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**TRANSCRIPT OF SENATOR THE HON. ARTHUR SINODINOS AO
INTERVIEW WITH CHRIS KENNY, VIEWPOINT**

Subjects: Emissions trading schemes, energy prices, renewable energy targets, the economy, the PM's economic leadership, reshuffle, Andrew Liveris.

E&OE.....

CHRIS KENNY

Joining me live in the studio now is the Cabinet Secretary Arthur Sinodinos, thanks for joining us Arthur.

ARTHUR SINODINOS

Always good to see you Chris.

CHRIS KENNY

Look let's start off with that point. How can we have a situation where a re-elected Coalition government back on Monday and, most of the day Tuesday, was actively contemplating breaking that election promise not to have an emissions trading scheme?

ARTHUR SINODINOS

It was never contemplated to break the promise. I can tell you from the discussions I have been privy to, not having a carbon tax or an emissions trading scheme, a cap and trade scheme or whatever, was never contemplated, you know, to have them contemplated as part of a review. And that's because of the point you made earlier, we went to the election with certain commitments, and I might add on not only this but on other subjects and we are begging the Parliament to help us keep our commitments. Chris, we have reached the stage in this country where people seem to think, depending on what you think of the argument, you can dispose of promises. Well I have got to tell you, I totally agree with you, and we saw this, I've been through it, you've been through it, we saw what happened to Julia Gillard, you saw the fetish we made of keeping promises in 2013, you are judged by the public by what you say and what you do, and if you break your promises you get punished and rightly so.

CHRIS KENNY

Yet you know that Josh Frydenberg said on Monday morning that they would look at an emissions intensity scheme, and you have seen there the answer the following day from the

Prime Minister didn't contradict that, didn't admonish him for that, the issue was alive for a couple of days.

ARTHUR SINODINOS

Well, the clip you ran of the Prime Minister was him saying the review was something we had been contemplating since 2010. I can tell you from my conversations with him and with Josh, it has never been contemplated that there would be a carbon tax or an ETS.

CHRIS KENNY

Yeah, again, Josh Frydenberg said on Monday that an emissions intensity scheme would be looked at by the review.

ARTHUR SINODINOS

Look, but what he had also said in many others, on many other occasions, on what the Prime Minister has said on many other occasions is that we wouldn't contemplate either a trading scheme or a carbon tax. It's been sorted out, there were a couple of days where it ran, but it's been sorted out. Everybody knows what our policy is; the problem now for Labor is that they are sitting out there with a very high renewable energy target, and also with a commitment to some sort of intensity scheme which they can very readily turn into a cap and trade scheme.

CHRIS KENNY

I will come back to that in a moment because obviously the Labor party is, their policy is starkly different. But you talk about how it has been sorted out now, and it has been, Malcolm Turnbull has made very emphatic statements reiterating that there will be no carbon price or emissions trading scheme. But hasn't all this confusion and letting this run on Monday and Tuesday, actually undermined faith in the public side as to whether or not Malcolm Turnbull and the Coalition will be rock solid on this? And even more to the point undermined backbench Coalition party room confidence that Malcolm Turnbull will continue to resist a carbon price?

ARTHUR SINODINOS

The feedback that I've had internally is that people are happy that it has been once again made clear what our policy is. As far as the public is concerned they got a very clear message out of this week. I have always been very concerned about where electricity prices are going, because we were conscious after the big increase in electricity prices between about 2009 through to 2013, the gold plating, the extra investment in state systems for a variety of reasons. You know, electricity prices in real terms have increased by something like 40 per cent, and that in itself had a big impact on electricity demand. The carbon tax then came in on the top of that, so we are looking at a situation where energy security and reliability, energy affordability, as well as reducing greenhouse gas emissions to meet our targets. We have three targets if you like; three objectives and we have got to have the instruments to achieve all three simultaneously.

CHRIS KENNY

Now what if it costs more doing it this way than it would do under an emissions trading scheme?

ARTHUR SINODINOS

Well hang on you are telling me an emissions trading scheme would cost more because prices of electricity would be higher.

CHRIS KENNY

Yeah, yeah, no, it has to cost more initially but others will argue that as you try to reduce carbon emissions it might be a cheaper solution. Is there any merit in that argument?

ARTHUR SINODINOS

Chris, what we're trying to do is three things: energy security and reliability as we transition to using more renewables in the system, which are more volatile, energy affordability for the reasons I mentioned earlier, not just for households but also in terms of our competitiveness, low-cost energy used to be one of our great competitive advantages; it's how we preserve as much of that as we can as we go forward, while reducing greenhouse gas emissions. The centrepiece for us has been the emissions reduction fund, you've seen how much carbon – something like a hundred and thirty-four or a hundred and forty-three million tonnes, at about twelve dollars a tonne we've been able to take out. So we've been trying to... this is a complex, sophisticated thing we're trying to do here and were trying to do three things at once, so there's no point anybody just focusing on one thing.

