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SENATE

ENVIRONMENT AND COMMUNICATIONS
LEGISLATION COMMITTEE

Estimates

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SENATE
ENVIRONMENT AND COMMUNICATIONS LEGISLATION COMMITTEE
Monday, 23 May 2011

Senators in attendance: Senators Abetz, Birmingham, Boswell, Cameron, Fisher, Heffernan, Ludlam, Macdonald, McEwen, Troeth, Wortley and Xenophon

CLIMATE CHANGE AND ENERGY EFFICIENCY PORTFOLIO**In Attendance**

Senator Wong, Minister for Finance and Deregulation

Department of Climate Change and Energy Efficiency**Executive**

Mr Blair Comley, Secretary

Dr Subho Banerjee, Deputy Secretary

Mr Martin Bowles, Deputy Secretary

Dr Steven Kennedy, Deputy Secretary

Outcome 1

Mr Andrew Bailey, First Assistant Secretary, Renewables Energy Efficiency Division

Mr Ross Carter, First Assistant Secretary, Regulatory Division

Mr Kieran Gleeson, First Assistant Secretary, Corporate Support Division

Ms Louise Hand, First Assistant Secretary, International Division

Ms Anthea Harris, Chief Adviser, Climate Strategy and Markets Division

Mr Chris Johnston, Assistant Secretary, Co-ordination and Renewables Branch

Ms Kerrie-Anne Luscombe, General Counsel, Legal Services Branch

Mr Nico Padovan, First Assistant Secretary, Energy and Safety Programs Division

Ms Harinder Sidhu, First Assistant Secretary, Adaptation, Science and Communications Division

Mr Anthony Swirepik, Director, Climate Change Science

Ms Shayleen Thompson, First Assistant Secretary, Land Division

Mr Robert Twomey, Chief Financial Officer

Ms Clare Walsh, Chief Adviser, International Division

Ms Jenny Wilkinson, First Assistant Secretary, Climate Strategy and Markets Division

Office of the Renewable Energy Regulator

Mr Andrew Livingston, Renewable Energy Regulator

Mr Christopher Branson, Deputy Regulator

Mr Amarjot Singh Rathore, Deputy Regulator

Committee met at 09:01

CHAIR (Senator Cameron): I declare open this public meeting of the Senate Environment and Communications Legislation Committee. The Senate has referred to the committee the particulars of proposed expenditure for 2011-12 for the portfolios of Broadband, Communications and the Digital Economy; Climate Change and Energy Efficiency; and Sustainability, Environment, Water, Population and Communities, and other related documents. The committee must report to the Senate on 21 June 2011. The committee has set Friday, 8 July 2011 as the date by which answers to questions on notice are to be returned.

Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance, the secretariat has copies of the rules. I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised, which I now incorporate in Hansard.

The extract read as follows—

Public interest immunity claims

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the

public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(Extract, Senate Standing Orders, pp 124-125)

Department of Climate Change and Energy Efficiency

[09:02]

CHAIR: The committee will begin proceedings with the examination of the Climate Change and Energy Efficiency portfolio, commencing with general questions of the department, and will then follow the order as set out in the circulated program.

I welcome the Hon. Penny Wong, Minister for Finance and Deregulation, representing the Minister for Climate Change and Energy Efficiency; and portfolio officers. Senator, would you like to make an opening statement?

Senator Wong: No, thank you, Chair.

CHAIR: I now invite general questions of the department.

Senator ABETZ: Good morning. Did the department make any adjustments in its staff planning as a result of the Prime Minister declaring that there would be no carbon tax under a government that she led?

Mr Comley: I do not recall us making any change in staffing. If I remember the sequence of events last year, the government announced in April that it intended to defer the implementation of a carbon pollution reduction scheme. At that point there was a very significant adjustment in staffing, primarily related to staff that had been engaged to set up what would have become the regulator to run the carbon price after the passage of the legislation that was before the parliament. There was quite a substantial redeployment within the department at that time. That process ran through around April or May. The May 2010 budget was very shortly after that. In the May 2010 budget there was an adjustment to the funding level of the department, which again reflected the lack of the need for a regulator. At that time, though, funding was maintained for a group of staff who would look at policy development issues related to various mechanisms to reduce emissions, including carbon pricing. That capacity was maintained within the division. No adjustment to staffing was made in response to the Prime Minister's announcement before the election.

Senator ABETZ: As I understand it, in about April 2010, when it was announced that there would be no CPRS, we were told that there were no plans for the immediate future for any scaling back of staff.

Mr Comley: Sorry, Senator, there are two—

Senator ABETZ: That is right.

Mr Comley: No, there are two separate types of staff. Let me be clear about that.

Senator ABETZ: I know that there were the regulator staff, but in the department—

Mr Comley: In the department we did reduce the staff numbers a little with respect to carbon pricing, but a core was maintained within the department.

Senator ABETZ: How many? What is 'a little'?

Mr Comley: I can take your question on notice, but my recollection is that we would have taken 10 or 15 staff out of—

Senator ABETZ: Out of how many?

Mr Comley: There were around 30 or 40 working on carbon pricing at the time.

Senator ABETZ: No, in the whole department.

Mr Comley: Including the regulator?

Senator ABETZ: No, not including the regulator; apart from the regulator.

Mr Comley: The division that was responsible probably had a peak of around 50 people working on carbon pricing and related matters. Some of that division did not work purely on carbon pricing. So you probably had 40 working on it at that stage. After the deferral, that probably dropped to the order of 25 to 30 doing related matters. Some of those people are doing things that are closely related to carbon pricing but are not CPRS per se. The best example is that the renewable energy target uses the emissions-intensive trade-exposed assistance regime in the RET. The same staff who are working on the CPRS assistance regime were working, and are still working, on the RET assistance regime because that includes assessing activities. That is an example of where there is a crossover between the renewable energy task and the CPRS task.

Senator ABETZ: All right. Let us go to the overall figure. I have been told that overall agency staff had been ramped up previously from 246 to 408, and that was in about April 2010—about 12 months ago.

Mr Comley: No, that does not sound right to me.

Senator ABETZ: All right. Then have a look at the *Daily Telegraph* of 29 April 2010. There are quotes in that. That is my source.

Senator Wong: Your source is the *Daily Telegraph*?

Senator ABETZ: Yes, and if that is wrong, so be it. If you can advise us of where it is wrong and how it is wrong, I would be much obliged. So, when the new Prime Minister made the further announcement that there would be no carbon tax, there was no actual change in the staffing levels?

Mr Comley: First of all, that 400 number is just not right. Some staff were building up to be a regulator, but even at its peak that staffing number was in the order of 250. Then there were people within the carbon Climate Strategy and Markets Division—the then Emissions Trading Division. That was in the order of 50 people. But, of the people who were in the regulating side, a significant number were undertaking functions such as the National Greenhouse and Energy Reporting Scheme, and they would have been part of the Office of the Renewable Energy Regulator. So that number of 400 is not accurate. The rough number of people who were involved in the core carbon pricing division around that time is 50. Some of those were not just doing carbon pricing; they were doing other things. Following the deferral there was a small reduction in staff. That was probably in the order of 10 or 15. I can take

those precise numbers on notice. It was a small adjustment in numbers, apart from the regulators. That was the story in the middle of 2010.

Senator ABETZ: Going back to Prime Minister Gillard's announcement just before the election that there would be no carbon tax, did that have an impact on the staffing levels?

Mr Comley: We had already made the small adjustments before that. The point is that issues to do with how one might undertake domestic abatement are closely linked to how you think about carbon pricing. So essentially we use the same core of people to maintain a capacity to think about future mitigation policies, which may or may not include carbon pricing. That is why there was not a fundamental, very substantial change in numbers.

Senator ABETZ: And the government did not ask you to scale down?

Mr Comley: No. In terms of the work that was required to have an ongoing capacity to be able to deal with market mechanisms and other mitigation measures, there was a clear understanding that we should maintain that capacity.

Senator ABETZ: And, of course, you might have been very busy trying to put together a people's assembly of 150 people. So chances are you were scaling up for that. Was any work done by the department on this great idea of a people's assembly?

Mr Comley: As soon as the government announced it, we considered it in the context of our incoming government brief. We did some preparatory work afterwards, but not long after the election the decision was made not to proceed with that. We had done some preliminary work but it was not that extensive.

Senator ABETZ: Are you able to cost that for us?

Mr Comley: I can take that on notice.

Senator ABETZ: Yes, if you could.

Senator BIRMINGHAM: Can you tell us the actual date you stopped working on that?

Mr Comley: I will take that on notice. There was a communique that came out of the multi-party climate change committee, so I will simply go back to that point in time when the government announced that it was not continuing with that.

Senator BIRMINGHAM: And that is when you stopped?

Mr Comley: Yes.

Senator ABETZ: I understand that Geospatial Intelligence Pty Ltd is being paid over \$6.8 million over the next couple of years for the supply of high resolution and earth observation imagery by the department. Is that correct? And also BAE Systems is being paid \$7.5 million for satellites.

Ms Thompson: It is certainly the case that the department has consulting and other contractual arrangements with a number of firms that deal with satellite imagery. We use that as part of our international—

Senator ABETZ: First of all, can you confirm that Geospatial Intelligence is being paid over \$6.8 million over the next couple of years and BAE Systems \$7.5 million?

Ms Thompson: Senator, if I could just explain what those contracts are for.

Senator ABETZ: I am sorry, I am asking for the figures first.

Senator Wong: Chair, you cannot control the answer that the witness gives—

Senator ABETZ: I am asking for the financial figure—

Senator Wong: I haven't finished, Senator. She is entitled, as an officer, to answer the question as she sees fit. And if you do not like it, you can ask another question. You cannot keep cutting her off just because you do not like what she has started.

Senator ABETZ: I am sorry but there are standing orders. Answers have to be relevant and I simply asked—

CHAIR: Senator Abetz. Senator Wong, please—

Senator Wong: You have not given her the courtesy of letting her finish the question to see if it is relevant.

CHAIR: Senator Abetz, the witness had not even started to explain the answer. You have to give her time to see whether it is relevant. If it is not relevant then you can raise the issue of relevance.

Senator ABETZ: Chair, with great respect to you, she had started and tried to tell me why they were doing it. I had only asked for confirmation that these two contracts existed and for the price tag. If I want to know what they are for, I will ask another question about that.

CHAIR: She is entitled to contextualise her answer and I am happy for her to do that.

Ms Thompson: Thank you, Senator. The work that the firms you referred to are doing for the department is related to our work in terms of carbon accounting both internationally and domestically for what is known as reducing emissions from avoided deforestation and degradation. As part of that work, the department has been negotiating with a firm on establishing a satellite that will be part of our regional effort to do carbon forest monitoring. In addition, we do have a purchase of satellite remote sensing images for the same reason. With respect to your question about the exact figure for the consultancy services, I would need to take that on notice. It sounds about right to me but I would like to check.

Senator ABETZ: That is a long way to get to the point of saying that you will take it on notice. Thank you for that. You can check up those two contracts for me and whether you have any other contracts in this area. Does the remote sensing data enable us to monitor carbon farming, or could it be used also to apply the carbon tax?

Ms Thompson: I am sorry, Senator, I missed that question. Can you repeat it?

Senator ABETZ: I think we have agreed that you will take on notice questions about those two particular companies—the exact amounts—and if you could advise if there are any other contracts in that space. Can I ask a further question: will the information that is gathered be used to monitor carbon farming or could it also potentially be used to apply the carbon tax to agriculture?

Ms Thompson: With respect to carbon farming, could I just take a couple of minutes to clarify the relationship between what we do with the national carbon accounting system and what we propose to do for accounting under the carbon farming initiative, because it actually does help to answer your question. The national carbon accounting system is the system by which we use the remote sensing data. That approach is done at a national scale. What we will be introducing for carbon farming is a specific tool that will track, at the project level, efforts to establish projects to deal with biosequestration. So there is a link between the remote

sensing data that we will be using for our national accounts to carbon accounting and what we will be doing at a project level. But slightly different approaches and tools will be involved. With respect to whether we would be proposing to use the national carbon accounting system to draw in agriculture into a future carbon price mechanism, the government's position is that agriculture is not covered by the carbon price mechanism.

Senator ABETZ: At this stage—I know that—but they also promised us no carbon tax. All I am asking is whether or not it is possible to use these mechanisms or this remote sensing data to apply the carbon tax to agriculture. I am only asking if it would be possible.

Ms Thompson: There are a range of different emission sources that pertain to the agricultural sector. The one that is probably the most emissions intensive relates to methane from livestock. To my knowledge, it is not possible to track methane from livestock using remote sensing images of tree cover, although there is a causal relationship to some extent. If you are doing a project to, say, fence off land to allow vegetation to grow back, then you would not be able to run stock through those same trees and bits of land. That said, though, I think it is a fairly tangential relationship, and generally one would not expect methane from livestock to be covered from remote sensing tools.

Senator ABETZ: All right. Methane is one issue, but I think we are agreed that there are many other issues in relation to agriculture and carbon. So I will ask the question again. Could it be used to apply the carbon tax to agriculture even if it will not apply to methane emissions from livestock?

CHAIR: Senator Abetz, for the record, we have changed our approach a bit in this committee. We are dealing with general questions now. Those questions that you are raising would normally come under 1.1. That starts at 10 o'clock. I am not being too specific about it, but I am just raising that.

Senator ABETZ: If I get an answer to this one, I will be moving on to another topic.

Senator Wong: I have let this question go, but I am going to intervene here. The senator is asking the officer to comment on a hypothetical that is contrary to government policy. That is not her job.

Senator ABETZ: No, the question is whether the remote sensing data is capable of being applied in the circumstances I have outlined. That is a technical issue that is either within her knowledge or not within her knowledge. She can answer or take it on notice if she needs further information on it.

CHAIR: Senator Abetz, it seems to me that the minister has indicated an answer to this, and the answer is that they are not going to go there.

Senator ABETZ: All right. So they are not denying it. Thank you. Then we will move on to the contact centre. Salesforce Australia and Salmat have been contracted for three years until 2014 for the provision of contact centre services at a cost of \$22 million. Is that correct?

Mr Bowles: That is correct.

Senator ABETZ: What services does the department anticipate will require this amount of contact with the department?

Mr Bowles: Over the last 12 months we have been looking at amalgamating a range of our contact centres, or call centres. We have used them for things like green loans, safety

hotlines, the Green Loans programs and a range of general issues that come into the department. We had roughly, off the top of my head, eight call centre operations—basically because when we came together from the old environment department into Climate Change and Energy Efficiency we looked at a way of trying to rationalise that approach. We went to tender late last year, from memory, and Salmat were successful in that tender.

Senator ABETZ: Is this for all existing services, or are we thinking new services?

Mr Bowles: It is for the existing services, and that also takes in any generic arrangement for the department.

Senator ABETZ: And the department is happy that Salesforce outsources its call centre services to people working from home with their own PCs and internet connections?

Mr Bowles: We have a contract with Salmat on an outcomes basis. I am not into the specific details. I could get someone to find that out.

Senator ABETZ: If you could take that on notice.

Mr Bowles: I might say that we have had some people on site when we have had things operating, and to date that has worked reasonably well.

Senator ABETZ: Did you obtain external legal advice in relation to the tender for this contract centre?

Mr Bowles: I would have to take that on notice, but as a normal arrangement we would take legal advice. Normally that is probably internal or by the AGS.

Senator ABETZ: The department paid Excelior \$400,000 for an inquiry line for nine months up until March of this year. Is that correct?

Mr Bowles: I would have to take that on notice, but it could very well be right. As I said, we had a number of call centres that we were trying to consolidate.

Senator ABETZ: All right. If so, could you let us know what the call centre was for?

Mr Bowles: Yes, Senator.

Senator ABETZ: Thank you. The department paid Centrelink and Greythorn over \$4 million for emergency call centre services in February this year. What was that for? Was that related to the floods in Queensland?

Mr Bowles: No. Centrelink did some call centre work around the Home Insulation Program.

