

Chapter 2

Background and overview of the bills

2.1 A key policy of the Liberal Party of Australia and the Nationals (together the Coalition) at the 2013 federal election was to abolish the carbon tax established by the previous Labor Government in 2011.¹ If elected, the Coalition committed to taking immediate steps to remove the carbon tax, including introducing repeal legislation on the first day of the new Parliament.²

Policy background

2.2 As the 2010 federal election failed to produce a conclusive result, the Prime Minister, the Honourable Julia Gillard, negotiated to form a minority government with the Australian Greens and three Independent Members of Parliament. As part of the agreement to form government, the former Prime Minister agreed to create a Multi-Party Climate Change Committee (MPCC) to 'explore options for implementing a carbon price'.³ The MPCC was announced on 27 September 2010 and it released a 'Clean Energy Agreement' to reduce carbon pollution on 10 July 2011.⁴

2.3 The Clean Energy Agreement recommended that a broad-based carbon price be introduced into Australia commencing from 1 July 2012 with a fixed price before transitioning to a fully flexible cap-and-trade carbon pricing mechanism on 1 July 2015.⁵ It also recommended, amongst other things, the provision of industry

1 The Coalition, *The Coalition's policy to scrap the carbon tax and reduce the cost of living*, p. 1, <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22library%2Fparlpol%2F2645370%22> (accessed 20 November 2013).

2 The Coalition, *The Coalition's policy to scrap the carbon tax and reduce the cost of living*, p. 5.

3 The Australian Greens and the Australian Labor Party, *The Agreement*, 1 September 2010, http://parlinfo.aph.gov.au/parlInfo/download/library/jmart/218794/upload_binary/218794.pdf (accessed 21 November 2013); The Hon Julia Gillard, Prime Minister, *Letter to Mr Oakeshott*, 7 September 2010, http://roboakeshott.com/system/files/images/letter_of_agreement.pdf (accessed 21 November 2013); The Hon Julia Gillard, Prime Minister, *Letter to Mr Windsor*, 7 September 2010, <http://www.tonywindsor.com.au/releases/AgreementToFormGovt.pdf> (accessed 21 November 2013); The Hon Julia Gillard, Prime Minister and Mr Andrew Wilkie, *The Agreement*, 2 September 2010, http://www.abc.net.au/4corners/special_ed/20110620/wilkie/docs/agreement.pdf (accessed 21 November 2013).

4 Multi-Party Climate Change Committee (MPCC) website, 'Multi-Party Climate Change Committee', <http://www.climatechange.gov.au/climate-change/multi-party-climate-change-committee> (accessed 21 November 2013).

5 MPCC, *Clean Energy Agreement*, July 2011, p. 1, http://www.climatechange.gov.au/sites/climatechange/files/documents/04_2013/MPCCC_Clean-energy_agreement-20110710-PDF.pdf (accessed 25 November 2013).

and household assistance to reduce energy costs and the creation of new independent bodies to provide advice to government and to administer the carbon price.⁶

2.4 On 24 February 2011, the former Prime Minister announced that the Government intended to implement the MPCC's recommendations and create a carbon price mechanism to commence on 1 July 2012.⁷ On 10 July 2011 the Government released the policy document 'Securing a clean energy future: The Australian government's climate change plan' which detailed its plans for a carbon tax.⁸ The Clean Energy Futures plan aimed to cut 159 million tonnes a year of carbon pollution from the atmosphere by 2020.⁹

2.5 A legislative package of 18 bills to implement the Government's plan was introduced into the Parliament on 13 September 2011 and passed on 8 November 2011.¹⁰

2.6 The bills were referred to the Joint Select Committee on Australia's Clean Energy Future Legislation for inquiry. The majority report recommended that the Parliament should pass the legislation. It also highlighted that the Government should re-examine how the legislation treats LPG, the regulation of synthetic greenhouse gases and the provision of information and guidance to those affected.¹¹ A dissenting report from Coalition members of the committee disagreed with the majority report and recommended that the bills not be passed.¹²

