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Ex-Treasury Chief Calls for Labor to Revive Carbon Tax

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Former Treasury Secretary Ken Henry has reignited debate by urging the Labor government to reinstate a carbon tax, calling its 2014 repeal a grave mistake. Speaking at the National Press Club, Henry labeled the original policy the “world’s best” for curbing emissions. However, his push raises concerns about economic burdens and political feasibility, especially given Labor’s current fiscal challenges. This article examines

Henry's proposal and its implications for Australia's economy and climate strategy.

Henry, now chair of the Australian Climate and Biodiversity Foundation (ACBF), argued that Australia cannot meet emissions targets without a carbon pricing mechanism. "Why the hell did we ever drop it?" he told the National Press Club, as reported by The Guardian, criticizing the Abbott government's 2014 repeal of the carbon tax introduced under Julia Gillard's Labor government in 2012. The tax, which charged polluters per tonne of carbon dioxide, aimed to incentivize cleaner technologies. Henry, author of the 2010 Henry Tax Review, insists a carbon price is the least economically damaging way to reduce greenhouse gas emissions, a view backed by a 2021 Economic Society of Australia (ESA) survey where 90% of economists supported it.

Critics warn a new tax could strain businesses and households already grappling with rising costs. The Heritage Foundation's 2014 analysis projected significant job losses and economic slowdown from a carbon tax, disproportionately impacting low-income families. Posts on X reflect public skepticism, with users like @Spottylreland noting the political risks of revisiting a divisive policy. The Labor government, under Treasurer Jim Chalmers, faces a \$42.1 billion deficit, as revealed by a recent Treasury FOI leak, complicating any push for new taxes. Chalmers downplayed the idea, suggesting current climate policies suffice, a stance critics see as sidestepping tougher reforms.

Henry's call aligns with global trends—Scandinavian nations maintain effective carbon taxes—but Australia's coal-heavy economy and political scars from the 2014 repeal make revival contentious. While a carbon tax could streamline emissions cuts, Labor's reluctance to embrace it risks

alienating voters and businesses wary of added costs in a fragile economy.