Senator ABETZ: So the emergency call centre service related to the Home Insulation Program. So we spent another—

Mr Bowles: I would have to take on notice the specifics of that particular thing. As I said before, there were a range of call centre operations in place when the Department of Climate Change and Energy Efficiency came into being in March 2010. We have worked to try and rationalise those. That is the Salmat contract. There are a range of these things through Centrelink and Excelior and other places like that. That has been the process that we have been working on over the last 12 months in particular.

Senator ABETZ: I understand that we have a new national carbon offset standard logo. Is that correct? I know that this is against standing orders, but is this it?

Ms Thompson: Yes, Senator.

Senator ABETZ: I will table that so as to assist and confirm that that is the new logo. That cost the Australian taxpayer \$61,000 to develop, is that correct?

Ms Thompson: That sounds about right, but I would need to check.

Senator ABETZ: And we consider that \$61,000 value for money?

Ms Thompson: My understanding is that the procurement was in line with the rules for such matters in the department, and value for money is, of course, one of the criteria by which we assess who should do the work.

Senator ABETZ: And you thought that was value for money? Fine.

Senator Wong: How many mouse pads on Work Choices did you produce. I can recall millions of booklets.

Senator ABETZ: You had a personal role in approving the advertising on Work Choices and all the gimmicks, so perhaps you would like to tell us again why they are good value for money.

CHAIR: Senator Wong! A bit of order!

Senator ABETZ: I hope that has cleansed the minister's liver for the morning, and we will keep asking more questions.

CHAIR: The point has been made. Senator Abetz, could you carry on.

Senator Wong: My liver is fine!

Senator ABETZ: I notice that the department is spending over \$400,000 over 10 months for services relating to SATIN, which stands for Secure Australian Telecommunications and Information Network. That is Australia's secure diplomatic communications network. Is that the case and, if so, why does the Department of Climate Change and Energy Efficiency need to employ these services?

Mr Comley: The reason is that as a result of the machinery of government changes that were made in 2007, the Department of Climate Change and Energy Efficiency has carriage of the international negotiating position of Australia. So the international division which runs that function has to be connected to the SATIN system, which gives you access to all of the international cables and networks.

Senator ABETZ: And the international negotiations are, of course, a great success! Has the department had a fit-out in recent times or is it spending on a fit-out?

Mr Comley: There has been some internal reorganisation—

Senator ABETZ: Does \$15.7 million sound familiar?

Mr Comley: The major thing that is ongoing for the department is the process to lease a new premise. There is a lot of fit-out that will be associated with that. The department is currently in offices at No. 2 Constitution Avenue, at Allara Street and at Nos 5 and 1 Farrell Place. We are scheduled to move into a new building on the Acton Peninsula late next year, and that is essentially what the fit-out money is for.

Senator ABETZ: And why is this necessary? Are they bigger premises?

Mr Comley: It is not bigger for our current footprint. We anticipate having a smaller number. Essentially, the current building is very out of date and does not meet certain energy

efficiency requirements. We looked at the question of whether we could retrofit that building, and it turned out to be a better proposition to move into a new building.

Senator ABETZ: And let somebody else take over the less efficient building. Thank you.

Senator BIRMINGHAM: Can I return to some of the issues around staff numbers, which Senator Abetz touched on briefly. The department is forecast this year to shed a few staff and will drop from 905 full-time equivalents to 856. Is that correct?

Mr Bowles: Yes, that is correct.

Senator BIRMINGHAM: Going into the forward estimates, beyond the 2011-12 financial year, page 35 of the PBS looks at the employee benefits estimated into the future. I see that from 2010-11 to 2011-12 you are forecast to drop from spending around \$140 million on employee benefits to around \$90 million. I assume this is commensurate with that reduction in FTEs, although it seems like a larger drop than the drop in staff. Can you explain why that drop appears larger than the drop in staff numbers?

Mr Bowles: Yes. We are talking about average staffing numbers over a period of time. We will see a greater reduction than from 905 to 856. That is in average staffing levels. The way we look at staffing is full-time equivalents at a point in time and then we measure full-time equivalents on average over the full financial year. So over the full financial year we will see that reduction. We will see it as the full-time equivalents on 1 July 2011 versus 30 June 2012, which will be a greater drop than that.

Senator BIRMINGHAM: Okay. Table 3.2.1 details employee benefits and provides a more accurate picture, in a sense, of the department's whole-of-year costs of staff numbers than just the raw FTE estimates do?

Mr Bowles: That is correct.

Senator BIRMINGHAM: Okay. If we move forward beyond 2011-12, we see a continued reduction in expected employee benefits down to \$44.7 million in 2014-15. Is that correct?

Mr Bowles: That is correct.

Senator BIRMINGHAM: That \$44.7 million in 2014-15 sees the department spending around 49 per cent of what it will spend in 2011-12 on employee costs and around 32 per cent of what it will spend in 2010-11 on employee costs.

Mr Bowles: That is correct.

Senator BIRMINGHAM: That is a huge reduction in the size of the department over that period of time. Are these all attributable to the winding up of the energy efficiency schemes?

Mr Bowles: In large part it will be the winding down of home insulation, green loans and those energy efficiency schemes. To be too definitive about what might happen in 2014-15 at this stage would be just a little bit of a wish of where we might land. Programs within the government context, as you would know, come and go. Some of them wind down and new ones come on. But based on where we are sitting at this moment, we are winding down home insulation, the Green Loans program and the associated issues around those. On the basis of nothing else coming in to the department, that is where our numbers will be.

Senator BIRMINGHAM: So with business as usual the department will be 68 per cent smaller in 2014-15 than it is in 2010-11?

Mr Bowles: I would not quite describe it as business as usual. If there were no further programs of the nature that we have been dealing with coming into the department at all, then that is where we would be.

Senator BIRMINGHAM: Does the carbon tax feature in those 'no further programs'?

Mr Bowles: No. There is no funding in there for the carbon price arrangements or regulators.

Mr Comley: Just to clarify that, in line with those comments and in response to Senator Abetz, we have a small number of staff that work on carbon price related material. That is what we are currently funded for, which is reflected in these numbers. Mr Bowles was responding to any additional expenditure that might be associated with the carbon price package that the government has foreshadowed.

Senator BIRMINGHAM: From your experience of planning for the CPRS, would the department, based on the projected expenditure on employee costs in the forward estimates, be able to deliver on a carbon pricing arrangement?

Mr Comley: You have to be a little bit careful about the distinction between the department and a portfolio. If you look at the CPRS experience, the majority of any additional expenditure was not within the department itself, it was within a regulator that was to be established to deal with carbon price issues. In a hypothetical world where there was a carbon price being implemented, there would be additional funding required for the regulatory functions. There may be a small amount of additional cost for a department in terms of the policy function, but most of that would be regulatory costs rather than departmental costs.

Senator BIRMINGHAM: So that would be, essentially, a new ORER or something of that description?

Mr Comley: The way that it was described in the CPRS was the Australian climate change regulatory authority, and that picked up the functions required to run a carbon price at that time. It was also envisaged that the ORER would be merged with that to give synergies in terms of scale. But that is essentially a stand-alone regulator. You would have to have a regulatory function separate from a department because you are administering the individual rights of businesses.

Senator BIRMINGHAM: I know that you touched on this with Senator Abetz, but you will just have to remind me. There were estimates of what the regulator would have been under the CPRS. In fact, there was an active and aggressive recruitment campaign taking place for a period of time. What was the expected staffing requirement for the regulator?

Mr Comley: I can take on notice the precise number. My recollection is that it was in the order of \$50 million or \$60 million a year. That is the order of the regulatory costs.

Senator BIRMINGHAM: In the order of \$50 million or \$60 million a year?

Mr Comley: Yes

Senator BIRMINGHAM: That in fact is bigger than the department will be under the forward estimates.

Mr Comley: In that last year, that is right. In fact, when the CPRS was deferred, and before energy efficiency programs came into the department, roughly the size of the expected regulatory function was broadly comparable to the size of the department at that time.

Senator BIRMINGHAM: So we can expect a new regulatory agency within the portfolio to be established that would be the size of the anticipated size of the department or bigger?

Mr Comley: That is one option. The government has not made a decision yet as to what the form of that regulatory function would take. Under the CPRS model, that was a regulator within the climate change portfolio. There has been no decision made as to how that regulatory function would be discharged.

Senator BIRMINGHAM: To return back to the department in regards to your expected staff requirements, do you believe that you will be able to deliver on the current policy objectives of the government around carbon pricing within the forward estimates projections outlined in table 3.2.1?

Mr Comley: Again it depends a little on the nature of the carbon price announcements. I would not want to speculate on that. The reason I say that is that the nature of any announcement can lead to what level of policy or implementation complexity requires departmental resources.

Senator BIRMINGHAM: What will the department be doing in 2014-15 if a new carbon pricing mechanism has been put in place and there is a regulator running that and ORER is of course running the RET program and all of the energy efficiency programs have largely been wound up? There are virtually no administered expenses left for the department at present for 2014-15, are there?

Mr Comley: The department will be doing quite a lot. If you think about the current structure of the department, I know that what gains the attention of the front page of the newspapers is not necessarily a reflection of what you need staff to do. If I look across the department at the moment, we have a division that deals with climate strategy and markets. Even in the absence of a carbon price, there is quite a lot of work that needs to be done in terms of understanding what is happening internationally. That division also covers the renewable energy target, which has a life to 2030. It deals with the whole of government climate change policy coordination. All those functions would continue.

We also have a land division, which Ms Thompson heads up. Much of that work supports the measurement of emissions in the land sector and how that intersects with international negotiations on the land sector. There is also work in that division that looks at what the projections of our emissions are. That would continue under any foreseeable policy mix.

We have significant work on the science of climate change and adaptation policy, which is also ongoing. We also have significant work on regulatory matters, even those unrelated to the carbon price. For example, the national greenhouse energy reporting system is an ongoing piece of work with significant regulatory implications. We have some energy efficiency programs that are not phased out in the way that HIP or green loans, for example, related. So there is an enormous amount of work that is done through COAG on the National Strategy on Energy Efficiency, which includes things like progressing building codes, minimum performance standards for appliances, the expansion of those standards to include non-energy using things but those that have a greenhouse context. We also have the corporate functions of any department that enables and supports the running of the department. I understand that there is often a focus as if the department does one or two things, but there is actually quite a large and broad range of functions that would be ongoing over that sort of time horizon.

Senator BIRMINGHAM: A regulator in a—

Mr Comley: Sorry, I forgot the international negotiations. I apologise to the staff here.

Senator BIRMINGHAM: We certainly would not want to forget them. A regulator in a carbon pricing environment will need to be in place from day one of the scheme, won't it.?

Mr Comley: Yes, you will need a regulator from day one.

Senator BIRMINGHAM: And it will need to be, broadly, fully staffed from day one. In fact, you are more likely to encounter difficulties in the early years of implementation than you are in latter years?

Mr Comley: In terms of how you implement a regulator for a new scheme, I think there are a few other options than that. It is probably worth just explaining that. The Multi-Party Climate Change Committee's architecture decision pointed to a fixed price period for three to five years. The fact that the position that has been announced includes a fixed-price period does have a significant impact on the implementation of a regulator. That is essentially because our experience with the potential establishment of ACCRA was that the activity that required the most lead time was establishing auction platforms for permits et cetera. That is not immediately required for a regulator in a world where you have a fixed price for a period of time. So it is worth just noting that a scheme commencing on 1 July 2012 would have a compliance year running to 30 June 2013 and it would then have a phase where there would be more intensive interaction with the regulator. I do not think it is quite true to say that you would necessarily have to be completely fully staffed on the first day that the liability applies, because there are other different decision points in terms of when the regulator has to undertake certain functions.

Senator BIRMINGHAM: So in particular there would be two significant steps, one step being a regulator in place to deliver the fixed-price period and the second step being a regulator in place to deliver a market-based period?

Mr Comley: That is right. But I can give you another example of a function. If you have a scheme starting on 1 July 2012, you may not immediately need the same audit function that you would have in a mature system, because you have to have something to audit—if you take my point. So at the moment we have the National Greenhouse and Energy Reporting System and we have audit programs of those returns. But there may be some functions that by their nature are backloaded because of the sequence of events when you start a scheme. That is the point I am making about what precisely you would need on the first day of the scheme.

Senator BIRMINGHAM: Nonetheless, you need some sort of regulator in place for the first day of the scheme. If it is to be delivered on 1 July 2012, you will need to start hiring during the 2011-12 financial year.

Mr Comley: Yes, that is correct.

Senator BIRMINGHAM: So, from even this year's budget onwards, the beginnings of creating a regulator—which under the CPRS ultimately ended up bigger than the department is forecast to be—will need to commence?

Mr Comley: There would need to be staff taken on in 2011-12.

CHAIR: Can I just do some time management here. We are finished with the session at 10 o'clock. I understand that Senator Macdonald has some questions. I have some questions and we are rapidly running out of time.

Senator BIRMINGHAM: I am happy to move on.

Senator IAN MACDONALD: Thank you, Senator Birmingham. Going to some questions on notice, on 21 February, some 3½ months ago, I asked if you could tell me what our percentage of greenhouse gas output is compared to China. You answer, Mr Connolly, was, 'No problem.' That suggested to me that it was a matter of going and doing a calculation and getting back to me. I still have not got the answer to that question.

Mr Comley: I am surprised by that, Senator, because I saw the answer to that question as I read my QON folder last night. I can double-check, but my understanding is that that reply was sent across.

Senator IAN MACDONALD: It has been sent?

Mr Comley: Yes, that is my understanding. I have it here. I do not have the audit trail in front of me about the date it was sent across. It is in my folder. You asked that question and I did in fact say, 'No problem,' which is colloquial for saying that I will take it on notice.

Senator IAN MACDONALD: I asked you to take on notice.

Mr Comley: The answer talks about different data sources that you can use and it notes that according to CAIT, which is one of the World Resources Institute's climate analysis indicator tools, Australia's greenhouse gas emissions in 2005 totalled 557.6 megatonnes of carbon dioxide equivalent. China's greenhouse gas emissions in the same year totalled 7,232 megatonnes. So in 2005 Australia's emissions were 7.71 per cent of China's. According to the IEA, in terms of CO₂, Australia's combustion from fuel combustion in 2008 was 397 megatonnes and in the same year China's was 6,550 megatonnes of CO₂, making Australia's CO₂ from fuel combustion 6.07 per cent of China's. In terms of emissions as a percentage of the globe, according to CAIT, Australia's total greenhouse gas emissions in 2005 represented 1.47 per cent of global greenhouse gas submissions and placed Australia as the 15th highest emitter. China's total greenhouse gas emissions in the same year represented 19.13 per cent of global greenhouse gas emissions, which placed China as the largest greenhouse gas emitter.

In per capita terms, Australia's per capita greenhouse gas emissions in 2005 were 27.3 tonnes of carbon dioxide equivalent, making Australia the seventh largest per capita emitter and the largest developed country per capita emitter. China's per capita greenhouse gas emissions for the same year were 5.5 tonnes of carbon dioxide equivalent, making China the 83rd largest per capita emitter in the world. There is also a bit of other information, but my information was that that was sent across. I can track down the date but I think we got that information across.

Senator IAN MACDONALD: Thank you for doing that. I certainly have the answers to other questions I put on notice. We did not seem to get that one. Perhaps it is a mix-up in my office.

In another question, I asked you about a list of cyclones I tabled. I have an answer saying, 'Have a look at the BoM website.' What I was asking you to do was to indicate if my list was incorrect. You have not indicated that, so I assume from that that you accept that the list that I tabled was correct. That list showed that there were cyclones every year and the suggestion

that climate change is causing cyclones, as some prominent politician did suggest, does not seem to bear much water in comparison to that list.

Mr Comley: I am conscious that I am not a scientist, and Dr Banerjee may want to comment. As I understand it there are two questions with any climate change link with cyclones, which are frequency and intensity. My understanding is that today the Climate Commission released a document called *The critical decade*, which is authored by Professor Will Steffen. I have not had the chance to read it in detail yet but I did flick through it and I understand that the question of the link of cyclones to climate change is actually covered in this publication. So we are happy to pass you a copy of that.

