

Infrastructure needs and Climate Change

Climate change poses the most critical issue for infrastructure planning and investment in Australia. Australia has many opportunities to greatly reduce emissions, and achieve the 'strong' targets for 2050 deemed essential by leading scientists, the Garnaut review and others.

The decisions made in the public and private sectors about infrastructure will be critical to Australia's contribution to dramatically reducing emissions. There is a great opportunity now to invest in infrastructure that:

- a) will directly contribute to reductions in greenhouse emissions
- b) will replace or avoid infrastructure that directly or indirectly contributes to emissions

Decisions about infrastructure are needed that break with the 'path dependence' (Brian Arthur) that lock our industries, cities, suburbs and regions into unsustainable growth trajectories.

Difficult infrastructure decisions will have to be made in the context of the global economic downturn that is developing consequent to the difficulties in the financial system. Investments that will have negative effects, directly or indirectly, on greenhouse emissions should be avoided at all costs.

In light of the seriousness of the climate change problem, the methodology and criteria used by Infrastructure Australia to assess and rank investments should be reviewed. The range of discount rates could reasonably be expanded to include a much lower rate, as proposed by Stern and Garnaut. A strong sustainability constraint directly related to carbon emissions should be imposed on all projects, rather than the weak constraint whereby environmental matters simply sit alongside the benefit-cost ratio, which is given primacy in the current methodology.

In the absence of such changes to the methodology, many projects that contribute significantly to greenhouse emissions will get the green light. Given the difficult economic period that Australia is most likely entering into, many such projects will be proposed to Infrastructure Australia.

Proponents may well claim that the criteria should not be changed at the last minute. This is a minor administrative matter and not of great consequence to Australia's future. By contrast, the type of investments given the imprimatur of Infrastructure Australia are of great consequence.

As Stern warned, there is a once off opportunity when major investments are being renewed or created for the first time. This is a once-off chance for Infrastructure Australia to make a major difference and give us the chance of making the deep cuts to emissions that are required.

For evidence to support my case see the Garnaut Review reports. I also recommend Climate Code Red by Spratt and Sutton, which summarises the scientific evidence and makes a compelling case for dramatic shifts in the type of investments that should be made for Australia's future.