



Parliament of Australia
Parliamentary Budget Office

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Parliamentary Budget Officer

Senator Christine Milne
Leader of the Australian Greens
Parliament House
CANBERRA ACT 2600

Dear Senator Milne

Please find attached a response to your costing request, *Preparing for extreme weather* (letter of 14 August 2013).

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

If you have any queries about this costing, please do not hesitate to contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen

20 August 2013

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	Preparing for extreme weather
Summary of proposal:	<p>The proposal would help prepare for extreme weather by raising funds for natural disaster mitigation from a \$2 per tonne levy on thermal coal exports that would be deductible for company tax purposes.</p> <p>Funds raised would be used to expand the existing National Disaster Resilience Program and maintain the National Climate Change Adaptation Facility.</p> <p>The proposal would have effect from 1 July 2014.</p>
Person/party requesting costing:	Senator Christine Milne, Australian Greens Party
Date costing request received:	14 August 2013
Date costing completed:	20 August 2013
Date of public release of policy:	25 July 2013

Costing overview

The proposal will not impact on either the underlying cash or fiscal balance since the funding is capped at the level of funding raised by the thermal coal exports levy.

The levy is estimated to raise net revenue of \$301.2 million in 2014-15, \$306.7 million in 2015-16 and \$321.4 million in 2016-17. \$416.3 million of net revenue is estimated to be raised in 2017-18.

This costing is considered to be high reliability as it is assumed any revenue raised will be spent on disaster mitigation.

Table 1: Financial implications of the coal levy and natural disaster mitigation expenditure (outturn prices)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-	-	-	-
Fiscal balance (\$m)	-	-	-	-

POLICY COSTING – ELECTION CARETAKER PERIOD

Key assumptions

As per costing request:

- Funding for natural disaster mitigation is capped at the amount of net revenue raised by the levy and expenditure will occur in line with net revenue raised.
- Any departmental costs associated with the proposal are covered by the revenue generated by the levy.

The PBO has made the following assumptions:

- The levy is paid via quarterly instalments paid following the completion of a quarter such that in the first financial year of the proposal only three quarters of payment is received.
- The levy does not impact the level of coal exports over the forward estimates period as any behavioural response is assumed negligible over this timeframe.
- All companies subject to the levy have taxable incomes greater than or equal to their levy liabilities, resulting in 100 per cent utilisation of company tax deductions related to the levy.
- Companies do not vary their company tax instalments from the tax commissioner's determined rate and the impact of the change in tax deduction each year is subject to the normal variation in instalments.

Methodology

The PBO estimated the amount of the levy revenue by applying a \$2 per tonne levy on the latest Bureau of Resources and Energy Economics (BREE) thermal coal export forecasts.

The impact of company tax deductions on levy revenue was estimated by multiplying the levy revenue by the statutory company tax rate (30 per cent) and then adjusting the result for the timing of company tax receipts.

Details are at [Attachment A](#).

Data sources

- Bureau of Resources and Energy Economics, *Resources and Energy Quarterly*, March 2013
- Online: <http://www.bree.gov.au/publications/req.html>

POLICY COSTING – ELECTION CARETAKER PERIOD

ATTACHMENT A: COSTING DETAIL

Table A1: Thermal coal exports (volume)

Million tonnes (Mt) per annum	2013-14	2014-15	2015-16	2016-17
Australian thermal coal exports subject to the levy	-	213.6	237.2	268

Table A2: Estimated thermal coal export levy (\$2 per tonne)

\$ millions per annum	2013-14	2014-15	2015-16	2016-17
Levy revenue	-	320.4	462.6	520.6
Company tax	-	-19.2	-155.9	-199.2
Net levy revenue	-	301.2	306.7	321.4