Senator IAN MACDONALD: That was to be one of my general questions. I hear news reports that that particular document is being given to the government today.

Mr Comley: I believe that it is being released today. But the Climate Commission is an independent body. We provide secretariat services but it is up to them when they publish and put things in the public domain. My understanding is that it is being released today.

Senator IAN MACDONALD: So is not given to government, but it is released to the public generally. I did ask some questions about the Climate Commission last time and to an extent you have answered them. I asked whether the department or you, Mr Comley, actually keep an eye on the budget. You have sent me the terms of reference and indicated that your department will be providing clerical support. You will be answerable rather than the commission, which I do not think is scheduled to appear before us—is that correct?

Mr Comley: It is not separately listed. I think we had a discussion last time about whether the Climate Commission could appear before estimates. The clear answer was yes. We did not receive a request for members of the commission to be here, so we have not made any arrangements to that effect.

Senator IAN MACDONALD: Okay, that was my error wasn't it? Never mind. But you keep an eye on the money?

Mr Comley: As the question on notice that was sent to you makes clear, the secretariat effectively become authorising officers for the purpose of the FMA in terms of expenditure.

Senator IAN MACDONALD: So any queries that we have about expenditure by the Climate Commission is appropriate for you people to either answer or take on notice?

Mr Comley: We can answer that; that is right.

Senator IAN MACDONALD: Can you tell me how much the Climate Commission paid Mr Tony Eastley, the presenter of the ABC's AM program, to chair one of the Climate Commission's meetings, and is this a permanent arrangement or a one-off?

Mr Comley: I think Ms Sidhu can answer that. The Climate Commission has engaged a number of facilitators and I think there is a standard fee that has been used in each case.

Ms Sidhu: Yes, the arrangements for the facilitators at the Climate Commission events are arranged through an events management company. Mr Eastley's appointment happened through that mechanism. There is a standard fee that we pay, and I'll just try to find that for you.

Senator IAN MACDONALD: While you are doing that I just have two very quick questions which are follow-ups from the questions on notice. In relation to conflicts of

interest, I asked whether the department was aware, and whether it was true, that Professor Flannery had shares in a company called Geodynamics. You have cleverly answered by saying that each commissioner provides details of personal conflicts of interest, which is not really an answer. But does the government accept that there is no conflict of interest between Professor Flannery and any of his private shareholdings and the job that the department has asked him to do?

Mr Comley: Yes, Senator. I cannot speak for the government. We have asked Professor Flannery and others to fill in a conflict of interest declaration to make us aware of any conflict of interest, and we believe that that has been satisfied.

Senator IAN MACDONALD: So you are happy. On notice, can you tell me what Professor Flannery is being paid as a percentage of what the minister for climate change is being paid. And can I come back to Ms Sidhu for her answer.

Ms Sidhu: As I mentioned earlier, we made this appointment through the facilities and events manager. Mr Eastley was hired for only one event. Previous MCs have been Bob Gel from the 10 network—he was MC for the Geelong event—and the Nine Network newsreader Lisa Backhouse, who was MC at the Ipswich event. MCs are paid a standard fee of \$3,800 for each event.

Senator IAN MACDONALD: So \$3,800 for three hours work.

Ms Sidhu: And the preparatory work as well.

Senator IAN MACDONALD: I do want to ask more about that. I will come back to it. Thank you for that answer.

CHAIR: Mr Comley, does the department monitor developments worldwide so that you can advise government on those developments?

Mr Comley: That is right.

CHAIR: Are you aware of a report by the working group commissioned by the Pontifical Academy of Sciences?

Mr Comley: I am personally not aware of that.

CHAIR: If you are not aware of it, I would like you to take some questions on notice. What the Pontifical Academy of Sciences report said is that individuals and nations have a duty to act now. It says that there are three issues, and I would like you to take these on board to see if they are consistent with where we are going. The report says that we must 'reduce worldwide carbon dioxide emissions without delay, using all means possible to meet ambitious international global warming targets and ensure the long-term stability of the climate system'. The second major recommendation is that we 'reduce the concentrations of warming air pollutants (dark soot, methane, lower atmosphere ozone, and hydro fluorocarbons) by as much as 50 per cent'. The third is to 'prepare to adapt to the climatic changes, both chronic and abrupt, that society will be unable to mitigate'. I found it quite interesting, given the debate we had with the Bureau of Meteorology and the views in Australia. So I would be quite interested to get your view of that on notice.

The other area of development in the last few weeks has been the conservative coalition government in the UK, which has outlined some targets and some actions. Could you outline them to us?

Mr Comley: One of my colleagues might assist me, but my understanding is that they have committed to cut emissions by 50 per cent by 2025. They have also been in the process of proposing an increase in the rate at which, effectively, the European emission trading scheme would apply.

Ms Wilkinson: Those are the main elements. The UK government has committed to reduce its greenhouse emissions by 50 per cent on 1990 levels by 2025. They have also committed to introduce a surcharge, if you like, in the carbon price that is being applied to investments within the UK. That would effectively mean that the carbon price that they would pay would be a premium above that which is applying in the rest of the European Union.

CHAIR: The reports I have seen indicate that there is a political consensus on this issue in the UK and that there are no divisive debates in relation to climate change in the UK.

Mr Comley: It is my understanding that there is broad support across the major parties for climate change action.

CHAIR: What is continuing on carbon capture and storage initiatives?

Mr Comley: That is a matter in the resources, energy and tourism portfolio, but the CCS's flagship work is continuing. My recollection is that there have been recent announcements on that issue, but I think that is a question that should be directed to the resources portfolio.

CHAIR: I noticed that Senator Abetz raised the prospect, in an oblique way, that farmers would be included in the carbon tax. Can you just outline the current thinking of government in the agricultural area?

Mr Comley: The government's policy is an indefinite exclusion of agriculture from any emissions trading scheme or carbon tax. That was also made clear in the architecture announcement of the Multi-Party Climate Change Committee, of which the government is part, in February this year—that is, agricultural emissions would not be included under any proposed mechanism.

CHAIR: You say that you have not read the recent report entitled *The Critical Decade*.

Mr Comley: I have skimmed it. I have not read it, to be honest. I was preparing for estimates over the weekend rather than reading the report.

CHAIR: In your skimming, what is the key point that jumps out at you?

Mr Comley: The key point—and it is a point that Will Steffen has made before, including in this forum—is that to meet the sorts of emissions reduction objectives consistent with maintaining temperature increase below two degrees, the most important thing is to start as soon as possible. Professor Steffen noted that from 2000-50, the world needs to emit about 1,000 gigatonnes of carbon dioxide to stay within a budget that would allow no more than two degrees of warming. In the first decade of those 50 years, around 300 gigatonnes were emitted, or about 30 per cent of the budget. Current projections are that if we do not turn the trend around, we could emit another 400 gigatonnes in this decade. So we would have spent 70 per cent of that budget to meet that target. I think in the report there is a chart that Professor Steffen put forward to the multiparty climate change committee which summarises the nature of that task and points out that, the later one peaks emissions, the harder it is to achieve any given emissions reductions task. From recollection—I am trying to find it now—if global emissions peak in 2011, for a stylised trajectory you need to have a maximum

reduction of around 3½ per cent of emissions per year. But if you do not peak until 2020 you could in a stylised path need reductions of nine per cent per year to meet that two degree guardrail. I have found it now. Page 56 of the report shows the importance of moving early.

The Climate Commission has put out some critical messages. The first one is that there is no doubt the climate is changing—the evidence is overwhelming. Human activities, the burning of fossil fuels and deforestations are triggering the changes witnessed in the global climate. We are already seeing social, economic and environmental impacts of climate change. Going to the last point—this is *The critical decade*—the decisions we make from now to 2020 will determine the severity of climate change impact. They are the key messages that come out of the report. As I have said, I have had a chance to skim it but not read it in detail. That is next on my to-do list. Do you want to add anything to that, Ms Sidhu?

Ms Sidhu: If I may. This is the first major report to be released by the Climate Commission; it is being formally released today. The report was written by one of the climate commissioners, Professor Will Steffen, who I believe is known to the committee, and who used to be the department's science adviser. He is an internationally renowned climate scientist in his own right. The report presents a comprehensive synthesis of the most recent climate change science, with a focus on the Australian context.

CHAIR: Ms Sidhu, I do not want to cut you off, but we are just about out of time on this one. I am sure that we will come back to this in either outcome 1.1 or outcome 1.3, so there will be plenty of time for it. I just wanted to get the overview in the general area. If you are comfortable that you will be here for that, that is fine. I now call on officers from the department in relation to outcome 1.1, 'Reducing Australia's greenhouse gas emissions', and invite questions.

Senator BIRMINGHAM: Mr Comley, first perhaps you can tell me if I need to ask these questions in a different program area. I gather there are a couple of new appointments in the department: Dr Banerjee and Mr Rowley.

Mr Comley: Dr Banerjee is sitting next to me; he is a new Deputy Secretary. I do not believe Mr Rowley is here; he was appointed within the last year to our communications area.

Senator BIRMINGHAM: Within the last year?

Mr Comley: Yes. We ran a bulk round for SES band 1 officers and Mr Rowley was appointed as a result of that process, which we conducted at the end of last year. I think he did not start until January because of the usual thing when someone is moving interstate.

Senator BIRMINGHAM: Mr Rowley's role is?

Mr Comley: He is the head of the communications branch of the department within the Adaptation, Science and Communications Division.

Senator BIRMINGHAM: How was he selected?

Mr Comley: He was selected by a standard band 1 SES selection process.

Senator BIRMINGHAM: Were you part of that process?

Mr Comley: I was the chair of the panel.

Senator BIRMINGHAM: Does that standard process involve public applications?

Mr Comley: The positions were advertised and many applications were received, as you can imagine. Then a selection panel is established. For an SES selection, you need to have one representative of the Australian Public Service Commission, so an SES officer endorsed by the Public Service Commission from outside the portfolio. You need to have gender balance on the panel. So typically you have three members of the panel. So there were three members of the panel: me; Ms Natalie Howson from the department; and Mr Rob Hefferan, who then was at FaHCSIA and has now moved to the Treasury. We conducted a shortlisting process assisted by a research firm. We then shortlisted the applicants, held interviews, wrote a report and went through the usual merit based process.

Senator BIRMINGHAM: Are you aware that Mr Rowley worked from 2004 to 2006 for former British Labour Prime Minister Tony Blair?

Mr Comley: I am aware of that. But I think we have to be a little careful going forward here, because I would not normally want to be in a position of talking about the selection and staffing decisions of any panel that is conducted through the department. I do not think it is appropriate to go through—I am not saying that you are going there—what were the criteria and qualifications of this person or that person in a process. What I have explained to you is the process that was followed, which was a standard merit based process. Ultimately that selection process was signed off as being in accordance with merit by the three members of the panel. The delegate to that decision was ultimately the secretary at the time, Martin Parkinson. I am trying to be as helpful as possible. But as a matter of precedent we have to be a little careful about going through the particular claims that a candidate may have had for a position when it was filled.

CHAIR: I would agree with that. If there are issues in relation to the process, that is a different matter, but not to the individual candidate.

Senator BIRMINGHAM: Thank you, Chair. Mr Comley, just confirming: Mr Rowley worked for former British Labour Prime Minister Tony Blair from 2004 to 2006?

CHAIR: That has been answered.

Senator BIRMINGHAM: The answer was yes?

Mr Comley: Yes.

Senator BIRMINGHAM: Prior to that, did he work for former New South Wales Labor Premier Bob Carr from 1995 to 2004?

Mr Comley: I think that is right; I do not have a CV in front of me. It is my recollection that they were both as climate change adviser. He certainly was for the former British Prime Minister. I am not as familiar with the precise details, but I thought it included climate change with the New South Wales Premier at the time.

Senator BIRMINGHAM: Now he has been hired as the head of the communications branch of the Department of Climate Change and Energy Efficiency.

Mr Comley: Yes.

Senator BIRMINGHAM: In that role, I assume that he oversees the drafting of press releases and statements for the minister.

Mr Comley: He does the standard things that the communications director would be involved in. Typically, the department press releases, to the extent that they are assisting the

minister, are done by the line area that has subject material expertise. Depending on the timeliness, et cetera, they may or may not go through the communications area. It depends on the product.

Senator BIRMINGHAM: Were you totally satisfied through that process that you were not entering an area of potentially politicising the department or the Public Service through such appointments?

Mr Comley: I was totally satisfied. In all of the departments that I have worked in, the practice of engaging people who at some time have formerly worked for political officers is commonplace, partly because people get very good experience when they go through ministerial political offices. They get an overview of policy areas and an understanding of the pressures of public policy. So this looked to me no different to a range of other appointments I have seen, both within climate change and outside climate change, where people move between the bureaucracy and ministerial offices, and vice versa.

Senator Wong: Just to add to Mr Comley's answer, I can say to Senator Birmingham that there are people who have worked for both sides of politics who serve in the department of finance and who do so professionally. In terms of Mr Rowley, I am a little uncomfortable with this very personal direction of the questioning. But, if you look at some of what he wrote in between this role and his previous political roles, he was quite free with his criticism of Labor governments as well.

Senator BIRMINGHAM: Thank you. I am pleased to see that you have followed his writings closely, Minister.

Senator Wong: Some of them mentioned me. So you notice them; right?

Senator BIRMINGHAM: He is employed at SES band 1? That is still the position?

Mr Comley: That is right.

Senator BIRMINGHAM: How many staff are involved in the communications branch that he heads?

Mr Comley: I cannot remember. Ms Sidhu will provide the precise number.

Ms Sidhu: There are approximately 30 staff in that branch at the present time.

Senator BIRMINGHAM: Do they provide overseas communications for the entire department?

Ms Sidhu: The branch is divided into a number of areas of work. There is an internal communications component, a component that looks after the department's website and the minister's website and keeps them up to date and serviced. There is also a part of the branch that fields questions from the media that arise from time to time and that are put to the department and it coordinates responses to those media questions. As well, there is a part of the branch that looks at more strategic issues and any events and public engagements that the minister might engage in.

Senator BIRMINGHAM: We will leave that one there. Perhaps I can move back to carbon pricing and the issues surrounding it. As we established in relation to the employee requirements, there is, of course, nothing in the budget papers that detail what the impact of the carbon price may or may not be. Given that it is due to start—as you have highlighted again, Mr Comley—on 1 July next year, why isn't there anything in the budget?

Mr Comley: The government has not made a policy decision. The standard practice in budgeting is that you only put in the estimates once a policy decision has been made.

Senator BIRMINGHAM: The government has not made a policy decision to have a carbon price?

Senator Wong: Senator, this has been one of the few responses that your party has chosen to make to the federal budget and it has been asked and answered on many occasions. The government has made clear that, when the decisions have been finalised, they will be reflected—as they were under the CPRS and as they were under the GST—in the accounts.

Senator BIRMINGHAM: Have estimates been undertaken as to the impacts on the budget of the carbon pricing regime?

Mr Comley: We are currently in a policy design phase and so, as a matter of course, we have prepared some material that would help inform government of the consequences of any decisions they might make.

Senator BIRMINGHAM: The mining tax is due to start on the same date next year and has not yet been legislated. Why does it feature in the budget, yet you cannot manage to include estimates of what the carbon tax impact may be?

Mr Comley: The trigger for a decision to put something in the budget is not whether it is legislated or not; it is whether there is a clear policy decision with sufficient detail that could be estimated or costed. My understanding is that—you will have to ask the Treasury at what point they made the decision that it was appropriate to put that in the budget estimates—they have passed that point. That is not the case with carbon pricing.

Senator BIRMINGHAM: Did Treasury seek any estimates from the Department of Climate Change and Energy Efficiency about carbon pricing for the budget?

Senator Wong: If you are going to proceed with this line of questioning, Senator, I would ask the chair to suggest that this be referred to Treasury.

Senator BIRMINGHAM: I am sorry, I am asking—

Senator Wong: Treasury and Finance prepare the budget—climate change does not prepare the budget. These are budget questions.

Senator BIRMINGHAM: So Treasury prepares the budget without reference to the department of climate change?

