



Parliament of Australia
Parliamentary Budget Office

Phil Bowen PSM FCPA
Parliamentary Budget Officer

Senator Richard Di Natale
Leader of the Australian Greens
Parliament House
CANBERRA ACT 2600

Dear Senator Di Natale

Please find attached a response to your costing request, *Living with Global Warming: Climate Adaptation* (letter of 27 June 2016).

The response to this request will be released on the PBO website (www.pbo.gov.au).

If you have any queries about this costing, please contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen

29 June 2016



Policy costing—during the caretaker period for the 2016 general election

Name of proposal:	Living with Global Warming: Climate Adaptation
Summary of proposal:	<p>The proposal is comprised of the following three components:</p> <p><u>Component 1:</u></p> <ul style="list-style-type: none">• Provide \$10 million per year for five years to the National Climate Change Adaptation Research Facility. <p><u>Component 2:</u></p> <ul style="list-style-type: none">• Establish a new National Partnership Agreement with the state and territory governments for climate adaptation and disaster preparedness. Grants for specific purposes, indexed at the CPI, would be for:<ul style="list-style-type: none">– <i>Backing our emergency workers</i> for firefighting and emergency services resources.– <i>Preparing for extreme weather</i> for climate-related disaster preparedness measures for both physical infrastructure and social and community resilience. <p><u>Component 3:</u></p> <ul style="list-style-type: none">• Establish a national coordinating body, the Office of Climate Adaptation and Sea Level Rise, funded at \$5 million per year, indexed at the CPI. <p>The proposal would have effect from 1 September 2016 and would be in place until 30 June 2026.</p> <p>The detailed funding profile to 2025-26 of the proposal is set out at Attachment A.</p> <p>Departmental costs would be met from within the capped funding amounts.</p>
Person/party requesting costing:	Senator Richard Di Natale, Australian Greens

Date of public release of policy:	1 June 2016 http://greens.org.au/sites/greens.org.au/files/Living%20with%20Global%20Warming_final_.pdf
Date costing request received:	27 June 2016
Date costing completed:	29 June 2016
Additional information received (including date):	On 28 June 2016, the Office of Senator Richard Di Natale (the office) advised that departmental costs would be met from within the capped funding amounts.
Expiry date for the costing:	Release of the next economic and fiscal outlook report

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$377.5 million over the 2016-17 Budget forward estimates period. This reflects an increase in administered expenses of \$356.5 million and an increase in departmental expenditure of \$21.0 million over this period.

The impact of the proposal increases significantly beyond the 2016-17 Budget forward estimates period, with funding then ceasing after 10 years. A breakdown of the estimated impact to 2026-27 is provided at [Attachment B](#).

This costing is considered to be of high reliability as it is based on specified capped amounts. However, no analysis has been undertaken to determine the adequacy of the prescribed funding amounts to achieve the objective of the proposal.

Table 1: Financial implications (outturn prices)^{(a)(b)}

Impact on (\$m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-80.0	-91.6	-97.3	-108.6	-377.5
Underlying cash balance	-80.0	-91.6	-97.3	-108.6	-377.5

(a) A negative number indicates a decrease in the relevant budget balance.

(b) Figures may not sum to totals due to rounding.

Methodology

The total impact of the proposal reflects the capped funding amounts as set out in the request, indexed by CPI where specified.

The request specified that departmental expenditure estimates would be accommodated within the capped funding amounts. Departmental estimates were based on like programs and the estimates account for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance's costing practices. It has been assumed that funding the *National Climate Change Adaptation Research Facility* would involve payments to a known entity and would not be administratively burdensome.

Administered expenditure estimates for each component of the proposal are the remainder of the capped funding amounts after allowing for estimated departmental expenditure.

Data sources

Department of Finance provided indexation and efficiency dividend parameters.

Attachment A: Living with Global Warming: Climate Adaptation—specified funding profile to 2025-26

Table A1: Living with Global Warming: Climate Adaptation—specified funding profile to 2025-26 ^(a)

(\$m)	2016-17	2017-18	2018-19	2019-20	Total to 2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	Total to 2026-27
National Climate Change Adaptation Research Facility	-	10.0	10.0	10.0	30.0	10.0	10.0	-	-	-	-	-	50.0
National Partnership Agreement: Backing our emergency workers ^(b)	25.0	25.0	30.0	40.0	120.0	50.0	80.0	100.0	140.0	170.0	200.0	-	860.0
National Partnership Agreement: Preparing for extreme weather ^(b)	50.0	50.0	50.0	50.0	200.0	50.0	100.0	100.0	120.0	150.0	200.0	-	920.0
Establish the Office of Climate Adaptation and Sea Level Rise ^(b)	5.0	5.0	5.0	5.0	20.0	5.0	5.0	5.0	5.0	5.0	5.0	-	50.0
Total	80.0	90.0	95.0	105.0	370.0	115.0	195.0	205.0	265.0	325.0	405.0	-	1,880.0

(a) A positive number indicates an increase in funding.