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- 6 MPCC, *Clean Energy Agreement*, July 2011, http://www.climatechange.gov.au/sites/climatechange/files/documents/04_2013/MPCCC_Clean-energy_agreement-20110710-PDF.pdf (accessed 21 November 2013).
 - 7 The Hon Julia Gillard, Prime Minister, 'Climate change framework announced', *Media release*, 24 February 2011, http://parlinfo.aph.gov.au/parlInfo/download/media/pressrel/577310/upload_binary/577310.pdf;fileType=application/pdf#search=%22clean%20energy%20future%20%202011%2002%2024%22 (accessed 21 November 2013).
 - 8 The Hon Julia Gillard, Prime Minister, 'Securing a clean energy future for Australia', *Media release*, 10 July 2011, http://parlinfo.aph.gov.au/parlInfo/download/media/pressrel/915157/upload_binary/915157.pdf;fileType=application/pdf#search=%22clean%20energy%20%202011%2007%2010%20prime%20minister%22 (accessed 21 November 2013).
 - 9 The Hon Julia Gillard, Prime Minister, 'Securing a clean energy future for Australia', *Media release*, 10 July 2011.
 - 10 *Votes and Proceedings of the House of Representatives*, No. 65, 13 September 2011, pp 875–878; *Journals of the Senate*, No. 65, 8 November 2011, p. 1793.
 - 11 Joint Select Committee on Australia's Clean Energy Future Legislation, *Inquiry into Australia's clean energy future*, 7 October 2011, pp xvii–xix.
 - 12 Joint Select Committee on Australia's Clean Energy Future Legislation, *Inquiry into Australia's clean energy future*, 7 October 2011, p. 259.

2.7 The bills were also examined by the Senate Select Committee on the Scrutiny of New Taxes.¹³ In its Interim Report, the Coalition-controlled committee recommended that 'the carbon tax should be opposed and the legislation defeated in the Parliament'.¹⁴ The Interim Report stated that:

- there was no electoral mandate for the carbon tax;
- that the carbon tax was likely to undermine Australian businesses' ability to compete in the global economy; and
- the effect of the policy on the cost of living, and on jobs, is likely to be higher than the government's current estimates.¹⁵

2.8 The dissenting report from Labor senators on the committee recommended that the Parliament pass the bills.¹⁶

Carbon tax framework

2.9 The Labor Government's Clean Energy Futures legislation implemented a number of initiatives to cut carbon pollution by 2020. The initiatives included:

- introducing a carbon pricing mechanism;
- establishing industry assistance to help emissions-intensive trade-exposed industries;
- providing household assistance to help with forecast increased living costs; and
- establishing a number of bodies to advise government and administer the carbon pricing mechanism.¹⁷

13 Senate Select Committee on the Scrutiny of New Taxes, *Final Report – The carbon tax: Economic pain for no environmental gain*, 1 November 2011, http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Former_Committees/scrutinynewtaxes/completed_inquiries/2010-13/carbontax/report/index, (accessed 22 November 2013).

14 Senate Select Committee on the Scrutiny of New Taxes, *Interim Report – The carbon tax: Secrecy and spin cannot hide carbon tax flaws*, 7 October 2011, http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Former_Committees/scrutinynewtaxes/completed_inquiries/2010-13/carbontax/interim_report/index (accessed 1 November 2013).

15 Senate Select Committee on the Scrutiny of New Taxes, *Interim Report – The carbon tax: Secrecy and spin cannot hide carbon tax flaws*, 1 November 2013, p. xvii.

16 Senate Select Committee on the Scrutiny of New Taxes, *Final Report – The carbon tax: Economic pain for no environmental gain*, 7 October 2013, p. 87.

17 Australian Government, Clean Energy Futures, *An overview of the Clean Energy Legislative Package*, p. 2, http://pandora.nla.gov.au/pan/127961/20130809-0002/www.cleanenergyfuture.gov.au/wp-content/uploads/2012/05/CEF-overview_Apr2012.pdf (accessed 22 November 2013).

Carbon tax

2.10 The *Clean Energy Act 2011* (Cth) establishes a carbon pricing mechanism that places a price tag on carbon pollution.