Senator Wong: That is not what I said. You are asking questions which go to the point at which government decisions are reflected in budgets. I have answered this once and I have answered it, as has the Treasurer, many times publicly. But, if you have detailed questions about the preparation of the budget, they should be addressed to the Department of the Treasury.

Senator BIRMINGHAM: Minister, there is a reason why we go through two weeks of budget estimates, calling every single department to the table about the budget to ask how it relates specifically to those departments and what advice and information they have provided to Treasury in relation to the preparation of those budgets.

Senator Wong: Senator, that is not what you are asking.

Senator BIRMINGHAM: The question I asked went specifically to the advice or information that the department may have provided to the Treasury for the preparation of the budget. That is firmly within the department's remit. Mr Comley, did the department provide any estimates to the Treasury on any impacts of the carbon tax in relation to this budget?

Mr Comley: In relation to this budget, no.

Senator BIRMINGHAM: So there was never either a request from Treasury or the thought from the department that it had reached a point where it was appropriate to provide any of those estimates.

CHAIR: Mr Comley has answered the question.

Senator BIRMINGHAM: Mr Comley is capable of answering the questions as they are asked, Chair. He does not need your help.

Senator Wong: You are getting infected by rudeness, are you, Senator Birmingham?

Senator BIRMINGHAM: Oh, thank you! When the chair decides to interrupt on a constant basis—Mr Comley, I know, is more than capable of answering the questions.

Senator Wong: Very, very tough!

Senator BIRMINGHAM: Mr Comley is more than capable of answering the questions; he does not need Senator Cameron's help. I know, Minister, you are there to jump in, if need be, as well. You do not need Senator Cameron's help either, I am quite confident.

CHAIR: There is nobody who needs my help? I feel very lonely.

Senator Wong: We always need your help, Dougie—always.

Senator BIRMINGHAM: So at no point was there a request from Treasury that there be any budgeted estimates related to the carbon tax—any impact on of it.

Senator Wong: Senator Birmingham, that question has been asked and answered. I know you want to make a political point on this because this is about the only political response your party has had to the budget. But I would again say that we have been very clear that the carbon price is not reflected in the budget because decisions have not yet been finalised. We will update budget figures, as we did for the CPRS, when those policy decisions are finalised.

Senator BIRMINGHAM: So let us turn to that statement then, Minister.

Senator Wong: Again I would remind you, Senator, that this is the same approach that the former government took on the GST and that at no point in your pre-election statement prior to the 2007 election did you update your budget figures for the fact that you then were in the cart for a carbon price.

Senator BIRMINGHAM: Thank you, Minister.

Senator Wong: I am just making—

Senator BIRMINGHAM: Chair, just note that I did not complain when the minister interrupted me then. Please note that for future use.

Senator Wong: I was not interrupting; I thought I was answering. I am making the point that this is an unremarkable approach to policy decisions of this nature in the context of the budget.

Senator BIRMINGHAM: So at what point does the government update or provide new budget estimates in relation to this policy decision?

Senator Wong: That question should be addressed to Treasury.

CHAIR: You can do that next week.

Senator BIRMINGHAM: Thank you, Chair. So this department has no understanding from Treasury as to when it expects updated budget figures on this policy?

Senator Wong: This department is not responsible for updating the budget figures.

Senator BIRMINGHAM: Does it happen when the policy decision is made by the cabinet, when draft legislation is released or when legislation is passed?

CHAIR: Is that three questions? If there are three questions, I think we should let—

Senator BIRMINGHAM: I think it is three options, actually.

CHAIR: the senator either answer three questions or look at three options, Minister.

Senator Wong: If this is a question about the status of government decisions, you address them, you can ask them. If this is a question about the way in which those decisions would interact with updating of budget figures, that is a question that should go to the Department of Treasury.

Senator BIRMINGHAM: So presumably this department will release or provide information to the public when the carbon pricing regime is finalised in terms of the costs and estimates of that, or will we have to wait until we get a budget update at some stage?

Mr Comley: I cannot imagine any announcement on this issue being made without a whole-of-government context; that is, there would be consultation among all relevant departments and ministers. As the minister is trying to say, the question of when that is reflected in the estimates and the nature of the update of those estimates is a matter for the Treasurer and the Treasury.

Senator BIRMINGHAM: Let us try to unpack some of the statements or promises, if we can dare to call them that, which the government has made about the context of the carbon tax or carbon pricing regime. Mr Combet, with great fanfare, announced that more than 50 per cent of the revenue would be paid as household compensation. Is that correct?

Mr Comley: That was the statement made by the minister at the National Press Club, from my memory, yes.

Senator BIRMINGHAM: Does that statement apply to every year of the operation of a carbon pricing regime?

Mr Comley: I think the minister made it clear that it was the first year and subsequent years.

Senator BIRMINGHAM: The first year and all subsequent years. That, of course, is a marked difference to the CPRS, is it not?

Mr Comley: No. The CPRS had more than 50 per cent allocated to households certainly over the forward estimates and for the foreseeable future.

Senator BIRMINGHAM: In each year over the forward estimates, the final version of the budget costs released for the CPRS—

Mr Comley: Yes.

Senator BIRMINGHAM: had more than 50 per cent.

Senator Wong: Do you mean the one that you previously endorsed or the one before that, Senator?

Senator BIRMINGHAM: I think you will find that the final costings were for MYEFO—

Senator Wong: At least, Bozzie, you were consistent. This senator has changed his position again, depending on who his leader is: very embarrassing for him.

Senator BIRMINGHAM: Thank you. Let us not go there, Senator Wong. I seem to recall that you were the minister in the last election campaign with a climate commission and a cash for clunkers scheme. So let us not talk about consistency of positions.

Senator Wong: I do not think I have ever suggested that we did not need a carbon price, Senator. You have.

Senator BOSWELL: Mr Chairman, when am I going to get a go?

CHAIR: Just be patient, Senator Boswell.

Senator Wong: Birmie is needing to be a bit tough. Just let him be a bit tough for a while, Bozzie.

Senator BIRMINGHAM: Thank you for those patronising comments, Minister; they are always welcome. Mr Comley, just to be absolutely clear, you are stating that the household compensation package was more than 50 per cent in every year as it related to the CPRS revenue.

Mr Comley: That is true. I suppose, just to go to how that is calculated, I think there has been some commentary that has claimed that is not the case. The household compensation has two principal components to it: the first is the tax transfer system changes that were part of the CPRS; and the second is the fuel offset provisions. When you put the two together, allocating the fuel offset that is attributable to households, it was more than 50 per cent in every year.

Senator BIRMINGHAM: Then, in relation to the promise by Mr Combet that more than 50 per cent of the revenue from the carbon tax would be paid to households, does that include fuel offset provisions?

Mr Comley: Yes. That was made clear by the minister in the same Press Club presentation.

Senator BIRMINGHAM: Those fuel offset provisions are, of course, offset provisions that apply also to business and industry.

Mr Comley: And, as I believe the minister said in that that presentation, that calculation is only calculating the amount that is attributable to households.

Senator BIRMINGHAM: Sorry?

Mr Comley: It is only counting the amount that is attributable to households, not the amount that is attributable to business.

Senator BIRMINGHAM: That is sounding like quite a bit of detail that has been worked out somewhere. Can you tell me then what proportion of that more than 50 per cent is

attributable to the fuel offset and otherwise attributable to payments to households or other income adjustment?

Senator Wong: I do not think it is fair to put Mr Comley in a position of getting into detailed decisions which obviously the government is still working through and have not yet been announced. He has rightly pointed you to the public statements of the minister which set certain parameters. I think these were amongst the questions that the minister was asked at the Press Club. But, if you are asking Mr Comley what current decisions are contemplating, I do not think that is particularly fair.

Senator BIRMINGHAM: I am attempting to get an understanding of what is a policy commitment that has been made by the minister. The minister's policy commitment was that more than 50 per cent of revenue would be returned to households.

Senator Wong: He has answered that.

Senator BIRMINGHAM: I am attempting to get an understanding of what that statement actually means.

Senator Wong: No. You are asking him for a lot more detail about what might occur, and that is not a reasonable position.

Senator BIRMINGHAM: Not detail about what might occur; I am seeking detail about how the minister has come to that policy promise and exactly how that promise is constituted and will be made up. If the minister has made the promise, it is reasonable to assume that the sums have been done, is it not?

Senator Wong: I reiterate: Mr Comley has assisted you and he has referred to the public comments of the minister, as he should. But, if you are going to go into detail about design decisions which the government is working through, I do not think that is fair to Mr Comley, because he is not in a position to answer them.

Senator BIRMINGHAM: Minister, you may even be in a position to answer some of them; so do feel free to help, if Mr Comley does not.

Senator Wong: I am always helpful, Senator.

Senator BIRMINGHAM: Indeed. I do appreciate your helpfulness, and your advice from time to time as well, Minister. Perhaps we can go to this 50 per cent promise and how it is broken up between household compensation and the fuel offset and then how the fuel offset is broken up between that which applies to householders and that which applies to industry. Let us start with the last part then. Under the CPRS, how did the fuel offset break up between householders and industry? If my tables here are correct, I only have a line in MYEFO from 2009-10 that lists fuel tax offsets in one lump sum; so it is not divisible from that.

CHAIR: Senator Birmingham, what document are you looking at, so we can all have a look at it?

Senator BIRMINGHAM: MYEFO 2009-10. I doubt that you have it there, Chair.

Mr Comley: Before I answer that question, just in case there is any risk of misinterpretation of what I am saying: you have asked a range of questions about what was the CPRS breakdown, and I think it is perfectly appropriate to talk about what that was. Questions that go to how a government may choose to meet the 50 per cent commitment is the question of policy that is currently under consideration, which is not something that I

would be speculating on. In terms of the breakdown in that table which was the fuel offset for the CPRS, I can take on notice any information we have on the more precise number; but roughly two-thirds of fuel offsets is something that benefits households. You get that number by looking at the fuel use by household and business type.

Senator BIRMINGHAM: The fuel offsets that we speak about are not paid to households, are they?

Mr Comley: It is relieving a liability that they otherwise would have, which is similar, if you like, to what is in the business area; when you have emissions-intensive, trade-exposed assistance, you provide them with permits, and that effectively reduces their liability.

Senator BIRMINGHAM: So it is relieved, but that relief is provided by either in some ways excluding fuel from paying the tax or having to purchase permits, or by offsetting it through reductions in excise or other types of arrangements.

Mr Comley: That is right.

Senator BIRMINGHAM: It is not paid to households directly.

Mr Comley: It reduces their liability, so it is assistance in that sense.

Senator BIRMINGHAM: But, once you take that fuel tax offset off the more than 50 per cent promise, less than 50 per cent will be paid to households through financial rearrangement.

Mr Comley: I just do not think that is the right benchmark to think about it, in the same way that you would certainly never discount the number of permits provided to business through the emissions-intensive, trade-exposed assistance; so, because it is the relieving of a liability, it is not a genuine benefit. I think the way conceptually to think about this is: what is the accrual value of it if you auction all the permits and then how are you relieving people from liability, which could be done through a range of mechanisms?

Senator BIRMINGHAM: I understand the conceptual basis on which you are speaking, but Mr Combet was attempting to make great stock out of the statement that more than 50 per cent of the revenue from the carbon tax would be paid in household assistance. That is not going to be the case, is it?

Senator Wong: You are asking him a hypothetical. This is precisely the issue I took issue with earlier and precisely what Mr Comely has said is not for him to answer.

Senator BIRMINGHAM: But I—

Senator Wong: No, Senator. If you want to join dots that you think are joined and make a political statement about them, that is a matter for you. But it is not reasonable to ask a public servant to hypothesise as to what decisions a government may make on a policy decision which has not yet been taken and not yet announced. That is what you are doing. You might be doing it quite cleverly, but that is precisely what you are doing.

Senator BIRMINGHAM: Thank you, minister. Thank you, Senator Cameron.

Senator Wong: I think that was Senator Macdonald.

Senator BIRMINGHAM: I appreciate what you are saying, Minister, although in the end it was Mr Comley who kindly explained that to get to the more than 50 per cent figure you had to include fuel tax offsets.

Senator Wong: I think he indicated that that was what the minister had indicated publicly, that that was included in this statement.

Mr Comley: That is right.

Senator BIRMINGHAM: The corollary is that, if you do not have fuel tax offsets, you do not get to 50 per cent. Under the CPRS modelling, without fuel tax offsets, household assistance was less than 50 per cent.

Mr Comley: What I have said, Senator, is that I do not think it is appropriate to look at the ratio going to households without taking into account the offsetting payments, the reductions in excise, that benefited households in the CPRS.

Senator BIRMINGHAM: I understand that what you are thinking is appropriate, Mr Comley. In the end, the budget papers that presented how the CPRS would work did separate out the two and they did count the household assistance package separate from the fuel tax offsets. If I can read on the side of my head here, because that is the way the table comes up, household assistance in 2011-12 was around \$1.5 billion and fuel tax offsets were around \$1 billion. And it went on from there. There was no distinction as to how those fuel tax offsets were separated between households or industry. Maybe the minister can explain why it did not happen the last time around. There seems to be a new attempt under this model to claim that more than 50 per cent is related to households whereas last time household assistance and fuel tax offsets were very clearly separated.

Mr Comley: They were clearly separated because they are different delivery mechanisms.

Senator BIRMINGHAM: 'Different delivery mechanisms' in that one is paid to a household and the other is not?

Senator Wong: Well, Senator, you can go and tell people that making sure that a tax is offset is not somehow delivering a benefit, if that is what you want to do. The CPRS separately itemised a system through the tax and transfer system assistance that was the offset of increases in fuel. That is on the public record.

CHAIR: Senator Birmingham, we are going to move on in a minute, so can you come to a conclusion?

Senator BIRMINGHAM: I have plenty more to go, Chair.

CHAIR: We can come back to you; there is plenty of time. There are other senators.

Senator BIRMINGHAM: Thank you; that is kind. If decisions are being made around fuel tax offsets, which obviously they must be, there will be a fuel tax offset under the new carbon pricing regime. Is that a clear statement we can take from what the minister said?

Mr Comley: I did not say that. What the minister said at the Press Club is that, in calculating any 50 per cent, fuel arrangements and the benefits to households would be taken into account. That is effectively what he said. Whether that 50 per cent commitment is met through fuel tax offsets or some other mechanism is a matter before the government and there is no decision as yet on that.

Senator BIRMINGHAM: So there may or may not be fuel tax offsets under the carbon pricing regime?

Senator Wong: Mr Comley has answered that question. You cannot simply keep asking him the same question. He has answered this question. He has given you the status of the decisions.

Senator BIRMINGHAM: Other senators complain that I am wasting the committee's time—

Senator Wong: I had not finished. He has answered that question. Continuing to ask the same question in a different way really does not get us anywhere.

Senator IAN MACDONALD: Well, thank you for your advice, Senator Wong.

Senator Wong: I do not think I was speaking to you.

Senator IAN MACDONALD: He can ask the questions that he wants to ask—

CHAIR: Order!

Senator IAN MACDONALD: in whatever way he likes. Keep your rudeness out of it!

Senator Wong: You are an increasingly aggro person.

Senator IAN MACDONALD: You are such a limited person, Senator. Please allow the officers to answer.

Senator Wong: I am a limited person? You are a precious petal. You are very good at the personal, aren't you, Senator?

Senator IAN MACDONALD: You're not too bad yourself, either.

CHAIR: Senator Birmingham—

Senator IAN MACDONALD: When you accuse respected scientists of being flat earth—

CHAIR: Order, Senator Macdonald! Senator Birmingham, are you finished?

Senator BIRMINGHAM: I want to go specifically to the minister's words, which were: 'More than 50 per cent of the carbon price revenue will be used to assist households.' To be clear from what you have said, Mr Comley, were the media that chose to report that as meaning that more than 50 per cent would be in payments to households misinterpreting the minister's statement?

Mr Comley: As to how it was reported—the minister made it very clear at the Press Club that it included any mechanism that delivered a benefit to households for offsetting fuel costs, if that were to occur.

