priority. There was absolutely no connection made between carbon pricing and the CEF package; indeed, most people had not heard of the Clean Energy Future; the carbon tax was seen as a means of revenue raising and wealth redistribution. At best, most people were feeling confused and dispassionate about carbon pricing and the motivations behind it. The questions still on people’s minds included:

- What is it supposed to achieve?
- How does it work?
- How much has been collected?
- What is the money being spent on?
- Is it working?

It soon emerged that no communications strategy known to humankind could deal with the disaster that had unfolded.

Cashy, cashy, cashy

The government was in a quandary. What then should the strategy be in 2012? When voters heard the words “climate change”, they thought “carbon tax”. Should they keep talking about climate change? That didn’t sound wise. Gillard’s new communications director, John McTernan, a Scot, who had previously worked for former British prime minister Tony Blair, came up with the answer.

McTernan started work on 7 November 2011, inheriting a mess. His arrival was much anticipated, media profiles having established him as a supporter of the political role of “headkickers” and “intellectual thugs”. He was said to back populist policies, scare campaigns and negative attacks, arguing that “fear beats hope”.⁴⁵³ In late 2011 his new colleagues were reserving judgment. But there was such an air of unspoken desperation in the prime minister’s office that for some time he was regarded as perhaps a saviour. He had strong opinions, a seductive turn of phrase and – most importantly – the prime minister’s ear. He was always checking his mobile phone, always texting, always affecting the appearance of being involved in something more important than his conversation with you. Critics say he was defeatist. Admirers describe him as whip-smart and articulate. “In meetings he would either say nothing or make the most useful contribution – nothing in between,” said one observer.

McTernan told his listeners in the inner circles of government in meeting after meeting his approach to solving the problem of communications: “I’ll tell you what the fucking strategy is, mate: it’s called cashy, cashy, cashy.” Observers reported that a fistful of dollars gesture and an exaggerated grin often accompanied the words. Cashy, cashy, cashy came to be regarded as the only possible direction. This meant they would focus entirely on trying to deal with the cost-of-living scares by emphasising household assistance. McTernan pushed his message hard, personally intervening in departmental operations. He rewrote the letter that would be sent from Centrelink to assistance package recipients, cutting it drastically from two pages to six paragraphs. The new headline was “Extra cash for you”. Some senior public servants were said to be horrified, but there was an equal number of people who welcomed McTernan’s inclination to cut through and simplify.

Research kept hammering the point: avoid explaining climate change or justifying carbon pricing. The government decided that the DCC would no longer be responsible for the advertising campaign’s phase two, which would instead be developed by the Department of Families, Housing, Community Services and Indigenous Affairs (FAHCSIA), as the portfolio responsible for assistance and benefit payments. A government communications expert said: “The strategy had gone from sell the carbon tax to immunise the government against the carbon tax by telling people they are not going to be any worse off.”

⁴⁵² Climate Institute, *Climate of the Nation 2012*.

⁴⁵³ P. Wilson, “PM’s new spin doctor says he’ll walk his talk”, *The Australian*, 3 October 2011, p. 32.

By this time it was early 2012. The Rudd dissidents had been using the media chaos to strengthen their claims. Gillard and her main supporters became focused on leadership. A weary view developed at the top levels that there were only so many fronts on which a prime minister could fight at any one time. Reflecting the extent of the government's fear, disillusion and disappointment, a mid-March 2012 meeting of ministers decided that to continue talking about climate change was playing into Abbott's hands, so they agreed to stop. While the Gillard government, against all the odds and showing tremendous determination, had instituted a major climate policy, it now could not say why. For the government, the term "climate change" had died, at least for the time being. Arguments that the government should adopt a leadership position of owning the carbon price and climate policy and presenting and promoting their merits were expressly rejected.

The decision not to develop mechanisms to build public consensus on the need for carbon pricing continued to have an impact on internal thinking right through the election year of 2013. One government staffer said that "party strategists took their cue from that like a dog chasing its tail ... the lack of core belief among ALP strategists in the Clean Energy Future as being a good and necessary reform became more and more clear. By 2013 they thought it was too late to build public support anyway." The communications strategy was that individual departments would have the responsibility of talking up renewables projects; for example, the departments of agriculture and families would continue to work on various different elements of the package. In March 2013 the DCC was abolished. Most of its functions were moved to the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education. Responsibility for energy efficiency was transferred to the DRET. On one level, the efforts to price carbon had become a parody of themselves.

The regions: a case of despair

In the Latrobe Valley, meanwhile, expectations of federal help for economic diversification had been built up in the Clean Energy Future package and by federal visits. But hope became a casualty of confusion and division in the federal government, as it fought to manage a national debacle. In the period when the government was focused on the Rudd machinations and on selling the Household Assistance Package without explaining what had given rise to it, cabinet ministers divided sharply over regional assistance. Greg Combet argued against doing anything that implied acknowledging the carbon tax would cause harm. Simon Crean

took a different view. At stake was the sensitive issue of whether a promise was being broken.

In the meantime the government made a decision that significantly increased the value of Australia's most polluting power generation assets, at the same as it was trying to buy a couple of them so it could shut them down. It had more than \$2 billion to spend, but in part through its own actions, this turned out to be not enough. The impact on the Valley community, in particular the workforce at Hazelwood, was terrible. Even before this policy fiasco had occurred, the relationship between the locals and the federal government, a relationship that under Gillard had promised so much, had descended into angry exchanges. Ministers saw locals as hard to help; community leaders came to think they had been naïve to believe the federal government would help them.

They came to view their experience as perhaps containing a lesson that might be of interest in future across all of Australia's regions. Having made a decision to work with the government rather than fight it over carbon pricing, some in Latrobe now believe that perhaps that decision was wrong. The generators, which are the biggest and most socially significant employers, made a different call and went after whatever they could get with whatever means were available. The community did not want to be marginalised for siding with them.

But now many saw they had been marginalised anyway. It was obvious that federal recognition of their plans for proactive diversification had dissolved. Furthermore, the generators came away with \$5.5 billion, including a billion dollars up front in cash before 30 June 2012. The community's policies for restructuring, meanwhile, achieved a tiny fraction of what was originally promised. The much-vaunted report of an innovative transition committee set up to make recommendations on diversification has been shelved, and by late 2013 was gathering dust. Would the community have been better off combining with the generators' in the grim fight for money? The outcomes of climate policy negotiations in the Latrobe Valley encouraged some to think so.

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For a time the future looked bright. Interviewed for this thesis in July 2012, on his sixth trip to the Valley in a year since Carbon Sunday, Minister for Regional Australia, Regional Development and Local Government, Simon Crean said, "when I go out to the regions, I'm dealing with leadership and communities that want to embrace the change. They just need assis-

tance and support with how to do it.”⁴⁵⁴ He was determined to provide that support. Crean, a former ACTU president and minister in the Hawke and Keating Labor governments, had a deep and enduring commitment to regional Australia. Speaking to an ALP national conference in December 2011 he said he wanted to embed regionalism “in the way we govern this country”. He said that, “The regions understand the need to diversify their economic base.”⁴⁵⁵

Like Gillard at the national level, Crean brought a vision of bipartisan problem solving and resource exchange to the job of empowering regions. On 13 December 2011 this received concrete expression. Along with the Victorian Liberal-NP government he announced a Ministerial Forum to oversee strategic responses developed by the community. Crean noted that the amount for assistance in the Gillard package was up to the \$200 million in the Regional Structural Adjustment Fund (RSAF). He said the community would have to “trust us”, that there was “a clear commitment to make this happen.” Expectations of progress were high. The community seemed to have travelled such a long way. They dared to believe that the \$200 million RSAF, which represented the only source of money outside of existing programs and so was coveted in the quest for diversification, would be up for grabs.⁴⁵⁶

A joint federal-state-local government transition committee, set up in December 2011, was to report on the challenges and opportunities facing the economy. This was a major advance in regional policy making. The Latrobe Valley Transition Committee (LVTC) was a mirror of the successful Gillard initiative of a Multi-Party Climate Change Committee designed to extract the political heat from the policy process at the national level and provide a forum for collaborative decisions. The LVTC was highly successful until the federal government turned its back on it because it had lost the national argument and came to fear its regional initiatives could undermine its position even further. These events will be examined in detail below.

The LVTC commissioned independent research, developed a public discussion paper and consulted with the region’s businesses and communities on how to best manage the changes. With the release of the report in June 2012, negotiations entered a new phase. In mid-

⁴⁵⁴ S Crean, interview with author, Morwell, Australia, 16 July 2012.

⁴⁵⁵ S Crean, Speech at 2011 ALP national conference, 4 December 2011.

⁴⁵⁶ Funds were supplied from alternative spending pots. For example, the Federal and Victorian Governments each gave half of \$90 million for new brown coal technology projects, including export schemes. Greg Combet provided a \$9.5 million grant towards construction of a de-inked pulp plant at Australian Paper’s mill at Maryvale. For local people, however, the Transition Committee process and the RSAF were where the promise of a new future for the Latrobe Valley began.

July the Victorian government endorsed the recommendations. Federal action was expected to follow quickly. The region was abuzz with speculation about how much of the RSAF \$200 million would be pumped in for specific projects recommended by the transition committee.

Now began a depressing game, as locals waited with increasing concern for the federal government to respond to the committee's report, a response which never came. What emerged instead was one of the most tangled and confusing policy making episodes in the history of carbon pricing 2007 – 13.

Key assistance plans sagged worryingly under the weight of conflicting objectives. Crean announced he was not aware of any proposed local projects that were "shovel-ready". By this he meant that in his view none had been subjected to a rigorous analysis to ensure the business case was sound. While Latrobe council chief executive Paul Buckley agreed that they could sharpen up the way they presented projects for funding, by August 2012 he wanted action. "I think there's a level of frustration that says now is the time, don't keep coming back and asking us to do more work to justify the request. Here is the advice that your committee has given to you. Act on it."⁴⁵⁷ Crean had a different perspective:

There's a two-way policy exchange, because what they're doing is in their own small way influencing you as well. But because they're local, they're actually hard to help. They don't really get it. They talk a slightly different language and they don't totally understand the rules.

This may be so. But the local officials were kept blind to a fundamental issue that affected them deeply. There was a major dispute within federal cabinet. Crean was meeting resistance accessing the \$200 million package. When first interviewed for this thesis on 16 July 2012, he knew he had a fight on his hands. He said:

One of the difficulties that we're now going to have to manage is that there is a view that access to the \$200 million is contingent on the contract for closure [which was not progressing well]. I'm arguing it shouldn't be, but that's still a battle that we have to win. I think we're making progress on that, although it is still not there.

Crean faced a formidable opposition. He was up against key players including Prime Minister Gillard, Climate Change Minister Combet and Treasurer Swan. They believed special assistance to any regions would imply that carbon pricing had negative impacts. This was some-

⁴⁵⁷ Paul Buckley. Interview with author, Morwell, Australia, 17 August, 2012.

thing that could not be admitted in the political climate of 2012. How could you acknowledge that your climate change action required spending on structural adjustment when you were trying to avoid any mention of climate change?

Combet was arguing the billions provided to the generators amounted to the Valley's structural adjustment assistance. As well, contract for closure decisions may activate the RSAF over time and discussions must await them. But contract for closure soon became a policy fiasco, almost comically undermined by another policy decision. This was a move in 2012 to dump the \$15 floor price, which had been inserted in the CEF at the insistence of the Greens. During the Parliamentary debate on the legislation in May 2012, rural independent Rob Oakeshott unexpectedly threatened to block necessary regulations to establish the floor price. In response to this threat, it was agreed the floor price would be removed but the Australian scheme would be linked with the EU version, which was soon trading as low as six dollars. The impact of the Australian carbon price was obviously likely to be much less than expected because when trading commenced in 2015 the price of carbon would almost certainly be less than the \$15.

