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**TRANSCRIPT OF SENATOR THE HON. ARTHUR SINODINOS AO**  
**INTERVIEW WITH PATRICIA KARVELAS, RN DRIVE**

*Subjects: Climate change policy, economic growth, Cabinet reshuffle, MYEFO.*

*E&OE.....*

**PATRICIA KARVELAS**

Arthur Sinodinos, welcome to RN Drive.

**ARTHUR SINODINOS**

Thanks Patricia, good to be with you.

**PATRICIA KARVELAS**

Just two days ago, Josh Frydenberg told AM that the Government would look at an emissions trading scheme for electricity power generators; but by yesterday afternoon, he ruled it out. Why was it on the table, only to be taken off the table?

**ARTHUR SINODINOS**

Well, a carbon tax or a cap and trade scheme or anything like it was never on the table; and the purpose of the review is to build on current policies, rather than to strike out in radical new directions.

**PATRICIA KARVELAS**

Okay, it was never on the table? But it was, because I heard the Minister with my own ears – so not second hand, I heard the Minister put it on the table.

**ARTHUR SINODINOS**

The return of a carbon tax or a cap and trade emissions trading scheme, a ban on new coal mines, intervention by the feds in state laws or whatever were not on our agenda and are not on our agenda.

**PATRICIA KARVELAS**

So why did Josh say it?

## **ARTHUR SINODINOS**

Look, I think some people may have misinterpreted a reference to some of the sector-by-sector strategies. But look, Josh has been out there explaining all of this, I am telling you what is there or is not there and the basis on which we're going to move forward. We've got some policies which have been quite successful including the emissions reduction fund. We will look at how we build on those policies in the period ahead, we've got an energy productivity plan that will be ramped up as part of this process. It's an important review, it's been in the works for – it was first contemplated in 2010 so I think it'll be quite an interesting review and the public, business, community groups, non-profits, environmental organisations will have an opportunity to have their input.

## **PATRICIA KARVELAS**

So did Josh Frydenberg misspeak or did he overreach, what did he do? Because I did hear the interviews and he was really clear about it, in fact he did it in a newspaper as well.

## **ARTHUR SINODINOS**

Well look, I'm not going to go back on all that because that would be to make me a commentator. I am just telling you what the policy intent is and what we're going to go forward on; and the Prime Minister has been clear on that and I hope I'm being clear with you.

## **PATRICIA KARVELAS**

If this review of the Government's climate policies recommends a carbon price or an emissions trading based scheme, because I've read the terms of reference and there is certainly scope that it could, and it suggests this as a way for Australia to meet its obligations under the Paris Agreement, will the recommendation be ignored all together just to placate the very vocal part of your policy that just won't wear it?

## **ARTHUR SINODINOS**

Patricia, we are not going to reintroduce a carbon tax or a cap and trade emissions trading scheme or whatever, that's not part of the policy intent here. What we're trying to do is three things; we want energy security going forward as we make this transition to a more emissions future, we want to keep cutting greenhouse gas emissions as we have to date, and we want to maintain and where possible improve the affordability of energy. Don't forget we've had some swingeing increases in electricity prices over the last few years including in various investment in electricity networks which have been sanctioned at the state level. If you go back and look at this history of this since about 2009, you'll see that those electricity price increases were quite big and they were one of the drivers in reducing the demand for electricity. We've had that cycle, that's when the term 'energy poverty' was introduced into the lexicon to describe those households and consumers that were being potentially tipped below the poverty line because of their energy bills. So we're conscious we need to keep the price of energy at the forefront, the affordability of energy at the front of our minds. It's also an important competitive advantage that's why in its national negotiations on climate change, including going back to Kyoto, we've always been mindful of our status as a first world

country with a strong energy advantage which we seek to continue while making progress in reducing emissions. None of this is to undercut our commitment to the Paris Agreement, to the targets of 26-28% by 2030 –

**PATRICIA KARVELAS**

Sure, but you're going to struggle to meet those commitments, and Senator Cory Bernardi says Australia should withdraw from the Paris Climate Agreement. Should you withdraw? What's your response to that call?