2.11 Any facility that emits above an annual threshold of 25 000 tonnes of CO₂ emissions will be liable to pay for each tonne of carbon pollution it emits above the threshold.¹⁸ At the end of each year, the entity will surrender the number of carbon units which represents its total emissions to the Clean Energy Regulator or pay a charge. Liable entities can either buy units or acquire them through industry assistance measures.¹⁹ Emitters may also purchase credits through the Carbon Farming Initiative (CFI), a framework within which farmers and landholders can undertake, monitor, and receive financial benefits for greenhouse gas emissions projects.²⁰

2.12 The carbon pricing mechanism commenced on 1 July 2012 with a fixed price on carbon of \$23 per tonne.²¹ The price is scheduled to increase by 2.5% per annum in real terms for three years.

2.13 On 1 July 2015, the carbon price is to transition to a fully flexible price under an emissions trading scheme with the price determined by the market. Linking to credible international carbon markets and emissions trading schemes will be allowed from the commencement of the flexible price period.²² At least half of a liable entity's compliance obligation must be met through the use of domestic units or credits.

2.14 The carbon tax is applicable to a number of industry sectors, including the stationary energy sector, industrial processing sector, non-legacy waste sector and fugitive emissions sector.²³ Landfill facilities with direct emissions of 25 000 tonnes of CO₂ emissions a year or more are also liable under the carbon price mechanism.

2.15 The carbon price does not apply to household transport fuels, light vehicle business transport and off-road fuel use by the agriculture, forestry and fishing industries.²⁴

18 *Clean Energy Act 2011* (Cth), subsection 22(4).

19 Australian Government, Clean Energy Futures, *An overview of the Clean Energy Legislative Package*, p. 2.

20 Anita Talberg and Kai Swoboda, *Emissions trading schemes around the world*, Background Note, 6 June 2013, Parliamentary Library, Canberra, p. 11, http://parlinfo.aph.gov.au/parlInfo/download/library/prspub/2501441/upload_binary/2501441.pdf;fileType=application/pdf (accessed 22 November 2013).

21 *Clean Energy Act 2011* (Cth), section 4.

22 Clean Energy Bill 2011, Revised Explanatory Memorandum, p. 12.

23 Australian Government, Clean Energy Futures, *An overview of the Clean Energy Legislative Package*, p. 2.

24 Australian Government, Clean Energy Futures, *An overview of the Clean Energy Legislative Package*, p. 2.

2.16 The Liable Entities Public Information Database maintained by the Clean Energy Regulator indicates that there are 351 entities that may be liable to the carbon tax in the 2012–13 financial year.²⁵

Industry assistance

2.17 The legislation created a range of targeted industry, and sector-specific, assistance programs as well as general assistance programs available to most businesses that are subject to the carbon pricing mechanism.²⁶ These assistance measures take a number of forms, including tax incentives, free and discounted emissions permits, matched grants programs and information and advisory services.

Jobs and Competitiveness Program

2.18 The Jobs and Competitiveness Program provides \$9.2 billion over the period 2012–13 to 2014–15 in the form of free carbon permit allocations for companies primarily in emissions-intensive trade-exposed industries, such as steel, aluminium, glass and chemicals manufacturing.²⁷ Eligibility for the assistance is based on industry thresholds of trade exposure and emissions intensity.

2.19 The value of the permits available under the program will decline by 1.3% per year with the Productivity Commission to undertake a review of the program in 2014–15.

2.20 The Jobs and Competitiveness Program specifically excludes the extraction of coal as an emissions-intensive trade-exposed activity.

Energy Security Fund

2.21 The Energy Security Fund which provides \$3 billion over the period to the 2014–15 financial year provides for the allocation of cash and/or free permits to pay for the closure of inefficient coal-fired generators.²⁸ The Fund also issues free carbon permits to electricity generators if they meet the requirement of a power system reliability test and submit a Clean Energy Investment Plan to the government for publication.

25 Clean Energy Regulator website, 'LEPID for 2012–13 financial year', <http://www.cleanenergyregulator.gov.au/Carbon-Pricing-Mechanism/Liable-Entities-Public-Information-Database/LEPID-for-2012-13-Financial-year/Pages/default.aspx> (accessed 25 November 2013).

26 Kai Swoboda, Julie Tomaras and Alan Payne, *Clean Energy Bill 2011*, Bills Digest No. 68, 2011–12, Parliamentary Library, Canberra, p. 27, http://parlinfo.aph.gov.au/parlInfo/download/legislation/billsdgs/1185490/upload_binary/1185490.pdf;fileType=application%2Fpdf (accessed 22 November 2013).