This in turn immediately increased the value of the power stations the government was planning to buy in order to close. The negotiations were to conclude by 30 June 2012, but they dragged on well past the deadline. While Hazelwood had never made its asking price public, media speculation ranged between \$2 billion and \$3 billion. On 5 September 2012, Martin Ferguson announced that the policy was dead. He claimed there was a "material gap" between what the generators wanted and what the government was prepared to pay. It was clear that the future for the brown coal generators was much better than foreseen in mid-2011 when the contract for closure policy was formulated under pressure from the Greens.

There were other reasons for the increase in the value of the brown coal generators, but industry experts argued that the decision to abandon the floor price had "breathed new life" into the most polluting brown-coal power stations. ACIL Tasman chief executive Paul Hyslop said the fall in the European carbon price had added "many billions of dollars" to the value of coal-fired generators. To some, the government had sabotaged its own negotiations and dramatically reduced the emissions reductions to be made from the scheme.⁴⁵⁸ "Welcome to the market. It is a mar-

⁴⁵⁸ M Priest, A McDonald-Smith, " Dirty power stations to stay and pocket \$5.5 billion', *Australian Financial Review*, 5 September 2012, p.1.

ket-based scheme,” said Oakeshott.⁴⁵⁹ Many believed this called into serious doubt whether the \$5.5 billion compensation package reflected the generators’ real position.

The failure of the power station closure policy had a dramatic effect on negotiations for a smooth transition to a low carbon future in the Latrobe Valley. Suddenly a major part of the planning had simply vanished. While the value of the generators had improved enough to warrant their owners holding on to them, at the same time as they pocketed a billion dollars in cash, the hopes of others at the local level were being dashed.

The internal government argument soon switched to whether the Regional Structural Adjustment Fund should now survive the death of contract for closure. Ferguson and Crean took a very clear view. In their minds the \$200 million lived on. Ferguson expressly said it would “remain available to assist.”⁴⁶⁰ Crean backed this, providing the following statement to ABC Gippsland: “The federal government remains committed to the work of the Latrobe Valley Transition Committee—all the commitments made are still on the table, this won’t impact the work already happening with economic diversification in the region.”⁴⁶¹ Combet took a different view: “I think some of my colleagues might have created expectations in the Valley that there’d be big money coming in to develop new businesses and industries,” he said. “But funding for structural adjustment was only ever going to be available in the event of major closures”⁴⁶² Crean said, “What they [Combet, Gillard, Swan] tried to do is to say the only basis on which we’ll make that money available is if there are closures where there are job losses.” He said, “That was instead of saying adjustment was needed because they’re moving from a dirtier environment to a cleaner one and there were going to be less jobs by definition.”⁴⁶³

It took many months for Crean to make headway with his argument that the government had pledged to back local aspirations and must not break its promise. When he finally won through the support was so small that locals considered it a broken promise anyway. In late July 2013, after a year of both carbon pricing and the report of the transition committee, the federal government announced it would provide RSAF support for local projects to the tune of a mere \$15 million. The federal government’s Regional Structural Adjustment Fund was now spent. To the dismay of Australia’s regions, \$200 million had become \$15 million. What

⁴⁵⁹ R Oakeshott, interview with author, Canberra, Australia, 29 May 2013.

⁴⁶⁰ Minister for Resources Energy and Tourism, media release, 5 September 2012. Accessed 15 October 2012. <http://minister.ret.gov.au/mediacentre/mediareleases/pages/cfc-cease.aspx>.

⁴⁶¹ ABC Gippsland, ‘Contract for closure off’, 6 September 2012. Accessed 7 September 2012. <http://www.abc.net.au/Local/stories/2012/09/05/3583240.htm>.

⁴⁶² G Combet, interview with author, 25 September 2013.

⁴⁶³ S Crean, interview with author, Melbourne, Australia, 4 April 2013.

was more, it was hard to see how some of the projects slated for funding would do anything at all to assist economic diversification.

The final 2013 decisions were announced by a new Regional Development Minister. This was Catherine King, recently promoted. She had replaced Simon Crean, who was now on the backbench, having been sacked by Gillard in March 2013 after expressing support for the leadership aspirations of Kevin Rudd. Crean soon announced he would retire from politics altogether and would not recontest his seat at the September election.

The overseas-based owners of the Latrobe Valley generators were the winners from the Clean Energy Future. Hazelwood, one of the most polluting power stations in the developed world, was the biggest beneficiary of the cash handout, alone pocketing \$265.9 million in June 2012.⁴⁶⁴ Unit controller Mark Richards said:

We workers have always believed it was nothing more than hush money for the company as it went straight back to France for their piggy bank with a nice exchange rate. From the workers' perspective it hasn't helped us become more efficient or even more reliable as from what I have been told none of those funds have been invested back into our energy producing plant.

*

The leadership in Latrobe spent years arguing the case for a collaborative approach to local climate policy development. Given the political context, the federal and state ministers most directly involved, Simon Crean and Peter Ryan, who was the Victorian Minister for Regional Development, presented an unexpected opportunity. Their participation caused an initial surge of optimism. Progress seemed obvious. Crean and Ryan facilitated local players in the policy networks to engage in resource exchange through the medium of the Latrobe Valley Transition Committee. Networks, as noted earlier, facilitate a consultative style of government, reduce policy conflict, make it possible to depoliticise issues, make policy making predictable and relate well to the Departmental organisation of government.⁴⁶⁵ The Latrobe Valley in its own way became, at the regional level, a crucible to examine the efficacy of policy networks in developing solutions to wicked problems. The Multi-Party Climate Change

⁴⁶⁴ P Manning, 'Hazelwood corners bulk of carbon aid', *Sydney Morning Herald*, 31 March 2012, p.4.

⁴⁶⁵ Bailey *et al.*

Committee was the national equivalent. Both were impressive creations that did excellent work.

But not all the work was excellent and, as we have seen, political grandstanding after the event sometimes undermined the integrity of policy making. The experience of the Latrobe Valley makes this clear. On two important counts the federal policy failed at the regional level. Following Pressman and Wildavsky, it is clear that the government's climate policies became programs in that the initial conditions – the if stage – were met.⁴⁶⁶ A hypothesis was converted into government action. The initial premises of the hypothesis were authorised in that legislation was passed and funds apparently committed. The programs made the theories operational by forging the first link in the causal chain connecting actions to objectives. But agreements with local enterprises would have to be reached before attempts were made to implement a program to close a power station and provide structural adjustment funds to mitigate the impacts. The chain of causation between initial conditions and future consequences snapped. If implementation is a seamless web – the ability to forge subsequent links in the causal chain so as to achieve the desired results – then the web was destroyed. The gap between initial policy formulation and implementation is best explained as a failure in the processes of both national policy formulation and political strategy. The government's inability to implement the contract for closure policy arose both from observable industry trends and from inherent policy contradictions. To put it briefly, the government was paying power stations to stay open and offering to pay them to close in a context of falling demand for power. Failure was inevitable, and made more so by the decision to link the price to the EU scheme.

The next failure was relative. After the promises of up to \$200 million for proactive structural adjustment assistance a mere \$15 million was provided for projects that, in some cases, were not agreed local priorities. The philosophical arguments about whether damage should occur before structural adjustment funds flowed was always very likely to be decided according to the prevailing political view, which came to be marked by cashy, cashy, cashy, the unwillingness to talk about the carbon tax, let alone any possible negative impacts.

⁴⁶⁶ J. L. Pressman and A. Wildavsky, *How Great Expectations in Washington are Dashed in Oakland; Or Why It's Amazing that Federal Programs Work at All, This Being a Saga of the Economic Development Administration as Told by Two Sympathetic Observers Who Seek to Build Morals on a Foundation*. (University of California Press: California, 1984) pp xx-xxiii; also Hill and Hupe, p. 77.

The years 2007 – 2013 were marked by a failure in the processes of both national policy formulation and political strategy. From the beginning of Gillard’s efforts to put a price on carbon in September 2010, she had hoped that 12 months of “lived experience” of carbon pricing would enable voters to see the scare campaign for what it was. But so much had changed, so many unforeseen obstacles had arisen, so many serious lapses of judgment endured, that by the time Australians had the opportunity to judge the real world effects of carbon pricing they were not able to see them clearly. What they did see they hated.

11

The lived experience

Introduction

As Gillard and Combet expected, Abbott's claims that doom would descend on Australians were entirely wrong. Price rises were not unimaginable; the tax did not push up power bills by as much as 30 per cent (and what increases did occur were mostly due to other factors); the coal, steel, cement, aluminium and motor industries were not destroyed – at least not by the carbon tax; hundreds of thousands of jobs were not lost; and entire towns like Whyalla and regions like the Latrobe Valley were not wiped off the map.⁴⁶⁷ The true picture in the first 12 months of operation of the tax may be seen from the following table.

The Abbott scare campaign judged against real world outcomes to 30 June 2013		
General Abbott claims	Detail of claims	Real world outcomes to 30 June 2013
Price rises will be unimaginable.	<p>“The hit on Australians’ cost of living is almost unimaginable” (7 June 2011).</p> <p>“The Productivity Commission report found that for Australia to impose a carbon tax or an emissions trading scheme would dramatically raise prices to consumers ...” (9 June 2011).</p> <p>“The thing about the carbon tax is that it ... will clean out people’s wallets and it will wipe out jobs big time” (15 August 2011).</p> <p>“We won’t be able to get on a bus or a train, ultimately to</p>	<p>The Reserve Bank (RBA) estimated the contribution of the carbon tax to the rise in the consumer price index (CPI) between 2012 and 2013 was 0.25 per cent.⁴⁶⁸</p> <p>The RBA found that the inflationary impacts of the tax were “modest” and in line with Treasury’s forecasts.</p> <p>“The effect of the carbon price on the CPI so far has, as best we can judge, been broadly as expected” (RBA governor Glenn Stevens, February 2013).⁴⁶⁹</p>

⁴⁶⁷ This table was compiled with assistance from George Lekakis.

⁴⁶⁸ Reserve Bank of Australia, *Statement on Monetary Policy August 2013*, pp. 47–48, www.rba.gov.au/publications/smp/, accessed 10 January 2014.