**ARTHUR SINODINOS**

No, we won't be withdrawing. We sign up to agreements seriously. There was a lot of work that was done under both Tony Abbott and Malcolm Turnbull in the run up to these Paris Agreements. Tony Abbott, when he was the Prime Minister, was the one who first formulated our offer in relation to Paris and the fact of the matter is we've gone to Paris, we've signed up. When we sign up to international agreements we keep our word. That's why we're very serious about other countries keeping their word in these agreements.

**PATRICIA KARVELAS**

Okay, so given you've ruled out carbon pricing in any level on every different manifestation I've heard in a series of interviews by the Prime Minister, now by Josh Frydenberg who's backtracked, and now you in this interview, it seems the only policy left is more of the Direct Action policy which is a really expensive policy to the taxpayer. Is that what you're going to be doing to deliver on all of this, using more direct action?

**ARTHUR SINODINOS**

Don't forget Patricia, yes, we've got the Emissions Reduction Fund, which is the centrepiece of Direct Action, we've also got what we've been doing through the renewable energy target at the national level. Don't forget that that's also been an important backbone of federal policy in this area. And we've got the Energy Productivity Plan which is being developed as part of our response to implementing our Paris target. So there's plenty more to come. We've secured the future and the funding for arena...

**PATRICIA KARVELAS**

Sure, but doesn't this now entrench direct action? What else could you possibly do?

**ARTHUR SINODINOS**

Well to date direct action has proved relatively successful at twelve dollars a tonne in reducing emissions. It has exceeded all expectations with a 143 million tonnes of emissions reductions contracted.

**PATRICIA KARVELAS**

It doesn't come cheaply for the taxpayer and you'd have to put more money into it while the budget is constrained.

## **ARTHUR SINODINOS**

In terms of emissions reductions at twelve dollars a tonne, that's been a pretty good return, and this is a market mechanism, it's a sort of form of reverse auction if you like. So all this argument about what is or is not a market mechanism, we've been using a market mechanism to help get these reductions and it's had an impact. You're right to say that going forward, where there'll probably have to be more funding put into the emissions reduction fund, and that's something that would have to be considered in a budget context.

## **PATRICIA KARVELAS**

The climate council and the Australian energy council, the organisation that represents power generators, they both agree that an emissions intensity scheme would be good policy progress, in fact a former advisor to Malcolm Turnbull from the Climate Change Authority board, Frontier Economics Chief, Danny Price, says the policy backflip, or Josh Frydenberg moving back from what he said just two days ago will create a policy vacuum and it shows a lack of spine. These are all of the experts saying that it should have been on the table, and you've taken it off before we can even look at the results.

## **ARTHUR SINODINOS**

I invite all those experts to make their submission to this review and what I ask them to do is to consider this...

## **PATRICIA KARVELAS**

But you won't listen to what they have to say, Arthur.

## **ARTHUR SINODINOS**

Hang on Patricia, but consider this: I live in the real world where have to manage the transition to this lower emissions future that we're talking about. I have to live in the real world where we have to manage what happens at Hazelwood in the La Trobe Valley, what happens at Alcoa in Portland. I live in the real world where we have to make sure we don't have any more blackouts, something that we thought we'd never see in a first world country like Australia ever again. I live in that real world. I've got to manage energy affordability, I've got to manage energy security and reliability, and I've got to manage that while reducing emissions, so it's a matter of doing all of those together in a way that does not make the public more skittish than they are, because to talk to the public – and I've said this before, any of the research that's been done – the public are reluctant to put their hands in their pocket to fund a carbon tax. If you go back and say to them: 'Look, the only way to solve this is a carbon tax', they're going to say, 'But hang on, there are all these other mechanisms that you've spoken about: direct action, energy productivity plan, vehicle emissions standards, you go through the list. People are expressing a preference for a different way of doing this and every country has to come at this in their own way.

**PATRICIA KARVELAS**

OK, just back to the politics. This week has been messy, hasn't it? The management of this issue has gotten completely off the rails.

**ARTHUR SINODINOS**

Look I think what's happened this week is, sure there was some disquiet expressed, some misunderstanding of the Government's intentions, but the Government has moved quickly to clear that up, and I'd rather clear that up now than have it fester for a considerable period of time.