CHRIS KENNY

Indeed. Now Labor are promising a higher reduction target overall to 2030, and they're promising to do that with some emissions trading schemes sector-by-sector, and also with a fifty per cent renewable energy target. Now, do you have any idea what this would cost? There have been some capital castings in terms of how much investment would be required, but what would it do to prices?

ARTHUR SINODINOS

Prices would be increased by some ten times I think what they would be under the sort of policies we've been talking about, because I think what would be happening under that scenario is that to get the demand going down the way they want to – because ultimately this is about affecting demand for electricity in a context where demand for electricity is growing because we're also substituting electric cars for petrol-driven vehicles, you get very big increases in prices. Now, Labor then has the problem, as they did last time, how do they compensate households, particularly low-income households? Because this is a form of GST we're talking about here, it has a regressive impact – how do they compensate households? So what sort of money is going to have to be raised to do that, and where is it coming from?

CHRIS KENNY

Well we have one state in the country that has almost fifty per cent renewable energy now, just over forty per cent in South Australia, and they're having these blackouts and they have the highest electricity costs in the nation – so it was spectacular this week to see Jay

Wetherill lecture the nation on this issue – but doesn't the crunch come, for a Coalition Government, should you still be around, when you have the target, the Paris target, when you could be faced with a situation where something has to give. You either have to impose extra costs on people to meet the Paris target, or you have to miss your Paris target – surely a Coalition Government would rather miss the Paris target than add additional impost to electricity.

ARTHUR SINODINOS

As I've said before, three targets: energy security and reliability, energy affordability, reducing greenhouse gas emissions, coming up with at least three instruments to help with all of that. We have an energy productivity plan, we've got a ministerial forum on vehicle emissions standards, and we've got a number of ways in which we can hit these targets. We're also investing more in clean energy innovation and development, and don't underestimate the impact of changing technology on being able to do this. So we're not giving up on any targets. And let me just say on targets, I know some people during the week said, 'oh just get rid of the target', when we sign an agreement, we keep that agreement, because we're also a great trading nation, and if countries see we can abrogate one agreement unilaterally like this, they'll say on trade, 'well we can't be trusted', and we won't get the benefits on our trade agreements that we want.

CHRIS KENNY

Well talking about trade and this issue and trying to minimise the costs on the economy through energy, it couldn't have come at a worse time, really, to highlight the sensitivity, and that is of course the release of the GDP figures last week that showed the economy shrinking by half a percentage point. That must have been quite a shock to you.

ARTHUR SINODINOS

Well, while real growth has decelerated, the economy as a whole hasn't actually shrunk. But what's been happening is that non-mining investment, which is the hope of the side, is not growing strongly enough yet to compensate for the very big fall-off in mining investment. We had mining investment going at something like eight per cent of GDP. Non-mining investment takes time to pick up, it has a lot to do with cost factors, with confidence whatever, we've put into the mix a ten year program to reduce the taxes on jobs through our enterprise tax plan that's precisely targeted at reviving business and non-mining investment in the way that we're talking about here. There have been some other factors: exports didn't grow as strongly this quarter, public demand didn't grow as strongly. I think next quarter things will be more positive. I don't think, from the other indicators around the economy, that we're anywhere near recessionary type conditions. But it does mean a focus by the Parliament on everything we can do to promote jobs next year.

CHRIS KENNY

Yeah you ran on jobs and growth this year and then you had GDP figures like this, it must be politically very worrying, what more would you do in terms of economic management if you could? Apart from the economic tax cuts?

ARTHUR SINODINOS

Well, we've said to the Parliament, for example, we want more competition reform; and we want to encourage more reform across the economy – we've signed agreements with some of the states at the Council of Australian Governments about this. But we want Labor to cooperate with more reform of the economy as a whole. That will help us. We want our reforms on childcare to go through the Parliament. Now, they're linked with some of the changes we're making to family payments for Budget repair. But greater workforce participation will be supported. More women will be able to come back into the workforce. There's a whole slew of these things that can be done. Only the Coalition actually has a programme. You talk about jobs and growth; there was a six-point plan that underpins that. That was in the Budget, in the conclusion of the Budget, those six points around innovation and science, naval shipbuilding plan; we went through the tax cuts, and all the other elements. But the important thing is that there's actually a Government plan there. In the election campaign, Labor came – whenever we put pressure on Labor, their economic and financial plans always came apart, because at the end of the day, they'd not done the hard work. All they ran on, fundamentally, was slogans around Medicare.