⁴⁶⁹ G. Stevens, “Opening statement to House of Representatives Standing Committee on Economics”, 22 February 2013, www.rba.gov.au/speeches/2013/sp-gov-220213.html, accessed 10 January 2014.

	drive our cars, without being impacted by this tax" (14 September 2011)	
Power bills will jump by as much as 30 per cent.	<p>28 per cent: "This is a business which currently pays about \$180,000 a year in electricity alone. Under Julia Gillard's carbon tax that's about \$40,000 to \$50,000 a year more in electricity alone ..." (22 March 2011).</p> <p>25 per cent: "It's interesting that one of the issues that did come up with the Daley's this morning is the impact of Julia Gillard's carbon tax. Their electricity bill is about \$20,000 a year and obviously under the Prime Minister's carbon tax that will go up by roughly \$5,000" (5 April 2011)</p> <p>25 per cent: "The power bill in this plant is half a million dollars a month, \$6 million dollars a year ... So, under the Prime Minister's carbon tax the cost of power is going to increase by something like \$1.5 million a year ..." (9 April 2011).</p>	<p>The impact of the carbon price on retail electricity prices varied in each of the states and territories, according to the Australian Energy Regulator's report on the energy market.⁴⁷⁰</p> <p>The report said, "Carbon pricing, introduced in July 2012, contributes 3–12 per cent of the final electricity bill. The carbon price impact was lowest in South Australia and Tasmania, which have significant renewable generation."</p> <p>The average impact of the carbon tax in 2012/13 was less than 9 per cent for the nation (excluding Western Australia, which was not covered in the AER's research).</p>
Household assistance will be inadequate.	"They will be compensated once but, you know, the carbon tax goes up and up and up and up. They're getting compensation that is pitched for a carbon tax at \$23 but the carbon tax will be \$37 a tonne by 2020 ... Now there is no compensation for any of that" (15 May 2012)	<p>The Australian Council of Social Service said, "It remains unclear whether repealing the carbon tax will lead to a significant decrease in household living costs ... The drivers of energy price rises are much broader and more complex than the introduction of the carbon price alone, including, for example, increased network expenditure."⁴⁷¹</p> <p>People employed full-time in Australia rose by more than</p>

⁴⁷⁰ Australian Energy Regulator, *State of the Energy Market 2013*, 20 December 2013, pp. 128–29, www.aer.gov.au/node/23147, accessed 10 January 2014.

⁴⁷¹ Australian Council of Social Service, *Submission to the Senate Inquiry into the Clean Energy Legislation (Carbon Tax Repeal) Bill 2013 and Related Bills*, 22 November 2013, p. 5, www.environment.gov.au/submissions/carbon-tax-repeal/acoss.pdf, accessed 14 January 2014.

		1.3 per cent in the twelve months to the end of June 2013, according to the Australian Bureau of Statistics (ABS) trend and seasonally adjusted measures. ⁴⁷²
The coal, steel, cement, aluminium and motor industries will be destroyed.	<p>“Well, I’m not saying that the world will end if a carbon tax comes in but your cost of living will go up and up and up and certain industries in this country, industries that are vital for our survival as a first world economy, will decline and die. I mean, the coal industry will go. I mean, the whole point of a carbon tax is to say, don’t use coal. I mean, that’s the logic of a carbon tax” (7 June 2011).</p> <p>“A carbon tax ultimately means death to the coal industry” (9 June 2011).</p> <p>“It will destroy the steel industry, the cement industry, the aluminium industry, the motor industry. It will be, over time, the death of heavy manufacturing in Australia ...” (26 June 2011).</p> <p>“There is no way of making cement without lots and lots of emissions. There’s no way of making steel or aluminium or zinc and nickel without lots and lots of emissions. So, what this carbon tax is going to do to these industries is drive them offshore ...” (26 July 2011).</p>	<p>Coal: employment in the coal industry in May 2012 was 61,500 (highest figure recorded by the ABS since this statistical series began in 1984).</p> <p>In November 2013 it was 60,700 (second-highest recorded level of employment in the coal industry)⁴⁷³</p> <p>Steel: when Gillard announced details of the revised formula for the carbon tax on 10 July 2011, Arrium-OneSteel CEO Geoff Plummer said, “our concerns ... have been recognised and substantially addressed.”⁴⁷⁴</p> <p>In August 2011 Bluescope managing director Paul O’Malley told the <i>Australian</i> that the high Australian dollar and other competitive pressures were the reasons for the company’s underperformance and ailing share price. The carbon tax was not a factor.⁴⁷⁵</p>

⁴⁷² Australian Bureau of Statistics, *Labour Force*, June 2013, www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/2CB5DE7E65604164CA257BC00013E7DB?opendocument, accessed 22 January 2014.

⁴⁷³ Australian Bureau of Statistics. *Labour Force, Detailed*, June 2013, Table 6: Employed Persons by Industry, Subdivision and Sex, www.abs.gov.au/ausstats/abs@.nsf/mf/6291.0.55.003, accessed 11 January 2014.

⁴⁷⁴ OneSteel, “Proposed Carbon Tax – Steel Transformation Plan Assistance Package”, press release, 10 July 2011, www.onesteel.com/images/db_images/news/OneSteel%20ASX%20Release%2010%20July%202011.pdf, accessed 11 January 2014.

⁴⁷⁵ M. Chambers, “BlueScope slumps to a new low as dollar devastates steel industry”, *The Australian*, 13 August 2011, p. 25.

	<p>“Let there be no doubt about the intentions of the authors of this carbon tax legislation. They want to kill manufacturing industry in this country” (1 June 2011).</p>	
<p>Hundreds of thousands of jobs will be lost.</p>	<p>“There will be 45,000 jobs lost in energy-intensive industries. There will be 126,000 jobs lost mainly in regional Australia” (21 June 2011).</p> <p>“The Victorian government has commissioned Deloitte Access Economics. Their modelling showed that there would be 23,000 fewer jobs across Victoria by 2015 as the result of the carbon tax” (14 September 2011).</p> <p>“The New South Wales Treasury modelling – and this was modelling originally undertaken for the NSW Labor government when Michael Costa was the Treasurer of NSW – this modelling predicts that 31,000 jobs will be lost in NSW by 2030 as a result of the carbon tax ...” (14 September 2011).</p>	<p>Changes in the number of persons employed full-time in five energy-intensive industries from May 2012 to November 2013, according to ABS classifications:⁴⁷⁶</p> <p>Non-Metallic Mineral Product Manufacturing (includes makers of concrete, cement, bricks and plaster such as Boral and Adelaide Brighton). Change from 34,200 to 28,600, i.e. minus 5600.</p> <p>Transport Equipment Manufacturing (includes all three car makers: Holden, Ford and Toyota). Change from 80,700 to 76,500, i.e. minus 4200.</p> <p>Primary Metal and Metal Product Manufacturing (includes makers of steel pipe, tube and aluminium such as Alcoa and Bluescope). Change from 78,600 to 74,300, i.e. minus 4300.</p> <p>Fabricated Metal Product Manufacturing (includes most forms of structural steel manufacture used in construction, and covers Arrium-OneSteel). Change 46,600 to 58,000, i.e. plus 11,400.</p> <p>Machinery and Equipment Manufacturing (makers of ovens, furnaces, machine tools, agricultural machinery). Change from 108,700 to 115,600, i.e. plus 6,900.</p> <p>The aggregate change in full-time employment between</p>

⁴⁷⁶ Australian Bureau of Statistics, *Labour Force, Detailed*.

		<p>May 2012 and November 2013 in these five energy-intensive industries was an increase of 4200.</p> <p>Job losses announced in some industries were mostly due to the negative impact of the Australian dollar on the competitiveness of locally made products.</p> <p>Neither General Motors nor Ford mentioned the carbon tax as a factor when announcing they would cease operations in Australia.</p>
<p>And entire towns like Whyalla will be wiped off the map.</p>	<p>“We had the AWU in South Australia just today predict that Whyalla and Port Pirie would be wiped off the map if the carbon tax goes ahead. But they’re not the only major centres that would be wiped off the map if the carbon tax goes ahead. The carbon tax is a deadly threat to the economies of Gladstone, many centres in the Hunter Valley, in the Illawarra, to places like Portland in Victoria and to the Latrobe Valley, to places like Kwinana in Western Australia” (19 April 2011).</p>	<p>Gippsland (Latrobe Valley region): The number of full-time employees fell from 130,300 in July 2012 to 129,700 in June 2013, according to the ABS.⁴⁷⁷</p> <p>Newcastle: The number of full-time employees increased from 264,400 in July 2012 to 267,800 in June 2013.</p> <p>Wollongong: The number of full-time employees increased from 129,900 in July 2012 to 131,400 in June 2013.</p> <p>Northern and Western region of South Australia (includes Whyalla): The number of full-time employees rose from 75,300 in July 2012 to 76,000 in June 2013. (Note: this is much broader than Whyalla, specific figures for which were not available at time of writing.)</p> <p>Perth southwest region (includes Kwinana): The number of full-time employees declined from 210,500 in July 2012 to 200,900 in June 2013.</p>

⁴⁷⁷ Australian Bureau of Statistics, *Labour Force, Detailed*.

The scare campaign's threats dissolved before Australians' eyes, but their views did not reflect the good news. While there was some acceptance of the fact the sky had not fallen in, there was a feeling that nobody was doing anything about increases in the cost of living, particularly the price of electricity, which gnawed away at families. By far the biggest contributor to electricity price rises was higher network charges, but some consumers blamed the carbon tax.⁴⁷⁸ It wasn't so much that people couldn't afford the increases, but that the household electricity bill was providing a nasty surprise every quarter, which led to generalised resentment.

Awareness and understanding of the household assistance package was limited. Only some recipients actually knew they had received it. People who saw it as intended to help deal with increases in the cost of living did not consider it sufficient. The best the government could do was empathise with the many Australians "doing it tough". Ministers complained privately that people should be thankful they did not live in Europe or the United States, with devastated economies and high unemployment. Small business owners, particularly those in the building, construction, engineering and transport sectors, were more likely to have experienced increased material costs. Some agreed the media had created so much hype about the introduction of carbon pricing and had overstated the potential negative effects to such a degree that there had been an anti-climax.⁴⁷⁹

There was still a broad view that Australia should act on climate change, but people did not believe the government had done so. They had not understood the connection between carbon pricing and climate change. They still believed the tax was a revenue-raising measure and a vehicle for wealth redistribution. Voters also did not believe Abbott would repeal the package. They likened his promise to the Gillard "lie". In this they underestimated the determination of the forces lined up to demand that Abbott deliver.

Power emissions down

The cynicism and lack of awareness that showed up in research was, ironically, accompanied by emerging signs that the CEF and Rudd's 20 per cent RET were having an impact. In the year

⁴⁷⁸ T. Wood, "Why Australians are getting a raw deal on electricity prices", *The Conversation*, 22 April 2013, theconversation.com/why-australians-are-getting-a-raw-deal-on-electricity-prices-13296, accessed 31 May 2013.

⁴⁷⁹ JWS Research, "Interim research results prepared for the Department of Climate Change and Energy Efficiency", February 2013.

after the CEF came into operation, emissions from power plants fell 6.3 per cent, meaning cuts of 12.2 million tonnes. Some of this was due to reduced demand. Changes in the fuel mix used to generate electricity also contributed to the decline in emissions.

Nevertheless, over 2012–13, generation in the National Electricity Market (NEM) decreased from black coal by 4.1 per cent and from brown coal by 12.5 per cent, with both fuels registering their lowest levels in more than a decade. Natural gas generation increased 4.2 per cent and hydro-electric generation grew 33.8 per cent to the highest level seen since Tasmania joined the NEM in 2006. Generation from other renewables continued to grow, increasing by 8.9 per cent, from a proportionately small base. The three months to the end of November 2013 saw emissions from the electrical power sector at levels well below the bipartisan target range of 5 per cent reduction on 2000 levels. These falls were unprecedented.⁴⁸⁰ Australians were living the experience of significant improvements in their greenhouse emissions from electricity generation – even if many of them didn’t know or care about it.