Senator BIRMINGHAM: He may have made it clear at the Press Club, as selected parts of his speech were dripped out to all of the media the day before. So that was before such examination had occurred at the Press Club.

Senator Wong: If you want to have a discussion about the media reporting things, I am very happy to do that. As much as Mr Comley, I am sure, is an avid consumer of media, I am not sure it is his area of expertise.

Senator BIRMINGHAM: No—

Senator Wong: My recollection is that the EM in the CPRS did in fact reference the fuel arrangements as a household assistance measure. I do not know if that is of any assistance. That is only my recollection.

Senator BIRMINGHAM: Okay.

CHAIR: Senator Birmingham, you have had a good go. I am going to move on now. Senator Boswell?

Senator BOSWELL: We appear to be ploughing the same ground.

Senator BIRMINGHAM: Till away, Senator.

Senator BOSWELL: One month ago Mr Comley made a statement at the Press Club that 50 per cent of permit revenue is to compensate households. Given that this commitment was made before a government decision on the coverage of fuel, can you confirm whether this commitment does or does not include compensation for households from an increase in fuel prices?

Mr Comley: I think that is precisely the discussion we have just had.

Senator BOSWELL: It is. The decision was made that 50 per cent of the permits would compensate households. That was made before the fuel decision had been made. How can you make a decision that 50 per cent would be covered unless you have made a decision on the fuel? My question is: does it include compensation for households for increases in fuel prices?

Mr Comley: As I explained to Senator Birmingham, what the minister said was that any calculation would take account of any arrangement that was put in place for fuel. But that is not necessarily a commitment that fuel would be treated in the same way as it was treated under the CPRS.

Senator BOSWELL: Last July the then climate change minister was at the table and said that the renewable energy target would produce an annual abatement of 39 million tonnes of CO2 per annum by 2020. She said at the time that it was the equivalent of taking 10 million cars off the road. But according to the new emissions projections released in February 2011, the RET will only produce abatement of 29 million tonnes of CO2 per annum. Senator Wong, how did you get the estimates so wrong?

Mr Comley: Senator, it is not the minister's estimate. It is an estimate provided by the department. I will ask Ms Wilkinson to explain the way in which we have updated estimates across a broad range of things.

Senator BOSWELL: When the minister makes the statement, it is her statement. You may have given her the information but she does not have to report that as gospel if she is not happy with the information. It is clearly hugely out of whack.

Mr Comley: I will ask Ms Wilkinson to explain why the estimate has varied. I do think, though, in cases of estimates of this type it is reasonable to hold the department accountable for the way we conduct those estimates on the basis that it could not reasonably be expected of a minister to go and recalculate such things or take personal ownership of that sort of information.

Senator BOSWELL: Under the Westminster system the minister is responsible for statements she makes. If she gets the wrong information then she has to deal with that appropriately.

Senator Wong: I think Ms Wilkinson is going to explain to you why the estimate has changed. Perhaps that might assist.

Ms Wilkinson: Senator Boswell, you are correct that the estimate of abatement from the renewable energy target was revised down to 30 megatonnes in the projections which were released earlier this year. We in the department continue to revise our projections and our abatement estimates of individual programs using the latest information that is possible and the latest modelling that is available. The previous estimate was also conducted on that basis. There are two key reasons why the abatement estimates from the renewable energy target were revised down. The first is that in the previous modelling of the renewable energy target, which was released a year earlier, the estimates included the additional impact on abatement from the renewable energy target which would have come about on account of there being a carbon price in place. The second reason why the abatement was revised downwards is that there were new estimates of future gas prices which were lower than previous estimates, and that meant that the fossil fuel generation that the renewable energy was displacing was actually of a lower emissions intensity.

When you are trying to estimate the abatement from any individual measure, you need to know both the emissions from that particular measure and the business's usual emissions that would have occurred in the absence of that measure. Those two factors together are what primarily drove the downward revisions to the renewable energy target abatement estimates.

Senator BOSWELL: With the LRET and the small RET, you mentioned that 30 megatonnes—30 million tonnes—has been saved by renewable energy targets. How is that made up in LRETs and small RETs? What is the breakdown of LRETs and small RETs?

Ms Wilkinson: Just give me a minute. I have the answer to that question.

Senator Wong: Perhaps we can come back to that after the break, Senator Boswell. Your question is: what is the abatement that is attributable to the SRETs?

Senator BOSWELL: And the LRETs.

Senator Wong: Yes.

Senator BOSWELL: Mr Comley, a speech you gave on 2 June, listed on the department's website, contains the disclaimer that 'the views expressed in this speech are not the views of the government or the Department of Climate Change and Energy Efficiency'. What aspects of the speech were not the views of the department of climate change and when was the disclaimer added to the speech?

Mr Comley: That is a standard disclaimer that I think you will find in every speech given by an official. It was probably in the draft of the speech before it was delivered.

Senator BOSWELL: Was the government uncomfortable with your statement in the speech that carbon markets are essentially regulatory interventions?

Mr Comley: I do not know. No-one in the government has ever raised with me any discomfort with that speech.

Senator BOSWELL: Was there any statement in the speech that was not consistent with government policy?

Mr Comley: I would have to review that speech, which is almost a year old.

CHAIR: Senator Boswell, we have just reached the time for the break. We can come back to this after 11 o'clock.

Proceedings suspended from 10:45 to 11:00

CHAIR: We will recommence. Senator Boswell, you have the floor.

Senator BOSWELL: Is there a separate section for renewable energy or do we ask about it here?

Mr Comley: Output 1.1 is where renewable energy would be covered.

Senator BOSWELL: I will just get this on the record; you will probably have to take it on notice. In answer to questions that you took on notice from the additional estimates in February, you recently provided some figures on the number of installations of solar PV systems and solar heat pump hot-water systems from 2007 to January-February this year. But the numbers of solar water heating and heat pump inverters were not broken down. Could you provide the breakdown, please, from 2007 through to the present.

Mr Comley: A breakdown in terms of years?

Senator BOSWELL: No; in terms of numbers of solar heaters. The numbers for the solar water heating and heap pump inverters were not broken down. Could you break those down, please?

Mr Comley: We will take that on notice.

Senator BOSWELL: Could you also update the total cash outlays by the government for direct subsidies on all these programs: the solar PV installations until the change for the off-budget subsidy and an update to the present on the solar hot-water and heat pump hot-water systems, again broken down? I know that you would have to take that on notice.

Senator Wong: Senator, the program which is now closed: do you want what the total expenditure was?

Senator BOSWELL: Yes.

Mr Comley: I will take that on notice.

Senator BOSWELL: Thank you. How many firms have qualified for assistance under the CPRS EITE program?

Mr Comley: The CPRS was never enacted, so we cannot talk about the number of firms under the CPRS. We may be able to help with the number of firms that have sought exemptions under the renewable energy target for emissions intensive trade exposed assistance.

Senator BOSWELL: How many firms have qualified or will qualify for the EITE program?

Mr Comley: We are just checking now. The issue is that we actually qualify activities, which may have multiple firms associated with those activities. There may be a question that the information we have in terms of people who are claiming or seeking assistance under the renewable energy target may not be exactly the same as under the Carbon Pollution Reduction Scheme or any similar model. Jenny?

Ms Wilkinson: What the government defines is activities, so firms conducting particular activities would be eligible for assistance. Thus far there are 31 activities which have been defined and enshrined in the renewable energy target regulations. There are another 11 activities which have been defined, but we are yet to receive full data from industry in order to complete the formal data assessment. At this stage there are 31 activities which have been

defined as eligible emissions intensive trade exposed activities for the purposes of the renewable energy target legislation.

Senator BOSWELL: Thank you for that; it is good information. I was not necessarily talking about renewable energy; I was talking generally about climate change.

Ms Wilkinson: Just so we are clear—

Senator BOSWELL: I appreciate that information; it is good information. But the question I am asking goes to the carbon tax that will be implemented. How many firms will be covered under the EITE program?

Mr Comley: The government has not finalised its policy on the proposed carbon price, so we would not be able to answer that question.

Senator BOSWELL: On the website, you have 60, but I just want to confirm that. On your climate change website, it suggests that you have 60 entities which will qualify for assistance.

Mr Comley: I would have to look at precisely what you are looking at on the website. What Ms Wilkinson is explaining is that we have defined activities, but within activities in some cases there may only be one firm and in some cases there may be multiple firms associated with those activities. It depends on the nature of the activity.

Senator BOSWELL: Are you saying that there could be less than 60 or more than 60?

Mr Comley: In terms of the firms receiving assistance under the renewable energy target, it would be—

Senator BOSWELL: I am not asking about renewable energy; just divorce yourself from renewable energy. I am asking about under the proposed carbon tax.

Senator Wong: As Mr Comley has said, the design decisions on the carbon price have not yet been finalised. So we are trying to assist you, Senator, by referencing at least an existing regime, which might give you some indication of the sorts of industries which might be included. But we cannot provide you with an answer to that specific question at this stage.

Senator BOSWELL: How do you come to the assessment of what programs are eligible for an EITE? Say that it is the cement industry; you have agreed that that should get some support. However, the dairy industry, which would use as much energy turning a tonne of milk into a tonne of milk powder, uses as much energy as a cement factory does to turn a tonne of limestone into a tonne of cement. The cement industry is eligible and the dairy industry is not. How do you—

Mr Comley: I will answer that in terms of how it was treated under the CPRS, which has an analog flowing into a renewable energy target. Under the CPRS, the key measure of emissions intensity was how many tonnes of emissions there were per million dollars of revenue. It turns out that the amount of emissions associated with producing cement is significantly higher than that for dairy. So what was set in the CPRS was that, to qualify for assistance, you needed to have 1,000 tonnes of emissions per million dollars of revenue. At a \$20 carbon price, that would be equivalent to two per cent of your revenue as a liability, if there were no assistance. It turns out that, when we have assessed cement, cement is significantly higher than that. So, in the absence of assistance, it would have a significant cost impost that would be significantly above two per cent of its revenue at a \$20 carbon price.

The equivalent calculation for milk and milk processing does not give the same sorts of numbers.

Senator BOSWELL: But if you restricted that to just turning milk into milk powder, that would not be like the cement industry. A cement mill would be 100 per cent, but a dairy industry might make cheese, yoghurt or dairy powder.

Mr Comley: I understand your question as to what is the element that might be the most emissions intensive. What would have occurred under the CPRS and did occur under the RET was that anyone who thought they might be eligible could come forward and ask to be assessed against the emissions intensity threshold. In the case of the dairy processing industry, we were not approached?

Ms Wilkinson: No, we have not been.

Mr Comley: We were not approached, and that is essentially, we understand, because they have done some preliminary numbers that indicate that they would not qualify for assistance, even for a subpart of their process. If they think that is wrong, they could still approach the department and go through a process of assessment to see whether their emissions are intensive enough.

Senator BOSWELL: They maintain that it costs as much to turn milk into milk powder as it does to turn limestone into cement. I will take your message back to them and they might like to proceed again.

Mr Comley: As a rough order of magnitude, we would imagine that there may, in fact, be about 10 times as much emissions associated with the cement process as the milk, per unit of revenue. Certainly, I have had conversations with my New Zealand colleagues where this issue has come up in New Zealand as to whether there would be dairy processing assistance. The advice I have received is that dairy processing is of significantly lower emissions intensity than the threshold that is used in New Zealand.

Senator BOSWELL: Mr Chairman, I have more questions but I would like to yield the floor to someone else at the moment.

CHAIR: Senator Macdonald, are you seeking the call?

Senator IAN MACDONALD: I have a couple of questions following on from where I started off in the general session. Thank you for that response to question 19, which I have now found; so it was my error in not noticing that. When countries' greenhouse gas emissions are being calculated, in relation to the coal industry, who gets the points for use of coal? Is there a separate lot of points for its extraction and then is it separate for when it is burnt?

Mr Comley: The general international accounting principle is that emissions are allocated against the country where the emissions enter the atmosphere, effectively. So, in the case of coal, if you dig coal out of the ground, there are emissions associated with that. That is not for the burning of the coal but for the release of the methane that is trapped in the coal seam. So if you take the extraction of a tonne of coal, there will be some emissions associated with mining it; they count against the country in which it is mined. The coal, if it is exported, is then burnt. When the emissions of burning occur, they are recorded against the country in which they are burnt. That is the general principle of the international accounting for emissions.

Senator IAN MACDONALD: Does that apply in the case of Australia's coal?

Mr Comley: Yes.

Senator IAN MACDONALD: So we are only debited or accounted with the extraction of coal?

Mr Comley: That is right; except, of course, where we burn coal ourselves.

Senator IAN MACDONALD: Of course. Where would I find details of those figures?

Mr Comley: The Australian emissions projections and the inventory have details of exactly what emissions are recorded against Australia at each time period. Those coal emissions for digging it up are broken down against a category that is internationally known as fugitives. That accounts for around seven per cent of our emissions; that is principally coal emissions at the moment.

Senator IAN MACDONALD: How much do we ourselves burn?

Mr Comley: Effectively, we report this on the basis of electricity emissions and direct fuel combustion emissions. In total, those two make up about 50 per cent of emissions in Australia; so that is a little bit less than 300 megatonnes of emissions. It is not all coal, but around 80 or 85 per cent of that is coal. So that would give you a number in the order of 220, 230 or 240 million tonnes.

Senator IAN MACDONALD: What is the document you are referring to?

Mr Comley: This is Australia's emissions projections, which are put out by the department on an annual basis. That was in 2010. We are happy to get you a copy of that.

Senator IAN MACDONALD: Is the 2011 document on the way?

Mr Comley: Yes. We typically do these towards the end of the year. It is really an annual process of updating our emissions projections.

Senator IAN MACDONALD: You were being asked some questions about what the UK government and others were doing. Are you aware of how European countries have gone against their Kyoto targets?

Mr Comley: Yes. Someone may have a table in front of them. It is perhaps important to say first that the European target is a target for Europe as a whole. Within the European Union, there are subtargets, which is an internal planning device of the European Union, for each country; and we can certainly provide information on what they have done against those targets. The European Union has great diversity in its economic structures. That overall target leads to tighter reductions in some countries and greater expansion in others. So it is not quite generalised, but your old style core Europe typically had tighter targets and your both economically and geographically peripheral countries tend to have higher targets because you essentially have a 'different stages of development' issue within Europe as well as between Europe and the rest of the world. But they are meeting their target overall; I think that is an important point to make.

Senator IAN MACDONALD: I was recently talking to some Swiss government officials and they emit a very small part of the greenhouse gas emissions to the world. They were saying, from memory, that their target was 10 per cent; but if you exclude the agriculture that they have in Europe, it is eight per cent. They were telling me that they had not met their targets for Kyoto. They were aiming for 10 per cent and had got to two in their general

emissions. But, in relation to transport, they had increased by some 15 per cent. They were talking about—this is my paraphrasing, not theirs—imposing some sort of a tariff on cars that came into Switzerland to try to encourage people to go to less greenhouse gas emitting issues. Is that experience or situation in Switzerland fairly common across Europe? Whilst all the Europeans had high ideals in the Kyoto target stage, very few of them have met their targets.

Mr Comley: On that question of whether Europe as an aggregate is meeting its target, it is expected to meet its Kyoto target. So, in fact, you can have small countries—I do not have the Swiss numbers in front of me—that may not meet it; but, in aggregate, they are meeting their target. The European Union target was always set up as an overall EU target and, in aggregate, they are meeting it. Perhaps the other thing to mention is that, in your question, you talked about the Swiss having excluded agriculture. In terms of the emissions targets under Kyoto, agriculture is included. So countries can take a decision about what mitigation measures they take in a particular sector, in particular agriculture, but agricultural emissions do count against their target.

Senator IAN MACDONALD: Yes. The Swiss have excluded agriculture, so their eight per cent became 10 per cent of what was left. You have reminded me of that. It is clear that 80 per cent of the electricity of France is powered by nuclear. Does the department have any intelligence since Fukushima and the Japanese earthquake on what is the attitude of European countries, in particular, to nuclear—France; I think Germany is right up there too; and Britain; indeed, a lot of countries in Europe are nuclear. There is a hesitation, which I think will be brief, in nuclear power. Does the department have any assessment of the impact on greenhouse gas emissions if nuclear power in Europe becomes less acceptable than it is at the moment?