**PATRICIA KARVELAS**

But you didn't clear it up straight away, it actually took a couple of days while more and more backbenchers spoke out and looked like they were taking control of your agenda.

**ARTHUR SINODINOS**

Patricia, in this instant age I know everyone wants everything fixed straight away. It was fixed, there was an issue, we've moved on, we've had a good finish to the year in terms of our legislative program and we're looking forward to coming back with a reboot of the Government's agenda for the year.

**PATRICIA KARVELAS**

Just on the economy: Australia's economy shrank 0.5% in the September quarter, that's the worst fall, as you know, since the GFC. That's pretty dire news. Another quarter like that and we're in a recession. Now the Government today through the Treasurer, Scott Morrison, has talked about the national economic plan as the way to turn it around, but where's the evidence that the national economic plan, that the company tax cut, would realistically turn this around in a short period of time?

**ARTHUR SINODINOS**

Go back to the Henry review, go back to any of the international literature, it shows decisively that cutting particularly taxes on jobs like corporate taxes, the benefits of that flow through the economy in higher growth, higher jobs, and ultimately higher wages for workers as well. That's the evidence, and it's from across the world. But if we want to implement that evidence in Australia, the Senate – I plead with the Senate in due course to pass our enterprise tax cuts in full to get that benefit to the economy; because at the helicopter level, what's happening in the economy today is that the downturn in mining investment is not being compensated for by a corresponding increase in non-mining investment. And that takes time because there are long lead times. And that's why we've got a programme of staggered company tax cuts – to give certainty to business that over a period those costs are going to be going down. That's going to encourage more investment into the country, and that gets sustainable increase in investment going forward, and that underpins the growth of the economy.

**PATRICIA KARVELAS**

What kind of economic growth dividend do we get if the tax cut is only delivered for businesses up to \$10 million of turnover? Because Nick Xenophon – and obviously he’s a key vote here, Labor’s not going to support this – Nick Xenophon hasn’t budged this afternoon. He only supports the tax cut up to a \$10 million turnover. So where’s the economic dividend for that, which looks likely to be the only version you can pass through this Senate?

**ARTHUR SINODINOS**

There will be an economic dividend from small and medium sized enterprises, but then there’s a much bigger dividend if you do it across the economy. So we will be sitting down with Nick, with the rest of the cross-bench in due course to convince them of those economy-wide benefits of what we’re talking about. Now, we’re not doing this because of special pleading by business or anybody else. We’re doing this because it’s a growth agenda. Chris Bowen was out there today talking about his growth agenda: investment in infrastructure, investment in NBN, investment in schools. We are doing all of that, in record amounts!

**PATRICIA KARVELAS**

Well, you need to do more of it, particularly on the infrastructure side, to stimulate the economy; because, as I say, not since the GFC have we seen this. If this happens again, we’re in a recession. Now, no one’s using that language, but we’re very close to that now.

**ARTHUR SINODINOS**

Malcolm Turnbull is presiding over the biggest increase in infrastructure investment, in dollar terms, in a very long time, and he is coupling that with these so-called city deals and doing more co-ordinated planning with state and local government to maximise the bang for the buck. We’re also using – or going to be using more innovative financing techniques to leverage our dollar, the public dollar, to get more private-sector dollars into infrastructure, capture more of the value from projects to recycle into investment. There’s a lot we are doing on this front. It’s a big story. Maybe as a government we haven’t sold the message strongly enough about how good this infrastructure and cities package is.

**PATRICIA KARVELAS**

Might you need to do more, though? Is that something that needs to be on the table now, given these results?

**ARTHUR SINODINOS**

Well, if we can implement the full amount of infrastructure investment we’re talking about and, as I say, leverage the private investment off that through innovative financing techniques that we’re talking about, that will provide even more stimulus into the economy.

**PATRICIA KARVELAS**

You said a little earlier about, you know, recalibrating – we’re obviously going into the summer break very soon, Christmas for those of us who celebrate it will happen very soon. So, given all of that, we’ve got this situation now that Tony Abbott consistently keeps raising his head and dissenting to something the Government is doing. It gets a lot of publicity; and that makes sense, because he’s the former Prime Minister. Tony Abbott slammed, just this week, the Turnbull Government for reportedly killing off his project, the Green Army, saying he’s dismayed. And really pretty extreme things – like it’s hardly a smart move for a centre-right government, that you’re adopting Greens policy. How are you going to keep managing these outbursts by Tony Abbott?