The executive director of the consultancy ClimateWorks, Anna Skarbek, argued that the pricing of carbon had sparked much change by businesses in particular. “There is pretty widespread understanding in business that the science is in and this issue is with us for the rest of our lives and that policymakers will return to it even if they need to reshape it or rebrand it,” she said.⁴⁸¹

Windfall profits

The coal-fired generators had their lived experience too. After a campaign that never ended, despite the government’s generosity in 2011, an analysis by Bruce Mountain, director of the consultancy CME, showed that the payments they won had created windfall profits.⁴⁸² The analysis, undertaken for Environment Victoria, was widely accepted as credible, although naturally it provoked some angry opposition. It took account of actual carbon market and electricity market outcomes since the commencement of the carbon price. Mountain concluded that in the first six months of the carbon price, generators in Victoria seemed to have passed on the total cost of the emission permits to consumers, through higher electricity prices in the spot

⁴⁸⁰ M. Sandiford, “So if the carbon tax is not working, then what is?”, *The Conversation*, 9 December 2013, <http://theconversation.com/so-if-the-carbon-tax-is-not-working-then-what-is-21284>, accessed 10 December 2014.

⁴⁸¹ M. Short, “Cutting emissions together”, *The Age*, 29 August 2013, p. 18.

⁴⁸² B. Mountain, *Transitional Assistance or Windfall Profits? The Financial Impact of the Carbon Price and Compensation Payments on Victoria’s Brown-Coal Generators*, February 2013, www.investopedia.com/terms/w/windfall-profits.asp#axzz2JDNQS0wv, accessed 28 July 2013.

(or cash) market. He noted that although spot market outcomes may not match the actual prices that the generators had received so far, they were significant since they set the reference price for future financial contracts.

A second conclusion was that as a result of the government compensation payments, and assuming a continuation of the observed pass-through percentage, the Victorian brown-coal generators could expect to accrue additional operating profits somewhere in the range of \$2.3 billion to \$5.4 billion, depending on emission prices in future. Third, even if pass-through percentages were to fall significantly, Victoria's generators would still be likely to improve their net profits as a result of the compensation payments. Mountain argued that the evidence suggested Garnaut's advice was right: the risks of supply reduction attributable to the carbon package were small.

Rudd returns

By late 2012 and January 2013 Gillard and Combet had made some headway against all odds. They believed, no doubt optimistically, they had retrieved the government's position to the point where a victory at the election to be held in September was looking possible, if unlikely. Nobody knew what the pressure of a closer contest would do to the ability of the Coalition to remain unified and coherent. Gillard was anxious to test them.

But this was not to be. The Coalition's unceasing attacks were supplemented by the damage to the government's prospects inflicted by the Rudd forces. The period between January and June 2013 saw an intensification of the leaks and briefings designed to tear down the prime minister. A media giddy from the scent of another leadership drama linked arms with Gillard's two opponents and pushed their causes hard.⁴⁸³ Gillard, faced as she was with destabilisation by two opposition leaders, and with a hostile media, made mistakes. Her inexperience and insecurity came through in wooden performances and confused decisions that did her no justice and further fuelled her opponents' campaigns.⁴⁸⁴

The ALP caucus resisted Rudd's comeback for a long time. Why it did this was a mystery to voters, but it recognised that Gillard was a more effective leader and did not want to reward a saboteur, who had been a major cause of the problem he then claimed he was best placed to solve. But as the election loomed, MPs came to understand that the destabilisation would

⁴⁸³ Walsh, *The Stalking of Julia Gillard*.

⁴⁸⁴ B. Packham, "Defiant minister Stephen Conroy sticks to media reform deadline", *The Australian*, 15 March 2013, www.theaustralian.com.au/media/defiant--minister--stephen--conroy--sticks--to--media--reform--deadline/story--e6f9g996--1226597956463, accessed 21 January 2014.

never end. Their fears of annihilation won out and Rudd's comeback became inevitable. In June 2013, almost exactly three years after he was ousted from the prime ministership, Rudd's overwhelming hunger to be returned came to fruition. Having been able to capitalise on Gillard's unpopularity following the so-called broken promise of 2011 to rebuild and maintain his attractiveness to voters, he was re-elected leader 57 – 45.

Gillard and Combet both resigned from Parliament. They were not the only casualties of Labor's years of internecine warfare. Others to depart for good included Crean, Ferguson, Craig Emerson, who had tried hard to get Gillard to stop saying she was introducing a tax, and Nicola Roxon, who was health minister when Rudd was desperately seeking a 2010 election issue other than carbon pricing. Kevin Rudd also resigned after losing the 2013 election to Abbott, who announced that repeal of the CEF would be his top priority. The sole winner from the cast of government characters in the dramas of climate policy was Penny Wong, who switched from Gillard to Rudd in 2013 and became Senate leader. Climate change was dismissed during the 2013 election campaign in a few fleeting moments.

The Abbott ascension

Tony Abbott swept to power in September 2013, and immediately set about dismantling Australia's climate policy institutions and sacking personnel. On the first day of the new government, Martin Parkinson, whose work we encountered when he was secretary of the DCC, agreed to leave his position as secretary of the Treasury, amid speculation that he was pushed. Blair Comley, who followed Parkinson as secretary and who had recently moved to the resources portfolio, was sacked.⁴⁸⁵ Equally quickly, the new government decided to axe the Climate Commission, which had been set up by Gillard to provide Australians with an independent and reliable source of information about the science of climate change, the economics of carbon pricing and the international action being taken to reduce carbon emissions.⁴⁸⁶

The new government claimed to be maintaining its commitment to the 5 per cent target but it was clear that there would be no extra funding in the budget, should the allocation to its direct action fund prove inadequate. Early advice from independent consultants indicated this

⁴⁸⁵ F. Jotzo, "Australia needs climate institutions, whoever is in power", *The Conversation*, 20 September 2013, theconversation.com/australia-needs-climate-institutions-whoever-is-in-power-18371, accessed 22 September 2013.

⁴⁸⁶ J. Metcalfe, "Axing the Climate Commission splits Australians from science", *The Conversation*, 19 September 2013, theconversation.com/axing-the-climate-commission-splits-australians-from-science-18425#comment_222487, accessed 20 September 2013.

would be so.⁴⁸⁷ In March 2014 the already-targeted Climate Change Authority recommended that the 5 per cent target be replaced by a more ambitious one of 19 per cent. This would put Australia more in line with international intentions. The government was unmoved.

The government appointed Dick Warburton, a climate change sceptic, former Reserve Bank board member and warrior from the anti-Gillard campaigns, to head a review of Rudd's 20 per cent RET. In 2011, Warburton had written an article criticising "the groupthink of climate scientists".⁴⁸⁸

Perhaps the tone of the government's approach was best captured by its dealings with Australia's national carrier, Qantas. The airline, having fallen on tough times, no doubt due in many ways to its own poor decisions, called on the government for support, but in doing so indicated that its troubles were not related to the Gillard carbon tax. This was a mistake. Ministers were reported to be infuriated. The treasurer, Joe Hockey, spoke to airline management and a sheepish backflip ensued. The tax quickly became one of the "significant challenges" the airline had to confront.

The government, meanwhile, was demanding that energy companies pass on cost savings immediately and in full after the carbon tax repeal. It expected power prices to fall by 9 per cent and gas prices by 7 per cent. This would mean average power bills should be \$200 a year lower and average gas bills \$70 a year lower. But lower emissions intensity and higher network costs mean savings are likely to much less. A similar argument applies for gas.⁴⁸⁹

⁴⁸⁷ The consultants were the Climate Institute, Monash University and Reputex.

⁴⁸⁸ G. Lehmann, P. Farrell and D. Warburton, "The intelligent voter's guide to global warming (part I)", *Quadrant*, March 2011, quadrant.org.au/magazine/2011/03/the-intelligent-voter-s-guide-to-global-warming/, accessed 12 March 2014.

⁴⁸⁹ T. Wood, "Axing the carbon tax: saving households costing climate", *The Conversation*, 13 November 2013, theconversation.com/axing-the-carbon-tax-saving-households-costing-climate-20065, accessed 2 February 2014.

Conclusion

As I finished this thesis, trying to knit together the conclusions of my journey into a tragic era of Australian politics, 2013 gasped its way to a close. The year was the hottest in Australia since records began in 1910. The summer of 2012–13 had been the hottest summer on record, January the hottest month and 7 January the hottest day. The nationwide temperature record set for September exceeded the previous record by more than a degree. This was the largest temperature anomaly for any month ever recorded. Climate scientists observed that it was impossible to explain the Australian temperatures in 2013 by natural climate variations alone. Human-caused global warming had made a crucial contribution.⁴⁹⁰ While hot days are getting hotter and heatwaves longer and more frequent, some parts of Australia are becoming drier.

The year began with terrible fires in Tasmania and ended with more in New South Wales. Although Australians have always had to live with bushfires, these hot, dry conditions are driving up the likelihood of very high fire danger weather, especially in the southwest and southeast, where the fire season is already becoming longer, reducing the opportunities for hazard reduction burning.⁴⁹¹ The NSW Blue Mountains fires were frighteningly early in the season: October.

In 2007, coinciding with the election of the Rudd government, the fourth report of the IPCC provided dire insights into the causes and impacts of rising carbon emissions. It was a contributing factor to the general impetus towards climate change action at the time. Six years later, in September 2013, coinciding with the election of the Abbott government, the first part of the IPCC's fifth major assessment of climate science was released in Stockholm, Sweden. It was now "extremely likely" – greater than 95 per cent certainty – that human activity had caused more than half the global warming experienced since 1951. CSIRO climate scientist Steve Rintoul, an IPCC coordinating lead author, said: "What is new is we can be more confident in those results, both in how the climate system has changed up to now and also the human contribution to those changes."⁴⁹²

⁴⁹⁰ S. Lewis and D. Karoly, "Australia's hottest year was no freak event: humans caused it", *The Conversation*, 6 January 2014, theconversation.com/australias-hottest-year-was-no-freak-event-humans-caused-it-21734, accessed 7 January 2014.

⁴⁹¹ L. Hughes, "Climate council's code red bushfire warning", *The Conversation*, 9 December 2013, theconversation.com/climate-councils-code-red-bushfire-warning-21257, accessed 10 December 2013.

⁴⁹² T. Arup, "The tide is rising", *Sunday Age*, 22 September 2013, p. 9.

None of this mattered to that vocal subset of the population who had found a new arena for their culture wars: the climate change sceptics. Scepticism visibly and forcefully entered the mainstream after 2008. Senior conservative politicians, led by the man who is now prime minister, adopted the slogans of the sceptics, no matter how mindless they often were. This enabled ordinary party members and voters to adopt anti-science positions that would have been unthinkable not long ago.

The failures of Rudd and Gillard, which created the conditions that made the ascension of Tony Abbott and the sceptics inevitable, make it possible to argue that the old “Greenhouse Mafia” of heavily polluting industries won the climate wars of 2007–13.⁴⁹³ Their carefully orchestrated campaigns over more than a decade, which were extremely influential in the Howard era, brought handsome victories again. Hand in hand with their allies in politics and the media, they made Rudd and Wong look foolish and bound Gillard and Combet to their predecessors’ concessions. At least the second crop of leaders was better at trying to justify the handouts, and they created a mechanism that meant windfall profits would not go unnoticed.

As the scientific certainty grew in the years between 2007 and 2013, in Australia, as well as in the United States, the desire to act fell away. Australians reached the end of six years of frantic attempts to price carbon exhausted by the subject and confused about what governments had been trying to do. Who could blame them? The noise had been deafening. The sceptics, urged on by Abbott and many in the media, kept up a communications barrage, which by 2013 had become impressively sophisticated. They promoted a deep gulf between themselves and those who were inclined to see it as common sense to listen to 97 per cent of published climate scientists and every major national science body in the world. Even in the unlikely event that all of these experts were later proven to be wrong, it would still not have been a mistake to err on the side of hearing them. That to do so had become a cause of such anger was bewildering.