(b) 2016-17 values shown, values used in the costing are indexed by growth in the CPI, as specified.

- Indicates nil.

Attachment B: Living with Global Warming: Climate Adaptation—financial implications

Table B1: Combined impact of all components—Financial implications^{(a)(b)}

(\$m)	2016-17	2017-18	2018-19	2019-20	Total to 2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	Total to 2026-27
Impact on fiscal and underlying cash balances													
Administered	-74.9	-86.4	-92.0	-103.2	-356.5	-114.5	-189.9	-202.4	-259.9	-319.9	-399.9	-	-1,843.0
Departmental	-5.1	-5.2	-5.3	-5.4	-21.0	-5.6	-5.7	-5.8	-6.0	-6.1	-6.3	-	-56.5
Total	-80.0	-91.6	-97.3	-108.6	-377.5	-120.1	-195.6	-208.2	-265.9	-326.0	-406.2	-	-1,899.5

(a) A negative number indicates a decrease in revenue or an increase in expenses in both accrual and cash terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.

Table B2: Component 1: National Climate Change Adaptation Research Facility—Financial implications^{(a)(b)}

(\$m)	2016-17	2017-18	2018-19	2019-20	Total to 2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	Total to 2026-27
Impact on fiscal and underlying cash balances													
Administered													
National Climate Change Adaptation Research Facility	-	-10.0	-10.0	-10.0	-30.0	-10.0	-10.0	-	-	-	-	-	-50.0
Total	-	-10.0	-10.0	-10.0	-30.0	-10.0	-10.0	-	-	-	-	-	-50.0

(a) A negative number indicates a decrease in revenue or an increase in expenses in both accrual and cash terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.

Table B3: Component 2: National Partnership Agreement—Financial implications^{(a)(b)}

(\$m)	2016-17	2017-18	2018-19	2019-20	Total to 2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	Total to 2026-27
Impact on fiscal and underlying cash balances													
Administered													
Backing our emergency workers	-25.0	-25.5	-30.0	-40.0	-120.4	-50.0	-80.0	-100.0	-140.0	-169.9	-199.9	-	-860.1
Preparing for extreme weather	-50.0	-50.9	-52.0	-53.2	-206.1	-54.6	-100.0	-102.5	-120.0	-149.9	-199.9	-	-932.9
Total - Administered	-74.9	-86.4	-92.0	-103.2	-356.5	-114.5	-189.9	-202.4	-259.9	-319.9	-399.9	-	-1,793.0
Departmental													
Backing our emergency workers	..	..	..	..	-0.2	..	..	..	..	-0.1	-0.1	-	-0.5
Preparing for extreme weather	..	..	..	..	-0.2	..	..	..	..	-0.1	-0.1	-	-0.5
Total - Departmental	-0.1	-0.1	-0.1	-0.1	-0.4	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-	-1.0
Total	-75.0	-76.5	-82.1	-93.3	-326.9	-104.6	-180.0	-202.5	-260.0	-320.0	-400.0	-	-1,794.0

(a) A negative number indicates a decrease in revenue or an increase in expenses in both accrual and cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

- Indicates nil.

Table B4: Component 3: Establish the Office of Climate Adaptation and Sea Level Rise — Financial implications^{(a)(b)}

(\$m)	2016-17	2017-18	2018-19	2019-20	Total to 2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	Total to 2026-27
Impact on fiscal and underlying cash balances													
Departmental													
Establish the Office of Climate Adaptation and Sea Level Rise	-5.0	-5.1	-5.2	-5.3	-20.6	-5.5	-5.6	-5.7	-5.9	-6.0	-6.2	-	-55.5
Total	-5.0	-5.1	-5.2	-5.3	-20.6	-5.5	-5.6	-5.7	-5.9	-6.0	-6.2	-	-55.5

(a) A negative number indicates a decrease in revenue or an increase in expenses in both accrual and cash terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.