CHRIS KENNY

Look, speaking of the election and the narrative, of course, when Malcolm Turnbull challenged Tony Abbott for the Prime Ministership, he did soon the basis that he would present a better economic narrative.

ARTHUR SINODINOS

A new style of economic leadership.

CHRIS KENNY

Has he been able to deliver that economic narrative, that economic performance? Because you have to say, on the numbers so far, he's failed to do that.

ARTHUR SINODINOS

Look, I think – a couple of things when he first got in. The National Innovation and Science Agenda, I think, is very important. There'll be a second tranche of that next year and then possibly a third the year after. What he did on Defence – there was a Defence White Paper in the works, but what he did was really ramp up the focus on naval shipbuilding and the way we use Government procurement to actually drive the establishment of sovereign capabilities that can create new export industries. What he's done on infrastructure in cities – there was quite a focus beforehand on just funding for roads. What we're looking at is: what's the right combination of funding for road and rail? How do we make sure our infrastructure dollar can go as far as possible? More planning reform with the states and local government through our city deals. A lot of this is changing the way the country will look; but it takes time. And you're right; we haven't quite seen the results yet. But the results are starting to come through.

CHRIS KENNY

You got a few things through Parliament towards the end of the year; it was a pretty good finish.

ARTHUR SINODINOS

Yeah.

CHRIS KENNY

You got the ABCC through, and the Registered Organisations Bill, the two double dissolution triggers.

ARTHUR SINODINOS

Some of the Budget repair bills, superannuation reform, national security legislation –

CHRIS KENNY

You got some of the Budget repair bills, superannuation, all of that. Would Tony Abbott have been able to get that sort of reform through the Senate, or was that Malcolm Turnbull's deal-making?

ARTHUR SINODINOS

Look, I believe – my conviction is that Malcolm Turnbull proved to be a very good deal-maker, and I believe he has shown the capacity to work with the crossbench. I think it was right to reform the voting for the Senate. If we had just a half-Senate election, I think we would end up with a bigger crossbench than we've got now. As it is now, we've got a number of blocs as well as a number of individual Senators we can potentially work with. I think that was the right call in the end for voting reform; and I think he's shown a capacity to work with the Senate. I'm not going to reflect on the past, except to say that I think he is the right person to lead us at this time. I think, if we had a different leader at the election who carried all the baggage of the last three years, I think we would have suffered – because, frankly, incumbents around the world were being punished at the election.

CHRIS KENNY

Do you think there'll be a reshuffle, or do you know if there'll be a reshuffle in coming weeks? And should Tony Abbott get a bigger job?

ARTHUR SINODINOS

I don't know whether there'll be a reshuffle. This is a matter for the Prime Minister. And Tony's a talented individual, but these are matters for the Prime Minister – who's in the Cabinet and who's not. There's a conga-line of people, as you know very well, Chris – at least a hundred of them in the Coalition, all ready and willing and able to serve.

CHRIS KENNY

[Laughs] 'A conga-line of suck holes' I think was the phrase! But that's my words, not Arthur's!

ARTHUR SINODINOS

That's your words, yes!

CHRIS KENNY

But yes, no, everyone's working hard; they want to get tapped on the shoulder to come in, not to go out. Look, I want to ask you about Andrew Liveris. We're going to show viewers a little bit more of Andrew later on in the programme. But you would know him – the Australian who has become the Chief Executive of Dow Chemical. He's now been given a key appointment by Donald Trump to try and revive manufacturing in America. Let us know what you think of the man; and if he can do that in America, perhaps you should tap him on the shoulder to help out here as well!

ARTHUR SINODINOS

Well, there are a couple of things about Andrew Liveris. The first is: he is a very – remains a passionate Australian. He wants to come back and live here, and he's someone who does believe very strongly in the future of manufacturing. So, yes, he's the sort of character who I think can have a positive influence – not only on the Trump administration – on policy here. When I've spoken to him about policy here, he's talked about the fact that advanced manufacturing does have a future. It needs a number of policy settings. Sometimes he's canvassed issues like gas reservation that maybe others wouldn't canvass; but he's got a lot more policy thinking behind it than just that policy. But the thing is, where there's a congruence between what he's saying and what we're doing is: we believe advanced manufacturing can go – and your old – can really go off big time – and your old home town of Adelaide is about to become the centre of some of the most advanced manufacturing in the world. Those submarines we're getting are just about the most advanced piece of technology in the world.

CHRIS KENNY

But they'd need electricity to build them, wouldn't they?

ARTHUR SINODINOS

They need electricity, mate – and under this Government, you'll get all the electricity you need!

CHRIS KENNY

Alright, thanks very much for joining us, Arthur Sinodinos.

[ENDS]