27 Kai Swoboda, Julie Tomaras and Alan Payne, *Clean Energy Bill 2011*, Bills Digest No. 68, 2011–12, Parliamentary Library, Canberra, p. 28.

28 Australian Government, Clean Energy Futures, *An overview of the Clean Energy Legislative Package*, p. 2.

Other assistance programs

2.22 The Clean Technology Program provides \$1.2 billion over seven years from 2011–12 to provide support to the manufacturing industry.²⁹ The Program supports improvements in energy efficiency and research and development in low pollution technologies.

2.23 The Steel Transformation Plan provides \$300 million over five years to encourage investment in the Australian steel manufacturing industry.³⁰

2.24 The Coal Sector Jobs Package makes available \$1.3 billion over six years for certain coal mines to implement carbon abatement technologies.³¹

Household assistance

2.25 To assist households with the introduction of the carbon tax, the Clean Energy Futures legislation package provides compensation through a mix of changes to income tax arrangements, one-off direct payments to eligible households and increases in pensions and allowances.

2.26 Changes to the income tax system from 1 July 2015 provide for an annual tax cut of \$228 for taxpayers with taxable income of between \$22 000 to \$37 000. The amount of tax cut declines proportionally for people on incomes between \$37 000 and \$80 000.

2.27 The centre piece of the planned increases to welfare payments was the creation of a 'Clean Energy Supplement' which equates to a 1.7% increase in pensions, income support allowance and family payments.³²

Governance

2.28 As part of the Clean Energy Futures legislation package two new Commonwealth agencies were created to advise on, and regulate, the operation of the carbon price mechanism.

2.29 The Climate Change Authority is established by the *Climate Change Authority Act 2011* (Cth) and is responsible for:

- providing recommendations to the government on future pollution caps;
- making recommendations on the indicative national trajectories and long-term emissions budgets;

29 Australian Government, Clean Energy Futures, *An overview of the Clean Energy Legislative Package*, p. 2.

30 Australian Government, Clean Energy Futures, *An overview of the Clean Energy Legislative Package*, p. 2.

31 Kai Swoboda, Julie Tomaras and Alan Payne, *Clean Energy Bill 2011*, Bills Digest No. 68, 2011–12, Parliamentary Library, Canberra, p. 28.

32 Kai Swoboda, Julie Tomaras and Alan Payne, *Clean Energy Bill 2011*, Bills Digest No. 68, 2011–12, Parliamentary Library, Canberra, p. 26.

- providing independent advice to the government on the progress that is being made to reduce Australia's emissions to meet national targets;
- conducting regular reviews on the carbon pricing mechanism; and
- conducting reviews of and making recommendations on the National Greenhouse and Energy Reporting System (NGERS), the Renewable Energy Target (RET) and the CFI.³³

2.30 The Clean Energy Regulator is established by the *Clean Energy Regulator Act 2011* (Cth) and is responsible for administering the carbon pricing mechanism, the NGERS, the RET and the CFI.³⁴ The Clean Energy Regulator is required to:

- provide education on the carbon pricing mechanism;
- assess emissions data to determine an entity's carbon liability;
- operate the emissions registry for emissions units;
- monitor, facilitate and enforce compliance with the carbon pricing mechanism;
- allocate permits;
- determine whether an entity is eligible for assistance in the form of permits to be allocated administratively; and
- accredit auditors for the CFI and the NGERS.

Clean Energy Finance Corporation

2.31 The *Clean Energy Finance Corporation Act 2012* (Cth), part of the Clean Energy Futures legislation package, established the Clean Energy Finance Corporation. The Corporation has the power to invest in financial assets for the development of Australian-based renewable energy technologies, low-emission technologies and energy efficiency projects. The Corporation has the power to enter into investment agreements itself, and make investments through subsidiaries.

2.32 The Clean Energy Finance Corporation operates with a \$10 billion fund, with \$2 billion provided per annum for five years. The first instalment was paid on 1 July 2013.

Coalition commitment to repeal the carbon tax

2.33 A key policy of the Coalition during the 2013 Federal election was to repeal the carbon tax if elected.³⁵ The Coalition's 'Policy to scrap the carbon tax and reduce the cost of living' stated:

The Coalition will abolish the carbon tax.

33 *Climate Change Authority Act 2011* (Cth), section 11.