Debate in Australia seemed to have become uglier, less tolerant and more prone to celebrate a culture of ignorant certainty and barely restrained aggression. Rural independent and Gillard ally Rob Oakeshott said, “I’ve met ugly Australia over this period, and I’m still optimistic about what a great country we are. But no one – and from first-hand experience – no one should be

in any doubt we have an ugly Australia.”⁴⁹⁴ Of course there were many factors in these developments. But on some days the world seemed to have become an alien place, which was precisely the effect intended by those warriors who had perfected the cheap skills of megaphone politics.

*

This thesis has examined whether particular policies and political strategies might be more successful than others in addressing the wicked problem of climate change. It has done so by looking at two profoundly different cases: the Rudd and Gillard governments. The differences extended to the contexts in which the leaders made their climate policy efforts, the political personalities of the two leaders, the political strategies of each and the outcomes.⁴⁹⁵ But as we have seen, there were some fatal similarities, too.

Rudd left Gillard a string of daunting climate policy and political problems: the absence of any kind of carbon pricing narrative, the erosion of voter support, the unchallenged transformation of the sceptics into a sophisticated movement, the pinning of faith on the fiasco of Copenhagen, the chaotic abandonment of the CPRS and the humiliation and tragedy of the home insulation program. She would always have an uphill battle being taken seriously when dealing with climate change. But, as noted earlier, if success is defined as securing a Parliamentary majority for legislation to impose a price on carbon, then against the odds Gillard succeeded where Rudd failed. As leaders, they could hardly have been more different and perhaps there are lessons to be learned from those differences. While capable of breathtaking political misjudgments, Gillard was still much more effective than her predecessor. Very few members of cabinet, faces drained of blood by the constant hammering in the polls, saw it otherwise.

The clearest expression of the difference was in Gillard’s development of a highly innovative policy-making mechanism, the Multi-Party Climate Change Committee (MPCCC). The MPCCC was, by bringing together diverse interests into a shared process, the embodiment of Gillard’s style of leadership. It reflected her ability to frame and shape that process through joint work and to build confidence and commitment through the conduct of the discussions. The MPCCC followed a deliberative and methodical approach, with the innovation of giving it the status of a cabinet committee, even though it included non-government MPs and expert advisers. This re-

⁴⁹³ The phrase was coined by Pearse, *High and Dry*.

⁴⁹⁴ R. Oakeshott, interview with author, Canberra, 29 May 2013.

⁴⁹⁵ Discussions of leadership in this chapter rely on the work of James Walter, cited previously.

sulted in firm support for the policy framework which emerged, and willingness to compromise and negotiate in good faith over the outstanding elements.

Rudd, who by contrast refused even to talk to the Liberals and the Greens, would almost certainly have enjoyed success in 2009, had he possessed some of Gillard's qualities. The same could not be said the other way around. Rudd was the wrong leader for the complex task of pricing carbon. He was a type of leader who did not possess the qualities needed to deliver a policy requiring careful consultation, co-operation and communication with multiple stakeholders. He paid too little attention to the distributed nature of power. Gillard, in contrast, was attentive to what people needed in order to achieve support. This was partly because she was naturally a different type of leader, partly because she endured the misery of Rudd's failures and partly because she had no choice if she was to become and then remain prime minister.

Those qualities that distinguished Gillard from Rudd did not always lead to success for her, of course. Despite making every effort to convince business to give her a "fair go", she made very little headway. But Gillard's inclusive qualities were important in her being able to form a government after the 2010 election, to keep that majority together and use it to act on climate change and to achieve other major policy breakthroughs. It is clear that there are some valuable lessons here about effective leadership.

That said, the same leadership qualities that enabled Gillard's success undermined her at the same time. Indeed, if the definition of prime ministerial success is extended to include restricting the amount of political capital spent to sustainable levels, then Gillard also failed. The measure of this failure was the decision by the new Senate in July 2014 to repeal carbon pricing.

The collaborative skills of Australia's first woman prime minister put her at odds with voter, party and media expectations that she exhibit the "strength" or "charisma" associated with leaders. A good example of this clash, which she found impossible to manage, was the citizens' assembly proposal in the 2010 election campaign. In the context and in the way it was communicated, it deserved much of the criticism it received, but it's hard to fault the thinking that drove it. Gillard was convinced that neither political communication nor media coverage had done enough to explain the issues of carbon pricing. The assembly proposal reflected her confidence in a deliberative process as a source of solutions and public legitimacy. This characterised Gillard's approach to leadership.

The proposal was greeted with outrage. Rather than a reflection of inclusive leadership and the need to rebuild a consensus narrative, it was seen as an abdication of leadership. It was criticised for being “all talk”, as being about broad ideas with no line through to action. It was even seen as a continuation of Rudd’s indecision. But the approach Gillard was proposing would have been part of a personal leadership on climate change that would have contrasted very strongly with Rudd’s. The criticism demanded that Gillard simultaneously “lead” on climate change while highlighting contradictions and controversies in the government’s overall position and appearing to assume that they could be instantly resolved by the right “leadership” decisions.

Combined with the capacity for misjudgment also highlighted by the citizens assembly example, Gillard found the external pressures on her to be a more “dominant” and “charismatic” leader very difficult to reconcile with her basic approach and personality. The leadership repertoire in this leader-centric age demands a performance that projects decision and vision, along with an ability to engage in big picture thinking; or project charisma; or communicate a narrative of belief. But Gillard had to develop agreements, which militated against appearing decisive. She was, in any event, someone who did not deal effectively in big pictures. As Walter puts it, her earnest attempt to act as a leader “diminished her core skills and failed to capture her strengths”. The abilities that enabled her to function effectively in a hung parliament were not seen by the public.⁴⁹⁶

Gillard made mistakes as prime minister. If nothing else, inexperience made error inevitable. Errors of political strategy and communications were partly in her control and partly outside of it. Capacity for error was both in her political make-up and in the hand she received when she took over from Rudd. There was also some sheer bad luck.

In the modern era it is natural that prime ministers will control broad approaches to government communications from their own office. But Gillard’s tendency to do so while ignoring alternative viewpoints was the clearest example where her abilities to consult, collaborate and do deals in an atmosphere of trust often deserted her. This was her most damaging failure. She was not always able to balance fundamentally conflicting demands that were made upon her virtually on a daily basis in the context of relentless attack. It was the point

⁴⁹⁶ Walter, ‘Political Leadership’ in Fenna et al., p. 255. As noted above, Gillard also suffered from the gendered stereotypes of leadership.

at which she undermined her own strengths and seriously damaged her legacy. Often she seemed determined to be two types of leader simultaneously, wanting to maintain the integrity of her own style, while also making “captain’s picks”, as she called an autocratic intervention she once made.⁴⁹⁷ Attempts to project these different leadership types blurred her identity with catastrophic consequences.

Gillard’s main leadership flaw was thus her difficulty in communicating her intentions and values. This meant she was unable to construct a coherent narrative to which voters could relate. Never promising to begin with, her communications became less and less spontaneous, warm and genuine. She provided strength and definition to the image both Rudd and Abbott were determined to create for her, as “a piece of work”, a fake, a dishonest opportunist.⁴⁹⁸ A series of mistakes assisted them in their task. Her unwillingness from day one to be clear about the reasons for removing Rudd contributed to the perception her enemies created. What might have passed as a “white lie” became seen by many voters as a deep character flaw. Another mistake occurred when she announced during the election campaign that voters would now begin to see the “real Julia”. But the real Julia was much more often on display in small collaborative meetings than it was in media appearances. The seemingly endless negotiations that resulted in a minority government, which should have been seen as a major achievement, were used by Rudd and Abbott to show that Gillard was ready to say or do anything in pursuit of a personal goal. Then there was her implied admission that she had lied to voters about support for a carbon tax. The “lie” was a disastrous moment, but especially so because voters were well primed to view it that way. The list goes on and on. It even includes the drastic decision in early 2012 to stop talking about climate change, which, as we saw in the case study of the Latrobe Valley, had some shattering direct impacts. The decision also ensured that the ignorance of voters about carbon pricing, which had survived Rudd and Gillard, lived on.

Like Rudd, Gillard became absorbed in the detail. This applied even more so to Combet. The development of the CEF package was a major achievement, but it was done without thinking through the political strategies needed to minimise the political capital being spent. It was as though the development of a good policy would be enough. Paul Keating was fond of saying

⁴⁹⁷ In January 2013 the prime minister ended the fifteen-year career of Northern Territory senator Trish Crossin by overriding the ALP to dump her in favour of indigenous leader Nova Peris. Gillard described this as a “captain’s pick”.

⁴⁹⁸ “Piece of work” is Abbott’s term. See B. Packham, “Tony Abbott says it’s time for parliament to move on from use of ‘gender card’”, *The Australian*, 10 October 2012, www.theaustralian.com.au/archive/national--affairs/tony--abbott--says--its--time--for--parliament--to--move--on--from--use--of--gender--card/story--fndckad0--1226493077713, accessed 10 January 2014.

that good policy is good politics, and Gillard and Combet obviously believed this. But Keating also understood the need to “flick the switch to vaudeville”, which neither Gillard nor Combet were as clear about.

The ultimate reason for Gillard’s failure was then the same as Rudd’s. For all of her qualities, qualities that were essential for her triumph in October – November 2011, she joined Rudd in paying the penalty of failed communications with voters. Gillard’s errors sprang from a different place to Rudd’s. Nobody ever accused her of hubris. While the reasons for failure were different in the two cases, the outcome was similar.

One senior public servant close to the process believed that the problem of narrow sources of advice that had harmed the government was improved when the Multi-Party Climate Change Committee was established because it meant that the inputs suddenly became much broader, even though the Departmental views were “still fairly narrow”. This observer noted: “There was though more opportunity for a normal exchange of views. So it was a better process.” Gillard’s ability as a consultative and collaborative leader is highlighted precisely by her willingness to create and work with the MPCCC, which was the embodiment of her leadership style. But as time wore on and Gillard and her close supporters, notably her deputy, Wayne Swan, became ever more wary of leaks from cabinet designed to undermine her, the preference too often turned to restricting advice and listening only to small groups of supporters. This led to disasters, such as occurred with media policy in 2013.⁴⁹⁹

This raises the question of whether a wicked problem of the complexity of climate policy is capable of resolution without broad consensus. Rudd was blessed by the fact that all major players, including business, the Coalition parties and the media, supported action. But he managed to bungle the strategy anyway. Gillard’s profoundly different approach still left her unable to get business, Coalition or media support. Does this mean that while she brought the necessary qualities for success to the task of making climate policy, her failure was inevitable? Does it mean that the structural obstacles inherent in Australia’s fossil fuel-based economy were always going to overwhelm her? Or does it say that she too could have succeeded with better strategic choices? The fact she was able to achieve legislative success

⁴⁹⁹ Against the wishes of many senior ministers, and in the face of unanimous opposition from the mainstream media, she persisted in an attempt to enforce a system of correction of error on the media; this was until defeated by media power. See B. Packham, ‘Defiant minister Stephen Conroy sticks to media reform deadline’, *Australian*, 15 March 2013.

suggests that the answer is that with better political judgment Gillard could have succeeded in achieving lasting climate change action for Australians.