Mr Comley: We have not done a formal assessment. We certainly have had a range of conversations with people, both domestically and internationally, about the likely impact on nuclear power. The information that has been provided to me is that, in the case of France, there is not a great deal of weakening in enthusiasm for nuclear power.

Senator IAN MACDONALD: That is my impression as well.

Mr Comley: Certainly some commentators I have spoken to take a view that Germany is less likely to be engaged in a large nuclear program. We have not done a formal update of estimates from doing a scenario of what would happen regarding nuclear. It is possible that the Treasury modelling exercise has looked at that in the context in which they are currently doing it: what are the scenarios on nuclear? But I am not familiar with that and you would have to ask Treasury about that.

Senator IAN MACDONALD: I do not go to Treasury estimates. Would you come by those from Treasury? I am sure that you would. You are the department of climate change; even though Treasury are doing them, I am sure that they would make them available to you. Is that right?

Mr Comley: Yes. Also, the intention is to publish that material. So it would be in the public domain to the extent that they looked at that. So underlying any of the modelling will be a set of technology assumptions about what is available et cetera. That would be a question as to what extent they have constrained the amount of nuclear build in their thinking about longer term scenarios.

Senator IAN MACDONALD: Could you, on notice, alert me to the website where I might get that information from Treasury?

Mr Comley: Sure.

Senator IAN MACDONALD: Who keeps track of the greenhouse emissions from volcanos, including the latest one in Iceland, I think it was?

Mr Comley: I do not know whether Ms Thompson wants to comment here. The principal tracking of emissions is from anthropogenic emissions. No-one, I think, considers volcano emissions as anthropogenic. Certainly, work that is then funnelled through the IPCC looks at questions of whether volcano activity has a significant impact of cooling or heating. Ms Thompson or someone else might want to comment, but my recollection is that that is a relatively small part of radiative forcing in terms of impact on the climate.

Senator IAN MACDONALD: If Ms Thompson does have the detail, perhaps you can tell me in raw tonnes what this latest volcano is expected to emit?

Ms Thompson: We would have to take that on notice and do some investigations, Senator. You might recall that a few sessions back Professor Steffen appeared before this committee and was asked a similar question about emissions from volcanos. I think he indicated to the committee that it was a very small amount in proportion to the total amount of greenhouse gases in the atmosphere, and that it in no way detracts from the fundamental point about human activity causing climate change.

Senator IAN MACDONALD: Yes, I recall that. I was interested in whether there was an actual figure available.

Ms Thompson: We could take that on notice.

Senator IAN MACDONALD: If you could, I would appreciate it. I have a couple of additional questions. You are going to deal with the Climate Commission under 1.3; is that correct?

Mr Comley: That is right.

Senator IAN MACDONALD: Would questions about whether those public information sessions will continue be relevant to that or to a more general area?

Mr Comley: I think 1.3 would be the appropriate place for that.

Senator IAN MACDONALD: I will deal with that there. Similarly, questions about climate change's first and only publication that you are referring to will be asked there, will they?

Mr Comley: The Climate Commission, yes.

Senator IAN MACDONALD: It is this publication that has come out today. I will leave those questions until then, except for asking whether that has been peer reviewed. Is that the sort of document that would be peer reviewed?

Mr Comley: Again, it would be best to leave that to 1.3. Certainly, when we get to 1.3, Ms Sidhu will come to the table. However, my understanding is that Will Steffen did go through a peer review process of testing the veracity of that information.

Senator IAN MACDONALD: Do you know whether any of the world-class scientists that Senator Wong labelled as 'flat earthers' have been asked to peer review that document?

Mr Comley: I am happy to go to Ms Sidhu. I suppose I would just ask the chair whether—

Senator IAN MACDONALD: I will leave it.

Mr Comley: I am really in the hands of the committee as to how you want to proceed with this.

Senator IAN MACDONALD: You have answered my question that, yes, it has been peer reviewed. I will follow that up later.

CHAIR: Senator, I think 1.3 is the appropriate area.

Senator IAN MACDONALD: Yes. Thanks, Mr Comley. That is all I have for the moment.

Senator BIRMINGHAM: Mr Comley, perhaps we can go back briefly to where I was when I finished some of my questioning before. I referenced the MYEFO table which I think was the last fully costed out, published estimate to the forward estimates and beyond of the CPRS. It was the table on page 37 of MYEFO 2009-10. It broke down assistance measures into headings of assistance for low- and middle-income households, fuel tax offsets, assistance to emission intensive trade exposed industries, Electricity Sector Adjustment Scheme, climate change action fund, and transitional assistance to Greenhouse Gas Reduction Scheme. That was the breakdown of all of the assistance measures for revenue spent under the CPRS. That was in fairly standard terms as to how the CPRS was broken down, was it not?

Mr Comley: I think it had been published on that basis a number of times, yes.

Senator BIRMINGHAM: Particularly, of course, this broke down assistance for low- and middle-income households and fuel tax offsets into separate categories. You contended that Minister Combet was clear in his statements at the National Press Club and that, when he said that the household assistance measures under the new carbon pricing regime or carbon tax would be more than 50 per cent of revenue, that included fuel tax assistance for households.

Mr Comley: Yes.

Senator BIRMINGHAM: He was clear in that?

Mr Comley: I was at the National Press Club and I thought it was quite clear.

Senator BIRMINGHAM: I am happy for you to come back during the rest of the day and prove me wrong. In his speech, I cannot find any reference to fuel or petrol, fuel in the context of petrol. He talks about fossil fuels on four occasions, I think, to be precise, but in his speech there is no reference to fuel or petrol. In answering questions, there were two instances: Mr Probyn and Mr Arup both asked questions that went to petrol. In those instances, Mr Combet used words such as:

I'm indicating very clearly that we understand the pressures that petrol prices represent for households, and we'll be articulating the way in which we'll deal with that when we produce the detailed package.

In response to Mr Probyn, he said:

In relation to fuel, the government is extremely mindful of the pressures that households face from fuel prices and the proportion of people's incomes that they spend on transport and fuel. Of course we will be taking that awareness into our consideration of the design and development of the carbon price in our household assistance package.

Not once in relation to his speech or in questions or answers did Mr Combet mention fuel tax offsets in his Press Club presentation, that I can see. So how can you say that he made it clear in his presentation that household assistance may include fuel tax offsets when he did not mention them once?

Mr Comley: I am not sure that I can give my interpretation of what the minister said in detail. All I can say—as I have answered before—is that I was at the National Press Club and I thought it was reasonably clear that fuel was in the mix in terms of household assistance. If other people read the material and come to a different conclusion, that is a conclusion they can come to. But, as I say, it was fairly clear to me that that was the context and what the minister meant by discussing fuel at the time.

Senator BIRMINGHAM: In fairness, Mr Comley, your understanding of discussions that have taken place and what the minister may be intending to say when he gives a speech is probably greater than most because, of course, you have more awareness of the background discussions than any of the rest of us do.

Mr Comley: I acknowledge that point.

Senator BIRMINGHAM: I understand that you may think he made something clear, but in this instance he did not make it clear. The impression that he gave, by any fair reading of the media commentary, was that household assistance would comprise more than 50 per cent.

Senator Wong: That is not a question of an officer. You are asking him to comment on what the minister was attempting to do, particularly considering the media response. Senator, you know that.

Senator BIRMINGHAM: I was going to quote the minister. That is okay, minister. Thank you, Senator Wong. Minister Combet said:

There will be generous assistance for households to meet costs that may be passed on by the companies that are paying for their pollution.

Assistance for pensioners and low and middle income households will be a priority. I can assure you that under our carbon price:

- More than 50 per cent of the carbon price revenue will be used to assist households;
- Millions of households will be better off under the carbon price; and
- The assistance will be permanent.

That was the crux of his key headline statement in that regard. Not once does it mention 'fuel offsets', 'transport', 'petrol' or the like. Every impression it gives is direct payments to households.

I just want to be absolutely clear. Your understanding, Mr Comley, is that if the greater than 50 per cent target is to be met, fuel offsets will form part of that

Mr Comley: No. I did not say that, Senator. What I said, and I will be very clear about this, was that under the CPRS—we started with a question about what was under the CPRS. You asked a question about was there more than 50 per cent under the CPRS for households and I answered yes. In calculating that 50 per cent, that includes an allowance for the fuel tax offsets that were put in place at the time of the CPRS.

The government has made that commitment, which is more than 50 per cent assistance to households, and I have said on a number of occasions that it was clear to me that that was all

forms of assistance to households, which could include, if the government chose to use a fuel tax offset path, fuel tax offsets.

My understanding is that the government's commitment is to 50 per cent but the policy of how that is delivered is yet to be determined. That will be part of a carbon price announcement.

Senator BIRMINGHAM: Under the CPRS, \$6.5 billion in the first five years was paid as assistance for low and middle income households, which represented about 41 per cent of the total revenue stream for the CPRS over that five-year period. I appreciate you do not have the figures—

Mr Comley: I do not have the numbers in front of me.

Senator BIRMINGHAM: That sounds broadly correct?

Mr Comley: Yes.

Senator BIRMINGHAM: And \$3.2 billion was paid in fuel tax offsets over that same five-year period, reflecting about 20 per cent of the total revenue. If the government, in whatever construct it comes up with for the carbon tax, is to actually have 50 per cent of household payments, excluding the fuel tax offsets as payments, it is going to need to basically find another nine per cent plus of revenue from the carbon pricing regime to add to that CPRS estimate?

Mr Comley: Senator, we really are getting into the realms of hypothetical. The point I would make to you is that if the government chooses to not have a fuel tax offset, the revenue base is actually different than it is with a fuel tax offset. That is a matter for the government because it has not made the final decisions on its carbon price package. The government has made a commitment to the 50 per cent. In terms of the previous treatment under the CPRS, the benefit to households of a fuel tax offset is counted in terms of determining more than 50 per cent. It will be up to government to determine how it puts together a package that meets a commitment of 50 per cent for households.

Senator BIRMINGHAM: Has the multi-party committee made any decisions about the fuel price offsets?

Mr Comley: I cannot go to the internal deliberations of the Multi-Party Climate Change Committee. What I can say is, in terms of the communiqués released by the Multi-Party Climate Change Committee, there is no definitive position on fuel tax offsets that has been announced.

Senator BIRMINGHAM: There is very little of any definitive nature in the communiqués that are released by the Multi-Party Climate Change Committee, aside from who was present at meetings. Your wry smile is duly noted.

You cannot go to petrol prices or fuel tax offsets, yet we have reports out of the committee that petrol prices will not rise. What about in terms of business negotiations for industry assistance? Are reports that say that negotiations with industry are being based on the CPRS package correct?

Mr Comley: There are a range of consultations that are happening with the business community and have been for a number of months. I am not sure it is appropriate for me, in

what are confidential meetings, to describe exactly the position that ministers have put to business groups as part of that development phase.

Senator BIRMINGHAM: Have decisions been taken in regards to the GFC measures of the industry assistance package that there are of course additional compensatory mechanisms put in place in response to economic concerns at the time? Once again, reports stemming from meetings of industry allegedly state that the government has said that, due to exchange rate measures or other things, those components will still be on the table.

Senator Wong: Senator, you cannot ask this official to talk to you about what is occurring inside the committee and what the government's view might be on decisions which are still being resolved and which have not yet been announced.

Senator BIRMINGHAM: Okay.

Senator Wong: You continue to do that. I think it is unfair to Mr Comley to simply go through every suggestion that is in the public arena and put to him whether or not it is correct.

Senator BIRMINGHAM: Minister, you are welcome to jump in—

Senator Wong: I will.

Senator BIRMINGHAM: and answer the questions any time you want.

Senator Wong: I will. And if you were on this side of the table, Senator, you would not answer them either. When your ministers were, they did not. These are decisions which have not yet been finalised and have not been announced.

Senator BIRMINGHAM: Minister, I would hope that we would have had some of the policy work done before we rushed to announcements if I were on your side of the table. However—

Senator Wong: I think you should ask Mr Turnbull about your climate change policy, Senator.

Senator BIRMINGHAM: However, can I go then to some of the on-the-record statements? We were examining those in regard to the greater than 50 per cent promise. One of the other key promises made to date is that the CPRS will operate under budget neutral principles. We examined that to some extent in the last estimates hearing of this committee. That time around, Mr Comley, you said in relation to the principle of budget neutrality:

What it intends is that, if you look at the introduction of a carbon price and associated assistance measures with the introduction of that carbon price, that should be neutral to the budget. So the net impact on the bottom line should be zero. It is a strict interpretation of budget neutrality.

Does the strict interpretation of budget neutrality for the carbon tax, carbon pricing mechanism, still hold?

Mr Comley: My understanding is the government has not changed its policy on that. Budget neutrality is the parameter in which the discussions are occurring through the MPCCC.

Senator BIRMINGHAM: And is a strict interpretation of budget neutrality one that applies in each year of operation?

Mr Comley: I think that whenever you look at budget neutrality you can look at one year or over the forward estimates. The government has not been as precise on that and sometimes you do get timing effects between years. I think that is still a matter for the government to

determine how it wants to interpret that and in the context of the MPCCC on a year-by-year basis.

Senator BIRMINGHAM: Minister, has the government—the finance minister as well as the minister represented here at the table here—made a decision on a strict interpretation of budget neutrality? Does it apply for every year of operation?

Senator Wong: I have got nothing to add to Mr Comley's answer.

Senator BIRMINGHAM: Minister, you were happy to add to it last estimates. Last estimates you said in relation to the same issue:

It is ensuring that you do not exceed what you spend. That is probably the best way of looking at it, that is, do not spend more than you achieve through income streams.

It sounds like a very wise statement for a finance minister to make. Do not spend more than you achieve through your income stream.

Senator Wong: If you have questions—

Senator BIRMINGHAM: Sorry, minister. The question is: have you made a decision, has the government made a decision, in relation to the carbon tax that in its first year of operation, in 2012-13, it will achieve this strict definition of budget neutrality? You do not spend more than you—

Senator Wong: It is the same question.

CHAIR: Senator Wong, Senator Birmingham, that is—

Senator BIRMINGHAM: No, it is a question about a—

Senator Wong: It is the phrasing of the question.

CHAIR: Senator Birmingham, that is a question that should be for Finance and Public Administration. It is not a question for here.

Senator BIRMINGHAM: This department is developing the policy.

CHAIR: It does not matter.

Senator BIRMINGHAM: This department is developing—

CHAIR: It is a budget issue.

Senator BIRMINGHAM: It is not a question for the department of finance at all. This department is developing the policy—

CHAIR: It is a finance issue.

Senator BIRMINGHAM: that will determine how much comes in the door and how much goes out the door.

CHAIR: It is a finance issue.

Senator BIRMINGHAM: No, I am afraid not. In any event, the question is there. Can you guarantee that you will not spend more in 2012-13 than you earn under the carbon tax?

Senator Wong: Senator, it is the same question. You might want to try to act up and create a bit of drama, but the question has been answered by Mr Comley. I do not have anything further to add. We have explained to you the situation in terms of the process of decision making in government and I do not have anything further. You can throw your arms around—

Senator BIRMINGHAM: You will not guarantee budget neutrality for 2012-13?

Senator Wong: Dramatically gesticulating is not going to change the response that the government is giving.

Senator BIRMINGHAM: You have made this principle of budget neutrality but it does not appear to be worth the paper it is written on because you will not guarantee it for the first year of operation of the scheme, the year in which the government is claiming it is going to get back into budget surplus.

Senator Wong: It is not my job to come in here and respond to every guarantee you throw at me for theatrics, Senator. I will tell you why. I can guarantee that the cost of achieving the target that you also support, the five per cent reduction, will cost far less under the government's approach than it will under your direct action policy, which you well know and which Mr Turnbull has made clear.