34 *Clean Energy Regulator Act 2011* (Cth), section 12.

35 The Coalition, *The Coalition's policy to scrap the carbon tax and reduce the cost of living*, August 2013, p. 2.

The carbon tax indisputably adds to the cost of living, it makes households and families pay more for electricity and gas, it costs business more to operate, and it makes everything in our economy more expensive.³⁶

2.34 According to the Coalition's costings, average families would be more than \$550 better off in 2014 without the carbon tax.³⁷ Over the next six years the policy notes that average families would be \$3000 better off without the carbon tax.³⁸

2.35 The Coalition promised that if elected it would take immediate steps to implement its plan to abolish the carbon tax including:

- on day one, instructing the Department of the Prime Minister and Cabinet to draft legislation that repeals the carbon tax;
- on day one, notifying the Clean Energy Finance Corporation to suspend its operations and instructing the Treasury to prepare legislation to permanently shut-down the Corporation;
- introducing legislation to repeal the carbon tax on the very first day of a new Parliament; and
- introducing legislation to shut-down the Clean Energy Finance Corporation within the first sitting fortnight of the new Parliament.³⁹

2.36 The policy indicated that once the carbon tax has been repealed, the Coalition would implement its Direct Action Plan on climate change and carbon emissions. The Direct Action policy aims to reduce CO₂ emissions by 5% by 2020 based on 1990 levels and deliver significant environmental outcomes.⁴⁰ The centrepiece of the Direct Action Plan is the establishment of an Emissions Reduction Fund to directly support CO₂ emissions reduction activities by business and industry. Businesses that reduce emissions below their baseline emissions will be able to sell their CO₂ abatement to the Government, thus providing a financial incentive for firms to take action to reduce emissions.

Implementation of the Coalition's policy

2.37 Following the Coalition's election victory on 7 September 2013, the Prime Minister, the Honourable Tony Abbott, set about implementing the new Government's

36 The Coalition, *The Coalition's policy to scrap the carbon tax and reduce the cost of living*, August 2013, p. 2.

37 The Coalition, *The Coalition's policy to scrap the carbon tax and reduce the cost of living*, August 2013, p. 2.

38 The Coalition, *The Coalition's policy to scrap the carbon tax and reduce the cost of living*, August 2013, p. 2.

39 The Coalition, *The Coalition's policy to scrap the carbon tax and reduce the cost of living*, August 2013, pp 4–5.

40 The Coalition, *Direct action plan*, p. 1, http://parlinfo.aph.gov.au/parlInfo/download/library/partypol/LIOX6/upload_binary/LIOX6.pdf;fileType=application/pdf#search=%22direct%20action%20plan%22 (accessed 20 November 2013).

commitment. On 8 September 2013 the Prime Minister held a meeting with the Secretary of the Department of the Prime Minister and Cabinet and discussed the Government's reform agenda to repeal the carbon tax.⁴¹

2.38 On 15 October 2013 the Government released exposure drafts of bills to repeal the carbon tax.⁴² The Government also released a consultation paper explaining the content of the bills and sought feedback on any technical issues with the draft carbon tax repeal bills and transitional issues for liable businesses and other entities.⁴³

2.39 The Prime Minister introduced the bills into the House of Representatives on 13 November 2013. In his second reading speech on the bills he stated:

The first impact of this bill will be on households, whose overall costs will fall \$550 a year on average. Thanks to this bill, household electricity bills will be \$200 lower next financial year without the carbon tax.

Household gas bills will be \$70 lower next financial year without the carbon tax.

Prices for groceries, for household items and for services will also fall, because the price of power is embedded in every price in our economy.

This is our bill to reduce the bills of the people of Australia.⁴⁴

2.40 The bills passed the House of Representatives on 21 November 2013 without amendment.⁴⁵

Overview of the bills

2.41 The Carbon Tax Repeal Bills are a legislative package of eight bills that repeal the legislation that establishes the carbon pricing mechanism. These bills are the:

- Clean Energy Legislation (Carbon Tax Repeal) Bill 2013;
- True-up Shortfall Levy (General) (Carbon Tax Repeal) Bill 2013;
- True-up Shortfall Levy (Excise) (Carbon Tax Repeal) Bill 2013;

41 The Hon Tony Abbott, Leader of the Opposition, 'Remarks at briefing from the Secretary of the Department of Prime Minister and Cabinet', *Transcript*, 8 September 2013, Sydney, http://parlinfo.aph.gov.au/parlInfo/download/media/pressrel/2715656/upload_binary/2715656.pdf;fileType=application/pdf#search=%22abbott%20%2009%20abbott.%20tony.%20mp%22 (accessed 25 November 2013).

