

Environmental Capital

Last month SMH economics editor Ross Gittins (SMH 17/7/15) gave an incisive view of the failure of our economy in dealing with current environmental challenges and 'ecological sustainability'.

Referencing the Wentworth Group of Concerned Scientists (WGCS) paper on *Using Markets to Conserve Natural Capital*, Gittins took to Australia's relatively high contributions to global greenhouse gas emissions, and related issues about '*protecting and restoring our degraded land, water systems and native flora and fauna*'.

As our systems strain to meet population demands in urban areas, there are environmental costs from economic activity that are not borne by producers and consumers. If there is no market value placed on greenhouse gas output from industries, on retaining a stable climate system, or on preserving the ecosystems that underpin our productive lands, impacts from "market failure" will continue to rise where satisfactory community outcomes are not realised by economic forces.

The market isn't capable of ensuring we don't stuff the environment and thereby stuff the economy.

The economy and the environment are inextricably linked but, left to its own devices, it is hard to see the market alone to avoid stuffing up the environment and thereby the economy. Perhaps it might be possible to harness market forces to the service of the environment via social (ie. community-wide) costs of environmental damage being absorbed into the private costs borne by producers and consumers. Such was the rationale of a *hybrid carbon tax/emissions trading scheme* that put a price on greenhouse gas emissions under the Gillard government's policy.

The WGCS paper accepted this logic and proposed *four market-oriented interventions to reduce future damage to the nation's "environmental assets" and to fix past damage*.

1 "Duty of Care" laws for all landowners, public or private, would help reduce damage to land and water resources in which we all have common interest, with codes of practice for greater certainty about rights and obligations. This would reinforce our community rights to a clean and sustainable environment, with limits to individuals having perceived rights over their private property.

2 Federal government could help reduce carbon emissions by promoting "carbon farming" as part of Direct Action, helping remove carbon dioxide from the atmosphere and converting it to plant material or soil organic matter while assisting restoration of degraded land.

3 Tax system reform to promote conservation and repair of the natural environment, and not encourage unsustainable practices. "*Subsidising or providing economic incentives for fossil fuels makes no sense because it results in increased costs to the environment, costs we will all have to bear sooner or later.*"

Instead of exemption from petrol excise on fuel for off-road vehicles in the mining and agricultural sectors, a broad-based land tax could help provide long-term support to land holders including farmers and Indigenous communities, with incentives to restore and maintain the health of our shared environmental assets.

This idea is raised in Chapter 8 of Grattan Institute's *City Limits – How we can fix our cities* and suggests an fairly applied land or property tax could see removal of stamp duty, which unfairly discriminates on those who need to move home, and would make it a bit easier for people to move and live where their needs or employment dictates.

4 Sustainable farming practice, where farmers need to receive a financial reward for managing their farms sustainably and suppliers, retailers and consumers need to have confidence that their products satisfy rigorous standards. A farm is sustainable when environmental assets – include soil, native vegetation, native fauna, water resources (rivers, aquifers, wetlands, estuaries) and carbon - located on the farm are being sustained in a condition that contributes to the overall health and resilience of its surrounding region.

Environmental assets – not all of which will be on farms.

The financial reward doesn't have to come from the government. Consumers will pay a premium for food that has been grown sustainably, provided they have some assurance this is so.

The government's role is to support the development of voluntary, industry-based sustainable certification of farms and to ensure such schemes are trustworthy. The government should also be active in the development of *international* sustainability standards so our exporting farmers can participate and benefit.

As Gittins concluded – ‘*All very sensible stuff. Now we just need a sensible government.*’ - but making sense of the past few weeks of federal fiasco must leave most of us wondering how this is possible. Then images from other urban environments compared to our own do give a certain urgency to the need for us to take a collective responsibility – a Google Earth image of Lane Cove shows how much natural environment we have to enjoy compared to many other places, a legacy that must be taken seriously!

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