Senator BIRMINGHAM: Minister, you are happy to lay out these principles, these statements, in relation to the carbon tax regime that there will be more than 50 per cent of household assistance or that it will be budget neutral but then, when it comes to the details of how it applies to the first year of operation or any particular detail, we cannot get any answers on it?

Senator Wong: Senator, it is—

Senator BIRMINGHAM: I am asking questions related to commitments the government has made and what they need.

Senator Wong: Senator, if the question is: am I going to announce details before they have been finalised and announced, if that is the crux of—

Senator BIRMINGHAM: Minister, it is your government—

Senator Wong: Let me finish. Yes, it is. And the crux of your question is essentially to ask me and Mr Comley to announce details of decisions which have not been finalised and not announced. So I am happy to respond to these questions once those things have occurred.

Senator BIRMINGHAM: Minister, I did not make the multi-party committee set a principle of budget neutrality. I did not announce it. I did not put those words in anybody's mouths today. That is a commitment of the government. I am now trying to establish what that commitment of the government actually means when it comes to its operation and whether—

CHAIR: Senator Birmingham, you are trying to do it in the wrong committee.

Senator BIRMINGHAM: it is a real commitment or a meaningless commitment.

CHAIR: Senator Birmingham, you are trying to do it in the wrong committee.

Senator BIRMINGHAM: Not at all.

CHAIR: Yes, you are. You are.

Senator BIRMINGHAM: I will guarantee you, London to a brick, that if I turn up to finance estimates with Senator Wong she will tell me that that is the wrong committee.

CHAIR: Senator Birmingham, I am quite happy for you to keep asking these questions and be told you are not getting an answer. That will chew up your time. You have to

understand that if you have other questions to ask you need to go to them. There are other senators with questions as well.

Senator BIRMINGHAM: Would you like to come with me, Chair, to finance and we will ask Senator Wong later this week? Senator Wong, will you give me an answer in finance?

Senator IAN MACDONALD: Of course not.

Senator Wong: I think Mr Comley has outlined the status of the government's decision making.

Senator BIRMINGHAM: Senator Cameron is telling me I am in the wrong committee.

Senator Wong: You are.

Senator BIRMINGHAM: Will you give me an answer in finance?

Senator Wong: Let me finish. You are in the wrong committee but the principle still stands. I am not sitting at this table and responding to every question from you about a policy that has not yet been finalised, details of which have not yet been finalised and announcements have not been made. I do not care how many times you ask me, Senator Birmingham, a minister from your side in the same position would take the same approach to these questions.

Senator BIRMINGHAM: Why did your government make a commitment of budget neutrality if you have no idea what it actually means in detail?

Senator Wong: I do not accept the premise of the question. You, again, are essentially asking me to talk about the decisions which, as I have said again, have not yet been finalised and have not been announced. When they are, I am very happy to take these questions.

Senator BIRMINGHAM: Is it a decision that it will be budget neutral?

Senator Wong: Senator, this is just repetitive. It really is.

CHAIR: If you are not moving on, Senator, I am going to go to other senators.

Senator BIRMINGHAM: Does that principle still stand?

Senator Wong: We have articulated—

Senator BIRMINGHAM: You may not be able to tell us what the principle means. Can you tell me whether it still stands?

Senator Wong: Perhaps you should just stand in front of a mirror in the bathroom and ask yourself questions, Senator. That seems to be how this is going.

Senator IAN MACDONALD: Oh, you are so cute.

Senator Wong: I am so cute. I am going to start a list, Senator Macdonald, of all the things you call me which really—

Senator IAN MACDONALD: You should start with your own, Minister.

Senator Wong: I am 'cute'. I am a 'precious petal'. I am 'a limited person' and I am 'stupid'. It's—

Senator BOSWELL: 'Limited'.

Senator Wong: I am 'limited', thank you, Senator Boswell.

Senator IAN MACDONALD: A successful climate change minister, great success as climate change—

CHAIR: Senator Macdonald, you do not have the call.

Senator IAN MACDONALD: I am sorry.

CHAIR: You do not have the call. If you want us to descend into this, that is fine. That would be more time that you have got for questions chewed up. Senator Boswell, you still may be in the committee—

Senator Wong: He needs protection.

CHAIR: Senator Boswell has got the call.

Senator BOSWELL: I need the call. I want to ask a question on IPART. In the past I have asked you about the impact of renewable energy programs on power prices and you have said they will be minimal. But now we have a growing body of evidence that it is having a very significant effect, including recently the New South Wales IPART. They concluded that about one-third of next year's round of power prices increases is directly attributed to renewals.

Especially given this massive update which is obviously way ahead of anything you or your consultants projected, have you revised your view of the impact of the renewals program on power prices? You did tell me last Senate estimates that you believed power price renewables would push power prices up five per cent. They are going up a third. Do you still hold to the fact that it is only pushing power prices up five per cent?

Mr Comley: Senator, I will ask Ms Wilkinson to answer in some detail. But we have to be careful which third we are talking about. My understanding of the IPART report was they attributed around a third of the increase in electricity prices to renewables, not that they attributed a third—increase in electricity prices to renewables. So the difference between the two, off the top of my head, is that the IPART number was 18 per cent, of which six per cent was for renewables. But Ms Wilkinson can walk you through the relevant numbers.

Ms Wilkinson: I think Mr Johnston is actually going to walk you through the details of the IPART numbers. But in response to your question about what the estimated impact of the renewable energy target is on electricity prices, our estimates remain those that have been publicly announced before, which is that the impact is expected to be just a little over a dollar per week for the average household.

Senator BOSWELL: I do not want to know about a dollar a week. I want to know: how much is the cost of renewable power increasing the price of power?

Senator Wong: Ms Wilkinson just gave you the department's estimate, Senator.

Senator BOSWELL: A dollar a week of what? A dollar a week of a household of 10, a factory of 2,000, all at a dollar a week. What does 'a dollar a week' mean?

Ms Wilkinson: That is for the average household. The average household consumes about eight megawatt hours of electricity per year.

Senator BOSWELL: I have been told that the price of renewable power is around five per cent. A carbon tax would be about 18 per cent. So that is about 24 per cent. IPART is saying that it is putting up prices by a third. How do you justify one dollar a week?

Mr Comley: Perhaps we could go to Mr Johnston on the question of the IPART report. What we are trying to explain is that IPART's latest determination indicated that around a third of the increase in prices was attributable to, in their view, renewables. That is not an increase in prices of a third. On the increase in prices of 18 per cent, around six per cent would be due to renewable energy target. And that is for other schemes as well, is it not?

Mr Johnston: I think it is the RET scheme.

Mr Comley: The RET scheme. So if we ask Mr Johnston to explain. I do not think the numbers are incompatible. It is just a question about which base you are talking about when making these comparisons.

Mr Johnston: That is correct. Each of the state bodies, when they determine price increases, roll different factors into the base. So the headline increase is really a function of how they do their calculation. In the case of New South Wales, it has said that one-third of the 18 per cent increase is due to the RET, but the RET overall is about five per cent generally of power prices across the country. The primary driver of that, of power prices, is essentially the poles and wires.

Senator BOSWELL: So you are holding to your six per cent or five per cent, you say? The increase in power prices could be attributed to renewables of five per cent?

Mr Johnston: In terms of the total bill, then five per cent of that is renewable energy target, on average. But in terms of the actual IPART determination and the price increase, then one-third of that increase for this year was attributed to the renewable energy target. But the renewable energy target as a total of the whole bill is five per cent, on average.

Senator BOSWELL: So one-third of the increase is due to renewable energy. Thank you. Are you revising your program? Are you revising your program or are you going to hold to that?

Mr Johnston: In terms of the recent decision to reduce the multiplier to three from 1 July, we estimate that it will halve the impact of the small-scale renewable energy scheme on electricity prices next year. So the price increases due to the small-scale RET would be about half of what it would otherwise have been.

Senator BOSWELL: Large-scale wind farms are obviously a key to the government's hope of reaching 20 per cent renewable energy by 2020. Yet their development has been languishing because of the oversupply of RECs in the market. For example, Origin and AGL have both indicated they have sufficient RECs to not need to go into or re-enter the market for years. What is your target for wind power as a component of renewable programs and when do you expect the REC prices will reach a level that will stimulate the necessary investment?

Mr Johnston: In terms of the REC, there is no banding; so there is no target for particular technologies. The RET is a technology neutral scheme, and any eligible project can create certificates. The most recent modelling on technology shares suggests that wind will be one of the major technologies, but there is no banding on that.

Senator BOSWELL: What price does a REC have to be before it stimulates investment?

Mr Johnston: I do not think that there is a set price as such.

Senator BOSWELL: What price does an investor go in to invest money in a wind farm? He would not do it when the REC was \$20 because it would not give him a return. What is

the price that you believe, the department believes, stimulates investment? Is it \$50? Is it \$70? What is the price?

Mr Johnston: It is something in the order of between \$50 and \$70. Although it is a little hard to pick a single price as the majority of those certificates in the large—scale schemes are traded through long-term power purchase contracts and there is no transparency on the pricing of that. So if new investments were to be on the basis of the long-term contracts, it would be hard to get the figure for what they are building in as a REC price.

Senator BOSWELL: You said \$50 or \$70. It is what now, \$39 or something like that, is it not?

Mr Johnston: It is around \$39 to \$40 at the moment.

Senator BOSWELL: There are so many RECs on the market. The small RECs go on at \$40. Can you talk me through how that works? Someone pays \$40 for a REC. What are they trading? If there are so many RECs on the market, does the price go down if the RECs are flooded? Someone has to pay \$40. Then they try to trade that REC. There are so many RECs on the market. How does that work?

Mr Johnston: From 1 January the RET was split into two separate schemes.

Senator BOSWELL: I understand that.

Mr Johnston: The large scale and the small scale. In the large scale that we were referring to just a moment ago, the price is about \$40; so anybody purchasing certificates on the spot market would pay that price. In terms of the small-scale scheme, there is a voluntary Clearing House which sets a price of \$40, but it is not a fixed price as such, in the sense that you do not need to sell your certificates through the Clearing House. The majority of the certificates are sold on the spot market generally for a lower price.

Senator BOSWELL: A REC that someone has to pay \$40 for can be traded at less?

Mr Johnston: In terms of when the certificate is created, its price is then determined by what it is sold for. So an entity does not actually pay money for a REC when—

Senator BOSWELL: If someone is putting photovoltaic cells on the roof and there is a multiplier effect, the price for that REC is \$40?

Mr Johnston: The price of \$40 is in the Clearing House. If the installer or the householder put the certificate into the Clearing House, then, when it is sold in the Clearing House, it would sell at \$40. The majority of the certificates are not at the moment sold in the Clearing House. They are sold on the spot market and the price of the spot market is variable.

Senator BOSWELL: Is what?

Mr Johnston: Is variable.

Senator BOSWELL: What are they selling for at the moment?

Mr Johnston: At the moment they are about \$25 or thereabouts.

Senator BOSWELL: Why would not people put them in the Clearing House and get \$40?

Senator BIRMINGHAM: Because it is not clearing. Sorry.

Senator BOSWELL: I am trying to find out why a \$40 REC is now worth \$25. The person gets \$40 a REC when he takes those RECs. He puts the installation on the roof and he gets \$40. He takes it to a Clearing House or he sells on the spot market.

Mr Johnston: What happens is that, if a householder were to get a solar panel on the roof, the installer generally builds in an up-front discount on the price. The householder usually signs over the right to create the certificates to the installer. They can then put the RECs into the Clearing House and wait until it clears and get \$40 or they can sell them more quickly on the spot market and get the price that they can get on the spot market for them.

Senator BOSWELL: How long does it taking to clear a REC in a Clearing House?

Mr Johnston: The oldest certificate in the Clearing House as of the end of last week was, I believe, the middle of February dated.

Senator BOSWELL: So he would have to wait four or five months before—

Mr Johnston: Yes.

Senator BOSWELL: If they put them in the Clearing House, they have to get \$40 for them; is that correct?

Mr Johnston: That is correct.

Senator BOSWELL: But they may have to wait six months or nine months or something like that, depending on—

Mr Johnston: Yes, that is right.

Senator BOSWELL: The more the high-end users are buying these and banking them up, the less turnover occurs?

Mr Johnston: What has been happening this year is this: because there has been a large volume of certificates created, there has been less trade through the Clearing House and more trade on the spot market. Once the excess is soaked up, which will be at some point in the future, then you will get probably more trade through the Clearing House. In fact, earlier in the year the spot market was trading at about \$39.20, effectively the same price as the Clearing House.

Ms Wilkinson: Just to clarify, the people who actually create the small-scale renewable certificates have a choice as to whether they want to place the certificate in the Clearing House and wait for it to clear and receive \$40 for that REC or, if they prefer, they can sell it on the spot market and get income from somebody who wants to buy it then, but obviously at a discount to the price at which it would trade in the Clearing House.

The retailers actually have a fixed obligation which is based on the renewable power percentage for the large—scale units, which is separate from their requirement in relation to small—scale units. They have to deliver a given percentage of both small—scale units and large—scale units to actually acquit against their liabilities at the end of every quarter.

Proceedings suspended from 13:01 to 14:03

Senator BOSWELL: Ms Wilkinson, your colleague said the RECs have to be between \$50 and \$70 a REC to stimulate growth or investment in the wind market or to build wind turbines. They are now at \$39 and there are all these RECs banked up. So what actually happens now? No investment takes place or—

Ms Wilkinson: What tends to happen when an investor decides to go ahead with an investment in, say, a new wind farm is they sign a long-term contract with a retailer. That long-term contract could include a return which is a bundled return on both the renewable

energy certificate price and the price of electricity. They get a return which reflects both of those things. That together is what makes their investment viable. It is not necessarily today's price in the renewable energy certificate market which is what is relevant; it is an assessment of what that price will be going forward and what the price of electricity will be going forward. At the moment, for example, the renewable energy targets increase rapidly between now and 2020. It is certainly clear that there will need to be a substantial amount of investment in renewable technologies between now and 2020 to meet those targets. So there is an expectation that the combination of the renewable energy certificate price and the electricity price will make them viable.

Senator BOSWELL: When you say that the targets are not being met because the REC price is so low, what happens then?

Ms Wilkinson: If the targets were not being met, the retailers would have to pay a shortfall charge, which is—

Senator BOSWELL: I understand; thank you.

Ms Wilkinson: I was just about to say that the level of the shortfall charge is in post-tax terms about—

Senator BOSWELL: It is \$63.

Ms Wilkinson: It is about \$93, once you adjust for tax. That price is certainly well above the price that most operators suggest would make a large number of renewable projects viable.

Senator BOSWELL: Last year I asked some questions in the environmental committee and your department was pretty relaxed about the accreditation standards for people fitting solar PVs. In New South Wales we have seen surveys indicating that there are potentially very substantial issues, including safety as well as quality, and there has been a call from electricians for a national audit. Are you taking these calls into consideration? Are you listening to the calls from the electricians, or do you still have faith that your accreditation standards through the Clean Energy Council are adequate?

Ms Wilkinson: Senator, can I suggest that that is a question that you should put to the Office of the Renewable Energy Regulator? I believe that they are appearing later in this session. They are responsible for implementing the government's legislation in relation to the inspection program.

Senator BOSWELL: When are they coming on?

Ms Wilkinson: The chair might be able to advise us as to that. They are listed in this session.

Senator BOSWELL: Righto. I have some questions on coal. Mr Comley, Australia produces 274 megatonnes, Indonesia 234, Russia 107, South Africa 68 and so forth down to Poland—which goes to about eight million megatonnes. Apart from Australia, what direct carbon price is currently being placed on those countries' exports, either directly through a legislated carbon tax or a legislated emissions trading scheme—those countries that are our competitors: Indonesia, Russia, South Africa, Colombia, USA, Canada, Vietnam, China, Poland, and Kyrgyzstan too?

Mr Comley: The first point to make is that a number of those countries have put forward targets in the international community and their coal emissions would count against their targets in the international world. For example, Indonesia has put forward an emissions reduction target and any coal emissions would be associated with that. In terms of direct emissions' trading liability or carbon price liability, India certainly has put in place a coal tax to fund renewable programs. That is expected to raise—

Senator BOSWELL: How much is that tax?