42 Department of Environment website, 'Repealing the carbon tax—public comment', <http://www.environment.gov.au/carbon-tax-repeal/consultation.html> (accessed 25 November 2013).

43 Department of Environment website, 'Repealing the carbon tax—public comment', <http://www.environment.gov.au/carbon-tax-repeal/consultation.html> (accessed 25 November 2013).

44 The Hon Tony Abbott, Prime Minister, *House of Representatives Hansard*, 13 November 2013, p. 13.

45 *Votes and Proceedings of the House of Representatives*, No. 7, 21 November 2013, p. 138.

- Customs Tariff Amendment (Carbon Tax Repeal) Bill 2013;
- Excise Tariff Amendment (Carbon Tax Repeal) Bill 2013;
- Excise Tariff Amendment (Carbon Tax Repeal) Bill 2013;
- Ozone Protection and Synthetic Greenhouse Gas (Import Levy) Amendment (Carbon Tax Repeal) Bill 2013; and
- Ozone Protection and Synthetic Greenhouse Gas (Manufacture Levy) Amendment (Carbon Tax Repeal) Bill 2013.⁴⁶

2.42 The bills repeal, with effect from 1 July 2014, all of the provisions in the various Acts that impose carbon tax liabilities and make consequential and transitional amendments.⁴⁷

2.43 The abolition of other carbon tax related initiatives are to be done through the following bills:

- Climate Change Authority (Abolition) Bill 2013;
- Clean Energy Finance Corporation (Abolition) Bill 2013; and
- Clean Energy (Income Tax Rates and Other Amendments) Bill 2013.

2.44 The Explanatory Memorandum for the repeal bills indicates that the total savings from removal of the carbon tax and carbon related programs is approximately \$7.5 billion.⁴⁸

Clean Energy Legislation (Carbon Tax Repeal) Bill 2013

2.45 The Clean Energy Legislation (Carbon Tax Repeal) Bill 2013 is the main repeal bill of the broader carbon tax repeal package. The bill repeals the *Climate Energy Act 2011* (Cth) that establishes the carbon pricing mechanism (carbon tax), effective from 1 July 2014. The repeal means that no new carbon tax liabilities will arise for 2014–15 or subsequent years.

2.46 To ensure that liabilities incurred by entities in financial years 2012–13 and 2013–14 are met and enforced, the bill preserves some provisions of the Clean Energy Act. Once the final surrender for the financial year 2013–14 has taken place (which is to occur on 2 February 2013), there will be no further need for entities to hold carbon units.

2.47 The bill also makes arrangements for the finalisation and cessation of industry assistance through the Jobs and Competitiveness Program, the Energy Security Fund and the Steel Transformation Plan.

46 The Explanatory Memorandum for these bills is referred to as the Carbon Tax Repeal Bills Explanatory Memorandum.

47 Carbon Tax Repeal Bills, Explanatory Memorandum, p. 14.

48 Carbon Tax Repeal Bills, Explanatory Memorandum, p. 11.

Increased powers for the Australian Competition and Consumer Commission

2.48 The removal of the carbon tax is expected to lower input costs for some businesses.⁴⁹ In some markets this will flow on in the form of lower consumer prices. In selected markets where competition is limited, businesses may choose not to pass through savings from the carbon tax repeal.⁵⁰

2.49 The bill prohibits price exploitation with respect to certain key goods (such as electricity and gas) and false or misleading representations about the effects of the carbon tax repeal on prices.⁵¹

2.50 The amendments also provide the ACCC with monitoring powers to assess the general effect of the carbon tax repeal on certain prices. The Explanatory Memorandum notes that 'these powers are similar to those made when the GST was first introduced'.⁵²

True-up Shortfall Levy (General) (Carbon Tax Repeal) Bill 2013 and True-up Shortfall Levy (Excise) (Carbon Tax Repeal) Bill 2013