**ARTHUR SINODINOS**

Look, without personalising it to Tony, one of the great things about this party, and one of the things that’s always attracted me to the party – and it is the Liberal Party, with a capital L – is the fact that we prize individualism, and we prize the capacity of individuals to have a view. To have a view. So, Tony, George Christensen, Andrew Broad, you want to go through the list, Andrew Laming or whoever. When they come out and put their own view or gloss on things, they’re expressing that right as Liberal and National Party members of the Coalition to do that. And that’s fantastic. But those –

**PATRICIA KARVELAS**

But when Tony Abbott does it, it’s very different because he was the Prime Minister.

**ARTHUR SINODINOS**

But those same members are voting for every one of our legislative and other initiatives. And they’re supporting all of them. And yes, they can have a view on individual items. On the Green Army, the fate of that will be disclosed in due course, in terms of the MYEFO and whatever. But the point I would make about things like the Green Army or superannuation reform or other measures we undertake – when I’m out there, ministers are out there explaining to people in the community that we’ve got to tighten our belts, we’ve got to have budget repair to provide for the future, I carry more credibility if I show that we’re prepared to sacrifice things and share the burden of responding to budget repair equitably across the community.

**PATRICIA KARVELAS**

Do you have a strategy on how to manage Tony Abbott’s interventions?

**ARTHUR SINODINOS**

By lauding his achievements as Prime Minister and valuing his contribution to the Coalition. It’s the same with any of them.

**PATRICIA KARVELAS**

And if you want to laud him so much, why not bring him onto the front bench when the reshuffle happens – which seems close?

**ARTHUR SINODINOS**

Look, reshuffles, who's on the front bench, these are matters for the Prime Minister. He gets the big bucks and the white cars to deal with these sorts of things.

**PATRICIA KARVELAS**

You get white cars too, I've seen! But either way –

**ARTHUR SINODINOS**

His are stronger and more fortified!

**PATRICIA KARVELAS**

He has better white cars. I understand. He definitely has better white cars than you. But still, Tony Abbott. Given his years of experience – he was a Prime Minister – should he be brought back onto the front bench? I'm asking you, Arthur Sinodinos, I know you're not the Prime Minister, but what's your view?

**ARTHUR SINODINOS**

Well, my view is that that's a matter for the Prime Minister. I'm the Cabinet Secretary, I don't have personal views in that sense. But my view has always been that whatever role Tony is playing, it'll be a valuable role, it'll be a role where he provides or, you know, puts his considerable intellectual resources –

**PATRICIA KARVELAS**

Sure, but if I gave – if I was, like, on *Today Tonight* and I gave you a lie detector, you couldn't tell me that this is kind of great, that it's fantastic when Tony speaks. It's clearly distracting to you getting your message out.

**ARTHUR SINODINOS**

Well, I tell you, if journos want to focus on that rather than dealing with the economy, dealing with climate change and everything else, then so be it; but I've given you a response.

**PATRICIA KARVELAS**

Alright. Just finally on MYEFO, because we just sort of touched on it, that's next coming up – is it the right time for more cuts, given what we've just seen in the national accounts and the contracting of the economy?

**ARTHUR SINODINOS**

Look, with this issue of Budget repair, you have to look at this from a medium-term perspective; and we take the advice of Treasury on this. So when we're looking at the rate of consolidation of the Budget, it's done at a pace which will not detract from economic growth, or overly detract from economic growth that's consistent with the pathway of the economy. And also a lot of what we do in Budget repair is to focus on structural measures, where the benefit of the change may sort of grow over time rather than be an immediate hit. The one thing we won't do in circumstances where revenue is perhaps not growing as strongly as it should be is to try and chase the revenue down by making offsetting cuts in spending – cause then you're just chasing your tail.

**PATRICIA KARVELAS**

Arthur Sinodinos, thank you so much for joining me.

**ARTHUR SINODINOS**

Thanks, Patricia.