The final word on the impact of Labor's power failures between 2007 and 2013 belongs to the people of the Latrobe Valley. The region entered 2013 no better off than in 2008, perhaps worse. Community members had no reason to feel that their future was any more secure. Richard Elkington, who began this narrative as manager of government relations for Loy Yang, ended it as chair of Regional Development Australia, Gippsland, and a major community figure supporting proactive diversification. He expressed local views this way:

The Latrobe Valley has been put through the grinder since 2008, thinking its future was pretty limited, thinking that we're going to undergo some sort of massive transformation in our regional economy. People have been anxious about the future. And what have they seen from the Commonwealth? A complete lack of leadership.⁵⁰⁰

The extent of the Valley's disenchantment with Labor – and of Labor's inability to talk the language of its working class constituency in the Latrobe Valley – is best seen at election times. As we have seen, the community was left exasperated and disillusioned by being abandoned in 2012. The Latrobe City Council's approach of working with the federal government, broadly shared by the unions and some small businesses, became strongly contested by many voters. Most of the local proponents of the council's policy were defeated at the municipal election of October 2012, which saw the Labor Party reduced to one ward.

The mining and energy-centred seat of Morwell in the Victorian Parliament had long been seen as a natural Labor seat,⁵⁰¹ but in 2010 there was a massive swing against Labor of 14 per cent, which converted it into a safe National Party seat with a margin of 16.3 per cent.⁵⁰² In the nearby state seat of Narracan, which includes the Latrobe Valley working class town of Moe, the swing to the Liberals was almost 10 per cent, providing a conservative margin of 12.4 per cent.⁵⁰³ Labor's Morwell campaign director Jadon Mintern was clear that the reason for the voting disaster was climate change policy. He noted that, "the big swings were in our traditional areas, in particular public housing areas. Standing at the booths handing out

⁵⁰⁰ R. Elkington, interview with author, Morwell, 30 October 2012.

⁵⁰¹ It was held by Labor from 1970 – 2006.

⁵⁰² ABC News, "Victoria Votes 2010 – Morwell," December 7, 2010. Accessed June 14 2011. <http://www.abc.net.au/elections/vic/2010/guide/morw.htm>.

⁵⁰³ ABC News, "Victoria Votes 2010 – Narracan," December 7, 2010. Accessed June 14 2011. <http://www.abc.net.au/elections/vic/2010/guide/narr.htm>.

cards, people you knew had always voted Labor would walk past you angry about the plans.”⁵⁰⁴

There are also two federal seats that take in parts of the Latrobe Valley. McMillan is a west Gippsland electorate that extends east from the south-east edge of Melbourne to include a collection of rural towns as well as the mining and industrial districts of the Latrobe Valley. It has been held by the Liberals since 2004. In the August 2010 federal election Labor’s McMillan result remained steady but at the 2013 election the swing to the Liberal sitting member Russell Broadbent was 7.6 per cent.⁵⁰⁵ The federal seat of Gippsland is traditionally a rural electorate held by the National Party. A redistribution ahead of the 2004 election gave the electorate a different mix with the addition of industrial and mining areas around Morwell. Entirely against the statewide trend, the electorate increased the majority of the local National Party member with a swing to him of 5.5 per cent. In 2013 the swing to the NP’s Darren Chester was a further 4.4 per cent.⁵⁰⁶ It is uncertain whether these results were affected by the government’s generally more activist position on climate change, but it is perhaps notable that we have met these two conservative MPs previously in this thesis: Broadbent was the Parliament House launcher of the climate sceptics’ handbook *Nine Lies About Global Warming*, while Chester has been an outspoken climate change sceptic.

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Former Hawke government minister and ALP national president, Barry Jones, has noted that the modern era is characterised by unprecedented prosperity. The major influences have been secularism, materialism, utilitarianism, urbanisation, remoteness from nature, institutional failure (especially in churches) and an emphasis on immediate economic self-interest. The rise of managerialism has displaced community engagement in ideas and values. The impact of mass media has been profound, with its emphasis on immediacy, the cult of personality, promoting sensation, entertainment and an often vicious and destructive political agenda, in which the truth of a proposition (a carbon tax will be a wrecking ball through the economy, for instance) is irrelevant. As Jones noted, the community’s moral compass is distorted.⁵⁰⁷

Several developments in the media in the modern era have augmented the increasingly dom-

⁵⁰⁴ Jadon Mintern. Interview with Philip Chubb. Personal Interview. Morwell, Australia. May 28, 2011.

⁵⁰⁵ ABC, McMillan votes, <http://www.abc.net.au/news/federal-election-2013/guide/mcmi/>.

⁵⁰⁶ ABC, Gippsland votes, <http://www.abc.net.au/news/federal-election-2013/guide/gipp/>.

inant role of leaders while at the same time intensifying the impact of the media on policy and political outcomes. Walter and Strangio highlight three of these: the consolidation of media monopolies; the impact of technological change on media practices; and much more sophisticated media management by MPs and staff.⁵⁰⁸ Technological change has increased the reach of the media and bred what is referred to as the 24-hour news cycle. This development has transformed media coverage of politics, causing much greater emphasis on continually breaking news, with an emphasis on being first rather than correct. Opinion is seen as a selling point, so there is a reliance on interpretation in news items; the journalistic norms of impartiality and balance are being systematically re-thought to the point where they are sometimes no longer seen as virtues. The focus on leadership has led to a concentration on personality contests, the temperature of conflict is ever-intensified and the “horse race” becomes everything.⁵⁰⁹

Within this forbidding framework, the question that remains is this: why has the modern crop of Labor politicians – after Hawke and Keating – been so ineffective at communicating with voters? The divergence between progressive, post-material ALP supporters and their interests, and the interests of the traditional “worker” cohort creates difficulty in mounting a unifying argument. But further, as Jones has noted, the underlying issue is whether the ALP is oligarchic rather than democratic; whether it is a wholly-owned subsidiary of the trade union movement. If the answer to these questions is “yes”, the party is condemned to dependence on a contracting base. The close relationship of the trade unions and the ALP is a necessary condition, but not sufficient: Labor needs six million votes to win a federal election: trade unionists and their families are not enough.

For nearly 60 years trade unionists have been a contracting proportion of the labour force: the high point was in 1954. Unionists now comprise 18% of workers – and the figure continues to fall. Factions within the party are controlled not by the workers themselves (a significant number of unionists don’t vote Labor anyway, and the number of union members who actually join ALP branches is small) but by trade union officials – people who often become

⁵⁰⁷ B. Jones, "A values deficit, toxic politics and the climate change debacle", *The Conversation*, 11 November 2013, <https://theconversation.com/a-values-deficit-toxic-politics-and-the-climate-change-debacle-20024>, accessed 15 November 2013.

⁵⁰⁸ J. Walter and P. Strangio, *No Prime Minister*, p. 58.

⁵⁰⁹ J. Boumans et al.

beneficiaries of Labor's patronage system, receiving endorsements for safe seats.⁵¹⁰ As one adviser put it: anthropology holds the key to understanding why Labor leaders find communicating with ordinary voters so difficult a task. Some senior figures in today's ALP got there through factional deals and branch-stacking. Too often this deprived them of the experience of banging on doors, asking for support, arguing about policies and learning how to talk through complex ideas with ordinary people. They lost the opportunity for that experience largely because of the demise of the grassroots Labor organisation. It is an existential challenge for the Labor Party to see whether it can find leaders possessing two fundamental qualities. The first of these Gillard possessed. This was her ability to use the tools of collaboration to deal with wicked problems. The second was possessed by neither prime minister. This was the ability to sustain a rapport with ordinary people over an extended period of time, to understand how people think and feel, and to explain issues to them, along with what should be done about those issues.

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When I embarked on my quest in 2009 to uncover the lessons to be learned in climate policy development and political strategy, I could hardly have foreseen that it would turn out to be one of the most turbulent periods in Australian political history. In the end, the body count was two prime ministers and two Opposition leaders thrown out by their own parties, with climate change a major factor in all four cases. How likely was that?

But while so much of what happened over those six years is deeply puzzling and alienating, I believe this makes the journey even more important. It would be a tragic outcome if, based on the experience of 2007–13, future politicians saw addressing climate change as too hard a task. Despite the Abbott government's actions, opportunities remain to learn and to get the strategy, as well as the policy, right next time. That moment does not seem close in 2014. But with knowledge of what worked and what did not, Australia will no doubt return to carbon pricing in the future. Solutions are ready to be harnessed by an inclusive leader. By the time this happens, the leader may have had the opportunity to reflect more deeply on the balance of qualities required.

⁵¹⁰ B. Jones "Virtue and vexation: the policy vacuum in the 2013 election", *The Conversation*, 16 September 2013, <https://theconversation.com/virtue-and-vexation-the-policy-vacuum-in-the-2013-election-18144>, accessed 26 June 2014.

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Building on the work of Compston and Bailey in particular, the aim of this thesis has been to draw out some of the implications of a resource dependency version of policy network theory for identifying political strategies for governments that wish to take vigorous action against climate change while avoiding serious political damage. The utility of resource-exchange thinking hinges on its ability to diagnose real-world successes and failures and offer workable strategies. Drawing on the empirical analysis undertaken for this thesis and also on the insights of Head, Alford, Walter and Strangio, we may summarise the causes of the failures to achieve carbon pricing and project alternatives. See table 1 below. The table summarises a number of strategies capable of being applied to the wicked problem of climate change action.

The table is designed to facilitate the close examination of the interaction of the two leaders with the major players in the nation's climate policy networks. To reiterate, these are the major players I have identified, a list drawn largely from the work of Compston and Bailey:

1. Government. This includes the prime minister and the Prime Minister's Office, the climate change minister, other members of cabinet and government MPs.
2. Public servants.
3. Other political leaders and MPs. These have the power to pass or reject climate legislation.
4. Voters. Their support is a potent weapon for government. But any erosion of their support can be – although is not necessarily – fatal.
5. Media. Favourable coverage can be vital.
6. Business. Investment and cooperation with implementation are levers to extract concessions.
7. Unions. Their concern to secure the jobs of members can lead them to become very power opponents.
8. Environmental lobbyists and scientists. Through an ability to influence media coverage and MPs, these may be able to alter the balance of resource exchange.
9. Governments of other countries. These are participants in climate talks designed to achieve binding targets for emissions. They can influence a domestic debate pro-

foundly by appearing to be willing to establish a competitive advantage by acting slowly.

This thesis has identified Rudd and Gillard, as the table below demonstrates, as providing profoundly different case studies of how power is exercised and which political strategies to deal with wicked problems are more likely to be successful. The process of resource exchange in policy networks to deal with wicked problems is a necessary strategy. The advantages of collaborative leadership are pointed out with great clarity by Head and Alford. For them there are three effects of collaboration of which two are especially relevant here. These are, firstly, that the nature of the problem can be better understood and, secondly, that there is an increased likelihood that provisional solutions to the problem can be found and agreed upon. This is because “a wider network offers more insights but also because greater cooperation improves the prospect that diverse parties (who may have differing interests concerning the issue) may reach an understanding about what to do.” In line with Head and Alford and Compston and Bailey, this thesis contends that collaborative arrangements and resource exchange enable alternative views to be recognised; can tap into wider bodies of knowledge and skills; will probably involve regular communication among the parties; and will foster trust and mutual commitment.⁵¹¹

But it is clear that only certain types of political leaders are capable of exercising their power in ways that enhance the prospects of success along these lines. Julia Gillard was arguably such a leader, whereas Kevin Rudd most certainly was not. But historical forces are tending to create leaders more in Rudd’s image than Gillard’s. The effect could be very serious for Australia’s future, as several commentators have noted. In his book *Triumph and Despair*, the *Australian’s* Paul Kelly supports the view that the tendency to centralised and personalised leadership in the modern era has made necessary reform harder. Kelly declared that, “There is no guarantee that politics can emerge from its current trough to meet the challenges of the next decade.”⁵¹² The type of political leadership that can assist in overcoming the freezing of reform is clear, as the table shows, but as Kelly fails to see. Kelly was unable to get past dominant masculinist judgments of Gillard’s prime ministership – a fault that seriously compromises the soundness of his analysis. But this author still finds it difficult to escape the logic of Kelly’s despairing vision of the overwhelming nature of the challenge required for productive reform and viable solutions to wicked problems. Australia is at a turning point, as I believe this thesis demonstrates. The danger is that the country has already turned the corner into a dead end.