2.51 The main carbon tax repeal bill provides for a process by which allocations of free 2013–14 carbon units are subject to a final 'true-up'. According to the Explanatory Memorandum 'this is designed to correct under- and over-allocations of 2013–14 free carbon units, by allowing for issue of extra free carbon units or imposition of a levy if carbon units are not relinquished'.⁵³

2.52 The bills are technical in nature and provide for the recovery of the value of over-allocated free carbon units through a constitutionally compliant levy.⁵⁴

Customs Tariff Amendment (Carbon Tax Repeal) Bill 2013 and Excise Tariff Amendment (Carbon Tax Repeal) Bill 2013

2.53 Accompanying the introduction of the carbon tax, increases were made to the rates of excise and excise equivalent customs duty on aviation fuel. This had the effect of implementing an equivalent carbon price on aviation fuel. The equivalent carbon price was represented by increases in the rates of duty equal to a 'carbon component rate'.⁵⁵

2.54 The bills remove the 'carbon component rate' from the rates of excise and excise equivalent customs duty imposed on aviation fuels. The rates of duty are reduced to the pre-carbon tax rate.⁵⁶

49 Carbon Tax Repeal Bills, Explanatory Memorandum, p. 51.

50 Carbon Tax Repeal Bills, Explanatory Memorandum, p. 51.

51 Clean Energy Legislation (Carbon Tax Repeal) Bill 2013, Schedule 2, item 3.

52 Carbon Tax Repeal Bills, Explanatory Memorandum, p. 51.

53 Carbon Tax Repeal Bills, Explanatory Memorandum, p. 29.

54 Carbon Tax Repeal Bills, Explanatory Memorandum, p. 8.

55 Carbon Tax Repeal Bills, Explanatory Memorandum, pp 68–69.

56 Carbon Tax Repeal Bills, Explanatory Memorandum, p. 69.

Ozone Protection and Synthetic Greenhouse Gas (Import Levy) Amendment (Carbon Tax Repeal) Bill 2013 and Ozone Protection and Synthetic Greenhouse Gas (Manufacture Levy) Amendment (Carbon Tax Repeal) Bill 2013

2.55 The Labor Government's clean energy legislation introduced an equivalent carbon price which applies to the import or manufacture of bulk synthetic greenhouse gases (SGGs) and import of all products containing these gases.⁵⁷ The equivalent carbon price for SGGs is calculated using the value of the carbon tax and the global warming potential for each gas relative to carbon dioxide.⁵⁸

2.56 The bills remove the applicable charge rate on SGGs from 1 July 2014. Importers and manufacturer of SGGs and products containing these gases will not have to pay the equivalent carbon price from 1 July 2014.

Climate Change Authority (Abolition) Bill 2013

2.57 The Climate Change Authority has responsibility for advising the Government on key aspects of the carbon pricing mechanism, such as the setting of emissions reduction targets and caps. The Authority also conducts periodic reviews of climate change measures.

2.58 The bill abolishes the Climate Change Authority and the Land Sector Carbon and Biodiversity Board. Relevant functions of the Climate Change Authority will be transferred to the Department of the Environment.⁵⁹

Clean Energy Finance Corporation (Abolition) Bill 2013

2.59 The purpose of the Clean Energy Finance Corporation functions is to invest in clean energy technology. The bill abolishes the Clean Energy Finance Corporation and makes transitional provisions which transfer the Corporation's assets and liabilities to the Commonwealth.⁶⁰

Clean Energy (Income Tax Rates and Other Amendments) Bill 2013

2.60 As part of the previous Labor Government's clean energy futures legislation, personal income tax cuts were legislated to commence on 1 July 2015. The income tax cuts were intended to provide assistance for an expected higher floating carbon price in the financial year 2015–16.

2.61 The bill repeals the personal income tax cuts that were legislated and associated amendments to the low-income tax offset.⁶¹

57 Carbon Tax Repeal Bills, Explanatory Memorandum, p. 71.

58 Carbon Tax Repeal Bills, Explanatory Memorandum, p. 71.

59 Carbon Tax Repeal Bills, Explanatory Memorandum, p. 3.

60 Carbon Tax Repeal Bills, Explanatory Memorandum, p. 8.

61 Carbon Tax Repeal Bills, Explanatory Memorandum, p. 8.