⁵¹¹ B.W. Head and J. Alford, “Wicked problems: implications for public policy and management”, *Administration and Society*, 28 March 2013, aas.sagepub.com/content/early/2013/03/27/0095399713481601, accessed 24 October (2013): pp16-19.

⁵¹² P. Kelly, *Triumph and Demise*, p. 510.

Table 1. Strategies for action: Rudd and Gillard compared

STRATEGY	RUDD	GILLARD
<p>SECURE BIPARTISAN AGREEMENT IF POSSIBLE.</p>	<p>RUDD SQUANDERED THE GIFT OF POLITICAL CONSENSUS WITH THE COALITION PARTIES.</p>	<p>THE CITIZENS ASSEMBLY ATTEMPT TO RESTORE CONSENSUS WAS DESTROYED BY A LACK OF POLITICAL SKILL COMBINED WITH VOTER SCORN THAT IT SHOWED A LACK OF LEADERSHIP.</p> <p>GILLARD INVITED THE COALITION TO JOIN THE MPCCC BUT ABBOTT REFUSED. SHE WAS, HOWEVER, ABLE TO HOLD THE MPCCC TOGETHER, SO SHE DID NOT, IN STRICTLY PARLIAMENTARY TERMS, NEED ABBOTT.</p> <p>THE FORMAL ALLIANCE WITH THE GREENS INFLAMED ELEMENTS OF BUSINESS, THE MEDIA AND THE OPPOSITION, TO HER GREAT AND ENDURING COST.</p>
<p>SEIZE THE MOMENT WHEN ACTION BECOMES POSSIBLE.</p>	<p>RUDD FAILED TO RECOGNISE THAT THE MOMENTUM GENERATED BY VOTER, MEDIA AND COALITION SUPPORT FOR ACTION IN 2007 WAS PRECIOUS AND FRAGILE.</p> <p>HIS PROCESS OF THE GARNAUT REVIEW, GREEN PAPER AND WHITE PAPER TOOK FAR TOO LONG.</p>	<p>GILLARD FIRMLY GRASPED WHAT SHE CALLED THE “UNIQUE WINDOW” OPENED BY HER ABILITY TO NEGOTIATE ALLIANCES IN THE HUNG PARLIAMENT.</p> <p>SHE UNDERSTOOD THE NEED FOR DECISIVE AND TIMELY ACTION AND SET 1 JULY 2012 AS THE STARTING DATE TO ENABLE A YEAR OF “LIVED EXPERIENCE”.</p>

<p>BE CREATIVE IN IDENTIFYING PACKAGE DEALS AND POLICY TRADE-OFFS, WHICH MAY NOT NECESSARILY BE SPECIFIC TO THE ISSUE AT HAND.</p>	<p>RUDD TRADED POLICY-SPECIFIC CONCESSIONS WITH ENVIRONMENTAL AND BUSINESS LOBBYISTS IN MAY 2009. BUT WHEN HE FINALLY TRIED TO NEGOTIATE WITH THE COALITION, HE DISCARDED SOME OF THE CONCESSIONS TO ENVIRONMENTAL LOBBYISTS. THE ACF BECAME ALIENATED AND REFUSED TO SUPPORT THE AMENDED LEGISLATION.</p>	<p>GILLARD CREATED PACKAGE DEALS TO SECURE PARLIAMENTARY SUPPORT FROM GREENS AND INDEPENDENTS.</p>
<p>USE THIRD PARTIES TO HELP ADDRESS DIFFICULT GROUPS.</p>	<p>RUDD REQUESTED AND THEN MARGINALISED GARNAUT'S ADVICE; GARNAUT BECAME A POWERFUL OPPONENT OF ASPECTS OF THE CPRS.</p> <p>RUDD'S TACTICS FOR DEALING WITH BUSINESS AND ENVIRONMENT GROUPS DID NOT SUFFICIENTLY REWARD SUPPORTERS.</p>	<p>GILLARD GAVE INDEPENDENT ADVISERS, INCLUDING GARNAUT, A SEAT AT THE TABLE, LITERALLY, IN THE MPCCC.</p> <p>SHE TRIED TO MAKE EFFECTIVE USE OF BUSINESS AND ENVIRONMENTAL GROUPS, BUT THE STRATEGY LARGELY FAILED.</p>
<p>ENHANCE KNOWLEDGE OF THE PROBLEM TO HELP FORGE BIPARTISAN POSITIONS.</p>	<p>RUDD FAILED TO DO ANYTHING SIGNIFICANT OR EFFECTIVE TO BACK CLIMATE SCIENCE IN ITS WAR WITH SCEPTICS.</p>	<p>GILLARD SET UP THE CLIMATE COMMISSION, HEADED BY TIM FLANNERY, TO HELP POPULARISE SCIENTIFIC KNOWLEDGE. THIS WAS WELCOME BUT WORKED INTO A HEADWIND CREATED BY RUDD'S NEGLECT.</p> <p>ULTIMATELY, THE EXTENT OF HER FAILURE BECAME VISIBLE WHEN SHE GAVE UP TALKING ABOUT CLIMATE CHANGE IN EARLY 2012 BECAUSE VOTERS WERE HOSTILE TO IT.</p>
<p>TARGET THOSE IN THE FIRING LINE FOR INFORMATION AND ASSISTANCE: THIS MEANS COASTAL CITIES AND INDUSTRIAL REGIONS.</p>	<p>RUDD DID NOT COMMUNICATE.</p>	<p>GILLARD ATTEMPTED TO ENGAGE, BUT FAILED BECAUSE LOST THE DEBATE IN CANBERRA.</p>

<p>ENSURE EFFECTIVE ONGOING CONSULTATION AND CLOSE COLLABORATION TO REDUCE CONFLICT WHERE THERE ARE DIFFERING LEVELS OF KNOWLEDGE, INTERESTS OR VALUES.</p>	<p>RUDD ALIENATED MOST AREAS OF POTENTIAL SUPPORT IN THE CLIMATE CHANGE POLICY NETWORK.</p>	<p>THE MPCCC WAS AN EXCELLENT EXAMPLE OF A BODY DESIGNED TO BLEED TOXIC POLITICS OUT OF A POLICY PROCESS.</p>
<p>COLLABORATE WITH CABINET TO HELP WITH POLICY FORMATION, ACHIEVE BUY-IN AND ASSIST WITH SELLING THE POLICY. ENSURE RELATIONSHIPS BETWEEN CABINET, CAUCUS, PERSONAL OFFICE AND BUREAUCRACY ARE PRODUCTIVE.</p>	<p>RUDD'S APPROACH CREATED A LACK OF BUY-IN AND HELP WITH CRAFTING AND SELLING POLICY.</p> <p>HE ALLOWED TOXIC RELATIONSHIPS TO DEVELOP BETWEEN SENIOR PERSONAL STAFF AND THE BUREAUCRACY. THIS MEANT THE QUALITY OF ADVICE WAS TOO NARROW AND OFTEN VERY POOR.</p>	<p>GILLARD CREATED MECHANISMS FOR CABINET BUY-IN, WHICH MOSTLY OCCURRED.</p> <p>HER AUTHORITY WAS UNDERMINED, IN PART BY RUDD'S CAMPAIGN AGAINST HER, SO SHE FOUND IT DIFFICULT TO SECURE UNITY BETWEEN CABINET MINISTERS.</p>
<p>RECOGNISE THE DEPTH, BREADTH AND INTENSITY OF STAKEHOLDER INTERESTS. DO NOT IMAGINE IT IS POSSIBLE TO CONSTRUCT LASTING COMPROMISES WITHIN THE FRAMEWORK OF THE POLICY ALONE. GO BEYOND BEING AN UMPIRE.</p>	<p>RUDD AND PENNY WONG TOOK A POSITION THAT IT WAS VITAL TO NEGOTIATE A MIDDLE COURSE BETWEEN INDUSTRY AND ENVIRONMENTAL GROUPS. THE BELIEF THAT LEAVING NOBODY ENTIRELY HAPPY INDICATED A FAIR APPROACH THAT WOULD BRING ITS OWN REWARDS WAS A GRAVE STRATEGIC ERROR.</p>	<p>GILLARD IN THE END WAS WILLING TO FIGHT BUSINESS IF SHE HAD TO, A DECISION THAT HURT HER. SHE NEVER RECEIVED THE LEVEL OF EFFECTIVE SUPPORT NEEDED FROM ENVIRONMENTALISTS IN RETURN. SHE WAS STRANDED.</p>

<p>COMMUNICATE WITH THE PEOPLE TO CONVINCe THEM THAT THE SOLUTIONS PROPOSED WILL WORK.</p>	<p>RUDD'S FAILURE TO UNDERSTAND THE IMPORTANCE OF STRATEGIC COMMUNICATION MEANT THERE WAS NO NARRATIVE ABOUT WHY ACTION WAS BEING TAKEN TO PRICE CARBON.</p> <p>HE FAILED TO ACKNOWLEDGE THAT THERE WOULD BE COST-OF-LIVING IMPLICATIONS FOR ORDINARY FAMILIES, A DECISION THAT BACKFIRED TERRIBLY.</p>	<p>GILLARD UNDERSTOOD THE IMPORTANCE OF REACHING VOTERS BUT SHE FAILED AS COMMUNICATOR-IN-CHIEF BECAUSE AT CRUCIAL TIMES SHE FAILED TO PRIORITISE THE ROLE (E.G. IN EXPLAINING HER FORMAL ALLIANCE WITH THE GREENS AND DEALING WITH THE CARBON TAX "LIE").</p> <p>GILLARD WAS MUCH MORE HONEST IN ACKNOWLEDGING THE IMPLICATIONS OF CARBON PRICING, BUT VOTERS STILL OFTEN FAILED TO SEE THE CONNECTION BETWEEN THE "CARBON TAX" AND CLIMATE CHANGE.</p>
<p>ESTABLISH CLEAR AND TRANSPARENT POLICY-MAKING PROCESSES, BASE ALL DECISIONS ON SOUND PRINCIPLES, REFUSE TO ENGAGE IN OPEN-ENDED DEMANDS FOR INDUSTRY ASSISTANCE THAT LACK CLEAR JUSTIFICATION.</p>	<p>RUDD FAILED THIS, WHICH MEANT THAT DEMANDS OF SOME SECTIONS OF INDUSTRY, PARTICULARLY BROWN-COAL GENERATORS, SEEMED ENDLESS, AS WAS THE POLITICAL DAMAGE THEY COULD DO VIA EXPENSIVE AND SOPHISTICATED MEDIA STRATEGIES.</p>	<p>GILLARD WAS BOUND LARGELY BY WHAT RUDD HAD AGREED TO.</p> <p>SHE PROVIDED A BETTER BASIS FOR COMPENSATION OF GENERATORS, ALTHOUGH THEY REMAINED UNSATISFIED, AND SHE MADE A BETTER EFFORT TO BUY OFF EITE INDUSTRIES, ALTHOUGH COULD NOT SATISFY THEM.</p>
<p>UNDERSTAND THE IMPORTANCE OF REGIONS IN THE NATIONAL DEBATE AND ENSURE THEIR NEEDS ARE HEARD AND ADDRESSED.</p>	<p>RUDD FAILED TO UNDERSTAND THAT IGNORING THE REGIONS COULD HAVE CATASTROPHIC CONSEQUENCES, ESPECIALLY IN THE RISE OF ORGANISED CLIMATE CHANGE SCEPTICISM AMONG THE POLITICAL OPPOSITION.</p>	<p>GILLARD UNDERSTOOD THE NEED TO COMMUNICATE AND PROVIDE ASSURANCES, BUT HER GOOD INTENTIONS UNRAVELLED UNDER THE PRESSURE OF OUT-OF-CONTROL POLITICAL EVENTS IN 2012 AND 2013.</p>

<p>BE WILLING TO STAY THE COURSE WHEN FAILURE LOOMS.</p>	<p>RUDD WAS UNABLE TO REMAIN RESOLUTE IN THE FACE OF SETBACKS, DESPITE RHETORIC THAT ELEVATED CLIMATE POLICY TO THE LEVEL OF A GENERATIONAL MORAL CHALLENGE.</p>	<p>GILLARD SHOWED STRENGTH OF CHARACTER. AT NO STAGE DID ANYONE SEE ANY SIGN THAT EITHER SHE OR COMBET WOULD BACK DOWN ON THE CEF PACKAGE. THE GOVERNMENT FACED MOMENTS OF NEAR DESPAIR, BUT THEY SAW IT THROUGH.</p> <p>AT THE SAME TIME, THE REGIONS NOW BELIEVE SHE AND HER SOME OF HER COLLEAGUES LIED TO THE LATROBE VALLEY COMMUNITY WHEN ASSURANCES WERE GIVEN THAT THEY WOULD NOT BE FORGOTTEN.</p>
<p>DO NOT PUT PEOPLE SUSPECTED OF CLIMATE CHANGE SCEPTICISM IN KEY MINISTERIAL SPOTS</p>	<p>APPOINTED MARTIN FERGUSON TO DRET.</p>	<p>LEFT HIM THERE.</p>

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Appendix

The main elements of the CEF, with CPRS comparisons.

CEF	CPRS
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<p>Fixed price period and carbon price coverage</p>	<ul style="list-style-type: none"> • Three years (\$23 rising 2.5 per cent real p.a.) • Around 60 per cent of Australia’s carbon pollution is covered • This includes pollution from electricity generation, stationary energy (natural gas), some business transport, waste, industrial processes and fugitive emissions. • A carbon price does not apply to agricultural emissions, emissions from cars and light commercial vehicles, off-road agriculture, forestry and fishery uses. • Heavy on-road vehicle users face an effective carbon price from 1 July 2014 through a reduction in fuel tax credit (<i>This was not part of MPCCC Agreement – Government measure</i>). • An effective carbon price will be applied to business users of transport fuel (including mining, domestic aviation and shipping) through adjustments to fuel tax credits or excises. • Around 500 firms will need to purchase permits – households, smaller businesses and farmers have no direct obligations. 	<ul style="list-style-type: none"> • One year (\$10) • Around 80 per cent of carbon pollution covered • Transport fuels covered by scheme. <ul style="list-style-type: none"> — Cent for cent reduction in fuel excise for: — Cars and light vehicles for 3 years — Heavy on road vehicles for 1 year • Agriculture, forestry and fishery for 3 years. • Around 1,000 firms will need purchase permits.
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Targets and pollution caps

- New long-term economy-wide target to reduce emissions by 80 per cent reduction from 2000 levels by 2050.
- Confirmation of existing (bi-partisan) medium-term target of between 5 and 15 per cent on 2000 levels by 2020, or 25 per cent if there is a strong global agreement aimed at achieving a 450 ppm global outcome.
- Under a flexible price, five years of pollution caps (i.e. the number of permits which can be issued in any one year) will be announced in advance, on advice from independent experts (the Climate Change Authority). Pollution caps will be extended each year to maintain a minimum five year period of caps at any given time.
- International linking will be allowed once the flexible price commences capped at 50% of a company's liability.
- A price cap and floor will operate for the first 3 years of the flexible price. (The floor price was later dropped.)
- 60 per cent below 2000 levels by 2050.
- Adoption of (bi-partisan) medium-term target of between 5 and 15 per cent on 2000 levels by 2020, or 25 per cent if there is a strong global agreement aimed at achieving a 450 ppm global outcome.
- Five years of pollution caps, followed by 10 years of gateways.

Assistance to coal-fired generators

- Program of payment for closure of up to 2000 MW emissions-intensive generation capacity before 2020.
 - *Energy security* measures including \$5.5 billion assistance over five years to privately owned emissions intensive coal-fired electricity generators. Loans and loan guarantees also available.
 - An Energy Security Council to provide additional advice to the Government on possible support measures in the event of systemic risks to energy security.
 - The Australian Energy Market Operator to explore scenarios for 100 per cent renewable energy grid.
- Assistance to coal fired generators (\$7.3bn over 10 years).

Assistance to industry and workers

- Three years notice period for changes to EITE policy.
- **Initial rates of assistance:** 94.5% (of industry average baseline) provided as free permits for highly emissions-intensive activities; 66% for moderately emissions-intensive activities.
- **Annual decline in rate of assistance of 1.3%**, with capacity to pause rate (at assistance rates of 90%/60%) if fewer than 70% of relevant international competitors in each industry have introduced comparable carbon constraints.
- **LNG Supplementary Allocation:** firms receive permits to cover 50% of their emissions.
- No cap on permits for existing EITE facilities.
- \$200m Food and Foundries Investment Program to provide grants for manufacturers in the food processing and metal forging sectors to invest in energy efficiency projects and low-emissions technologies, processes and products.
- Productivity Commission review EITE assistance in year 3 of scheme. Will examine benefits and recommend if switch to Garnaut approach.
- \$800m Clean Technology Investment Program to provide grants for manufacturers not eligible for other forms of assistance to invest in energy efficiency projects and low emissions technologies, processes and products.
- A Jobs and Competitiveness Program to provide assistance to emissions-intensive trade-exposed industries to support jobs and reduce the risk of companies moving overseas and continuing to pollute.
- Small business instant asset write off increased to \$6,500.
- 5 year notice period for changes to EITE policy.
- Free permits for existing EITE facilities capped at 100% of liability.
- \$1.1 billion Transitional Electricity Cost Assistance Program - 2 year electricity subsidy for manufacturing and mining
- \$150 million for food processors
- No future consideration of switching to the Garnaut proposal.
- \$502m grants for small business energy efficiency

Innovation in renewable energy and low-emissions technologies

- \$10 billion. Clean Energy Finance Corporation to invest in the commercialisation and deployment of renewable energy and low-emissions technologies.
 - \$10 billion funding to be divided into two streams – 50 per cent for a renewable energy only stream and 50 per cent for a general clean energy stream to be able to fund renewable energy projects in addition to the dedicated stream.
- \$3.2 billion. Independent *Australian Renewable Energy Agency* (ARENA): responsible for consolidating existing Government support for R&D, demonstration and commercialisation of renewable energy technologies.
- \$200 million. Clean Technology Innovation Program: grant funding for business investment in renewable energy, low emissions technology and energy efficiency research and development.
- \$310 million Innovation in Climate Change program for grants for low emissions technologies, processes and produces and energy efficiency products.

Land sector and biodiversity measures	<ul style="list-style-type: none">• Establishment of a permanent, expert Land Sector Carbon and Biodiversity Advisory Board to provide advice on the implementation of the land sector measures.• More than \$1 billion over 10 years to help rural communities benefit from carbon farming, and support the restoration and protection of biodiverse landscapes.• \$276 million. Carbon Farming Futures - measure to help farmers and other landholders to benefit from carbon farming.• \$573 million. Biodiversity Fund to enable the restoration and protection of Australia's bio-diverse landscapes.• \$10 million. Indigenous Carbon Farming Fund to support Indigenous participation in the Carbon Farming Initiative.• \$40 million. Regional Natural Resource Management Planning for Climate Change measure to support regional planning for climate change.• \$3 million. Carbon Farming Skills package to support green jobs and ensure that landholders have access to credible, high quality advice and carbon services.• \$97 million. Government to purchase Carbon Farming Initiative credits that are not counted towards Australia's Kyoto commitments.	<ul style="list-style-type: none">• \$40m Green Carbon Fund for biodiversity.• \$50 million for R&D into agricultural abatement
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Assistance for households

- Assistance to be provided through the taxation and transfer system:
 - 9 IN 10 HOUSEHOLDS to receive a combination of tax cuts and increased payments to help them with the cost of living.
 - 2 IN 3 HOUSEHOLDS to not pay any extra.
 - OVER 4 MILLION HOUSEHOLDS to get an extra buffer of at least 20 per cent - more cash in hand, every week.
 - OVER 1 MILLION Australians to be exempt from lodging a tax return.
- Additional assistance to be provided for a small group of people having high electricity use due to a specific medical condition or disability.
 - \$330 million. Low Carbon Communities program to provide grants to assist community sector organisations help low-income households to make energy efficiency improvements to bring their energy costs down. Also to provide grants for local councils and community groups to improve their own energy efficiency.
 - A household information and telephone advice line and a national website to provide information on how households can save money by improving their energy efficiency and manage the impacts of increasing energy costs.
- Tax cuts through LITO (not paid until people lodged their tax return after the end of the financial year).
- No special additional payment
- One-off low income transitional payment.
- \$257m Community Sector Capital Allowance grants for community sector energy efficiency projects.

<p>Assistance for communities</p>	<ul style="list-style-type: none"> • \$200 million. Fund for regional workers and communities in the event that they are affected by the introduction of a carbon price. • \$40 million. Remote Indigenous Energy Program to assist remote indigenous communities to improve their energy efficiency and access renewable energy.
<p>Other measures to be implemented separately by the Government because agreement not reached at MPCCC</p>	<ul style="list-style-type: none"> • \$1.26 billion Coal Sector Jobs Package to safeguard jobs in 'gassy' coal mines and preserve local communities by providing transitional assistance to emissions-intensive coal mines. • \$70 million Coal Mining Abatement Technology Support Package to support the development and deployment of technologies to reduce fugitive emissions from coal mines. • \$300m Steel Transformation Plan (over four years) to help the industry transition to a clean energy future. • Bringing in an effective carbon price on heavy vehicles from 1 July 2014. • \$1.3bn in free permits to gassy coal mines. • \$270m fund for emissions reduction technologies. • No additional assistance for steel beyond EITE assistance.

Governance	<p>The Climate Change Authority (CCA) Statutory authority to provide independent advice on operation of the scheme, including setting pollution caps and progress towards meeting any existing targets.</p> <p>Clean Energy Regulator— administers the carbon pricing mechanism, the existing regulatory functions for the National Greenhouse and Energy Reporting Scheme, the Renewable Energy Target and the Carbon Farming Initiative.</p> <p>Productivity Commission— undertakes reviews relating to industry assistance, and carbon pollution reduction activities in other countries.</p> <p>Land Sector Carbon and Biodiversity Advisory Board— reviews and oversee land sector initiatives, providing advice to Government and ensuring the effectiveness of assistance.</p> <p>Energy Security Council— advises the Government on any emerging risks to energy security and may offer loans to coal-fired electricity generators for the refinancing of existing debt.</p>	Expert Advisory Committee would offer advice on caps and targets.
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