Mr Comley: It was going to raise half a billion dollars a year from coal in India.

Senator BOSWELL: How much per tonne would that be?

Mr Comley: I would have to take that on notice. About a \$1.10 a tonne is the carbon tax on that in India.

Senator BOSWELL: That is taxing our coal when it gets into India, is it?

Mr Comley: No, that is taxing the extraction of coal in India at \$1.10 a tonne.

Senator BOSWELL: What about when we bring coal into India? What does that do? Does that tax apply?

Mr Comley: I am not aware whether there is an import tariff on the equal value of the coal. My understanding is that it is only the extraction, but we could check on that.

Senator BOSWELL: \$1.10 is neither here nor there. We are really going it alone, putting a price on carbon—

Mr Comley: I am sorry; when you say that, it is probably worth noting that, under the CPRS, for non-gassy coal mines, at a \$20 carbon price the liability associated with the fugitives was around half the rate of that tax in India. So to say that it is neither here nor there—if you come back to the question of what was the equivalent liability on the CPRS then for non-gassy coal mines that would be about twice the rate that was proposed under the CPRS for a \$20 carbon price.

Senator BOSWELL: With Australia having a carbon price on its production and many of these countries not having a carbon price, or only at \$1.10, what is the point of doing this? I will use these figures too: China is going to increase its emissions by 495 per cent by 2020 and India by 350 per cent. What is the sense of imposing a tax that will lead to mine closures, lost jobs and investment, and production moving offshore, with no benefit to the world environment? Can you set out how a coal mine operating in Australia will be treated under the government's carbon taxing scheme?

Mr Comley: The last question is, I think, ground that we have traversed a number of times this morning, which is that I cannot speculate on an announcement that has not been made. What I can comment on is the explanation that was put forward at the time of the CPRS and fully articulated in both the green and the white papers. That was that, as soon as a country decides to put in an emissions reduction target—and at the moment in Australia we have a bipartisan commitment to a five per cent reduction—then the broader the base of areas where you are looking for emissions reductions it is likely to be the lower the overall economic cost.

In the case of Australia, our fugitive emissions—which I was talking about before, I think, with Senator Macdonald—currently make up seven per cent of our emissions and are projected to grow quite quickly. As for some other countries, just by way of comparison, I

think in the US it is less than one per cent of emissions from fugitives. So this makes up a much more significant part of the emissions profile in Australia.

The argumentation that was put forward at the time of the CPRS was that it was important to have incentives to reduce emissions for fugitives and, by applying a carbon price, you would put the strong incentive for emissions to be reduced. There is different information and there are different estimates on how easy it is to reduce those emissions, but there are some relatively low-cost ways of reducing emissions from coal mines, including flaring and predrainage of mines before you go into them to sometimes again use that for power generation.

Notwithstanding all that, if you come to the question of materiality, with the carbon price design that was put forward under the CPRS, at a \$20 carbon price the liability on the non-gassy coal mines was less than \$1 a saleable tonne of coal, less than the Indian tax that we have referred to previously. The government at the time of the CPRS recognised that there was a small number of highly gassy mines that would have significantly higher liabilities, and that was why the Carbon Pollution Reduction Scheme package had a coal sector adjustment scheme which had transitional assistance for five years for the gassiest mines.

Senator BOSWELL: What was that—94 per cent?

Mr Comley: No. It was a fixed pool of money—from my recollection, around \$1.3 billion. The assistance rate associated with that was quite high for the gassy mines, but it was not pegged to the emissions intensive trade exposed treatment. That was essentially because there are around 120 coal mines in Australia and only about 20 of them are gassy. The rest of them are very low emissions mines.

Senator BOSWELL: There are still a number of countries here. I will just take one—say, Poland. How would that mine be treated under an EU scheme in Poland?

Mr Comley: Fugitive emissions are not covered under the European emissions trading scheme. My recollection is that there is, however, at the EU level a requirement for sectors not covered by the emissions trading scheme to look at regulatory restrictions on other sectors with a goal of reducing their emissions by 10 per cent by 2020.

Senator BOSWELL: The mines are not covered under the EU proposal either.

Mr Comley: The point I am making is that the emissions associated with Polish mines are included in the national accounts of the Poland and, therefore, Poland as a country would be liable for emissions associated with those mines. As a policy matter, the European Union have decided not to try to seek emissions reductions by way of their emissions trading scheme for fugitives, but the European Union also have a regulatory overlay for sectors not covered by the European emissions trading scheme to seek to reduce emissions by 10 per cent by 2020.

Senator BOSWELL: Are they going to pay emissions on the EU on fugitive emissions?

Senator Wong: He has just explained that.

Senator BOSWELL: No, I am sorry, Minister. Mr Comley, I thought, had two bob each way. I am trying to establish whether they are going to pay or not. Mr Comley is an expert at going around in circles. He does his job well, and that is what he is supposed to do, but I am trying to define—

CHAIR: That is a new ministerial definition; but, anyway, let's go.

Senator BOSWELL: Are these countries that take coal out of the ground and produce fugitive emissions in the EU going to be covered? Are they going to have pay emissions on fugitive emissions?

Mr Comley: I am making three points. The first point is that fugitive emissions are the responsibility, in this case, of the Polish government and, therefore, if that led to higher emissions, that would require them either to reduce emissions elsewhere or purchase international permits, which has a direct cost to Poland. The second point is that, under the European emissions trading scheme, fugitives from coal are not a covered sector under the scheme, so the coal mine operator does not pay a direct liability under the EU Emissions Trading Scheme. But the third point is that the EU has an overarching directive that, for sectors not covered by the emissions trading scheme, member states should look to put in place regulations or other regulatory measures that would lead to a reduction in emissions by 10 per cent.

Senator BOSWELL: Have they put that in?

Mr Comley: I am not familiar with what restrictions are currently in Poland, but that is the EU recommendation. You would have to look at the particular circumstance in Poland, whether they have regulated in such a way as to reduce emissions.

Senator BOSWELL: There is a difference between a recommendation and actually doing it. Are they doing it?

Mr Comley: I would have to take on notice what Poland has put in place.

Senator BOSWELL: I am not worried about Poland; I am quoting the EU now. I understand that the EU do not place a cost on fugitive emissions.

Mr Comley: Senator, I have explained that it is not part of the European emissions trading scheme. However, Europe does bear the liability of fugitive emissions because—

Senator BOSWELL: Who pays for them then?

Mr Comley: If you cannot meet your targets, that would ultimately fall on a government to purchase international permits for those emissions.

Senator BOSWELL: A bit like our direct action plan.

Mr Comley: No, not really. It is purchasing emissions from international permit markets recognised under the Kyoto Protocol.

Senator BOSWELL: The point is—and you are finding it hard to meet it—that coal miners in the EU do not pay a tax on fugitive emissions. The government may pay it, if they want to, but the coal miners do not.

CHAIR: I do not think that is what was said.

Mr Comley: They do not pay it under the EU emissions trading scheme; that is right.

Senator BOSWELL: That is exactly what you—

Senator Wong: Mr Comley said right at the start that they are not a covered sector under the EU ETS. Senator, I would just make the point that, if you want to use the EU as the example that Australia should follow, they have had an ETS, a carbon price, in place for quite a number of years. The EU's 2020 target, from memory, is between 20 and 30 per cent below

2000 levels—or it might be below 1990; I cannot recall. So there is substantial action being taken in the European Union.

Senator BOSWELL: But they are not paying—

Senator Wong: But other people are paying it; that is the point. If your assertion is that particular sectors ought not be paying a carbon price but you are still locked into a reduction by 2020, which is your party's position, effectively you are saying that someone else should pay it, whether it is taxpayers or another industry.

Senator BOSWELL: I am not here to discuss—

Senator Wong: I am just making the point that you cannot—

Senator BOSWELL: You are holding me up, Minister.

Mr Comley: My colleague has just pointed out to me that there is a document on the MPCCC's website which was prepared by the department on emissions policies in other countries. In the EU context, because of this issue of covered versus non-covered, the European Commission has now proposed the introduction of a carbon tax of 20 Euros a tonne for sectors not covered by the ETS from 2013. That is not in law at the moment, but that is the proposal that the European Commission currently has for it.

Senator BOSWELL: Everyone is a 'gonna' in this game.

Senator Wong: Bozzie, I like you, but you cannot make a comment like that and not expect me to respond. The 'gonnas' are probably sitting on that side of the table, with the exception, obviously, of government senators and Senator Troeth. Europe has had a carbon price in place for many years.

Senator BOSWELL: We are talking about a price on fugitive emissions and you have conceded that the miners do not have to pay it. Someone else may pay it, but the miners do not have to pay it. That is totally different to what is happening in Australia, where the miners have to pick up the tab.

Senator IAN MACDONALD: I am sorry; Mr Comley, was that \$20 a ton?

Mr Comley: Twenty euros a ton.

Senator BOSWELL: There are no technologies available commercially anywhere in the world to abate 80 per cent of coal mine fugitive emissions released via underground mine ventilation or from open-cut mines. Given that, how does the government consider coal companies can abate those emissions from 1 July next year? There is no physical way to do it. In challenging the expertise, Mr Comley, I think you said that you can flare it. The coal mining industry says that you cannot, it is not possible, you cannot do it.

Mr Comley: There have been reports by bodies, including the CSIRO, looking at cost-effective abatement technologies in this area and they have identified some cost-effective abatement technologies. There are also some projects. There is a project that is currently—

Senator BOSWELL: Has it ever worked commercially? Have you ever seen it work commercially?

Mr Comley: Yes. In fact, flaring that occurs—part of that is regulatory requirements; but also some electricity generation from coal mine methane is commercially available at the moment.

Senator BOSWELL: But that is not open cut and the majority of the coal comes from open cut.

Mr Comley: The technology for open cut is more challenging. At the moment, though, there is not an incentive to try to find abatement reduction. I think the issue that needs to be returned to at some point is that one of the reasons that the government is contemplating carbon pricing and contemplating broad coverage is that many of the things only become commercially viable once there is an incentive for it to occur. In fact, the whole premise of this is that you do not necessarily want public servants trying to micro-manage how businesses will find the best way to reduce their emissions.

Senator BOSWELL: Mr Comley, there is no doubt that, with the wealth of the coal industry and with the Queensland government having put hundreds of million dollars into this, there has never been a way that has ever been established that you can reduce fugitive emissions—and I challenge you to describe one—from an open-cut mine. There is just nothing there that will do the job. I put this to you: in the absence of viable abatement technologies for fugitive emissions, the only way that you are going to stop it—and there is only one way—is to stop the mine and close the mine down—that is the only way that you will stop fugitive emissions—or pay this huge tax, which will have the same result: it will close the mine down. If CSIRO can rock up and tell us how to stop it—I do not think they can; I am sure that they cannot.

Mr Comley: I am happy to provide the CSIRO report—

Senator BOSWELL: CSIRO will do anything. They will take the Queen's shilling.

CHAIR: CSIRO will what?

Senator BOSWELL: I just—

CHAIR: I do not think you should be trying to use the CSIRO—

Senator BOSWELL: CSIRO have not put up a proposal that will reduce fugitive emissions. It is not done; it is not viable. The miners cannot do it. To respond to the government's fugitive emissions, there is only one way they can go and that is to close the mines down, with job losses of many, many thousands of people.

Mr Comley: I do not accept the proposition about no abatement opportunities. I am constrained by commercial-in-confidence considerations, but we have, in fact, had discussions with a number of firms who have come forward and commented on the possibility of reductions in fugitive emissions—commercially viable opportunities—at incentive or carbon prices that are not particularly high. I think that there is CSIRO work and also discussions that we have had with members of the mining industry that have indicated that there are opportunities. Most of those opportunities, the clear economic ones, relate to pre-drainage of mines before they commence production. It is well understood that that can be done. There are also some possibilities for post-mine reduction of emissions, and some of those technologies have been trialled overseas.

Senator BOSWELL: So you can point me to an open-cut mine overseas that is using a method to reduce or take away fugitive emissions?

Mr Comley: I was not just referring to open cut; I was referring to underground as well. It is true that there are few abatement opportunities for open cut, but it is also true that the liability of open-cut mines is very low compared with a gassy underground coal mine.

Senator BOSWELL: If you contain your emissions when it is enclosed by an underground mine, you can flare it; but you cannot when you just go and scrape the top off an open-cut mine.

Senator IAN MACDONALD: Mr Chairman, Senator Boswell has agreed to let me have a couple of questions and then I will get out of your hair. I have just a couple of quick ones first. On notice could you tell me: I read somewhere that, if Australia stopped emitting carbon dioxide completely, under the current modelling the climate would be cooler by 0.15 degrees. Can you confirm whether that is correct or not? Do you understand the question?

Mr Comley: I do understand the question. We will take that on notice.

Senator IAN MACDONALD: Thank you. Also, on notice please, can you confirm that a Mr David Evans did consult to the Australian Greenhouse Office from 1999 to 2005 full time and part time from 2008 to 2010?

Mr Comley: I will take that on notice. That is a fair time before the establishment of the department.

Senator IAN MACDONALD: Thank you. Thirdly, are you familiar with the LG process for taking greenhouse gases that is being trialled at James Cook University?

Mr Comley: I am familiar in broad terms with algae sequestration processes.

Senator IAN MACDONALD: Are you familiar with that particular—

Mr Comley: I am not, but one of my staff may be.

Senator IAN MACDONALD: Perhaps I can come back to that, as the officer is getting here. In relation to the proposed carbon tax, are you having discussions with the various state governments?

Mr Comley: Yes, we are.

Senator IAN MACDONALD: Does that include the Queensland government?

Mr Comley: Yes, all state governments.

Senator IAN MACDONALD: Of course, I cannot ask you what those discussions are. But, particularly being parochial in relation to Queensland, can I ask: do those discussions with the Queensland government in relation to a proposed carbon tax that the government has flagged involve discussions also with the mining companies?

Mr Comley: Separate to our government negotiations, we also have discussions with the mining companies quite frequently.

Senator IAN MACDONALD: Which department in Queensland are you having discussions with? Would it be the department of premier or the department of mines or whoever looks after—I am not sure what it is called in Queensland these days—or both, or is it—

Ms Wilkinson: We had one or two representatives from Queensland at the last state and territories forum. I can get back to you on exactly who they were and what their affiliation was.

Senator IAN MACDONALD: They are only forums, are they?

Ms Wilkinson: There is a state and territories forum. That is what we call it.

Mr Comley: We have a regular consultative process with all the states, which is what Ms Wilkinson is referring to as a forum. We also have bilateral contact with state officials from a range of states on an ongoing basis.

Ms Wilkinson: I have that information available here. At the last meeting that we held we had Greg Withers from the Department of Environment and Resource Management. We had on the phone Geoff Robson from the Department of the Premier and Cabinet. We had David Hourigan from the Department of the Premier and Cabinet, Tania Homan from Queensland Treasury and Ben Barr from the Department of Employment, Economic Development and Innovation.

Senator IAN MACDONALD: Do you expect that any carbon tax proposal by the federal government will require legislation from the state governments?

Mr Comley: I am not sure that I can really comment, because it has not landed on a particular design. Having said that, the CPRS package did not require corresponding state legislation. You would have to look at the particular proposal that was put forward, but the Carbon Pollution Reduction Scheme package of legislation did not require corresponding state legislation.

Senator IAN MACDONALD: Any carbon tax that affects, say, coal—and Queensland is by far and away the biggest producer of coal—is going to, one would imagine—and I appreciate that the design is not there and that you cannot talk about it even if you are aware of it, Mr Comley, but let me ask you whether there is any concern that it might be counter to the Constitution if any sort of tax might impact more heavily on my state of Queensland because of its coal output than—

Mr Comley: In general terms, I would answer it this way: there are provisions with respect to Commonwealth legislation that require not having discrimination between states and parts of states. Obviously, when the CPRS was proposed, we had extensive legal advice and thought there was no constitutional barrier to that particular form of legislation. It would depend on the detail of any particular proposal. But what we saw two years ago was that there was not a constitutional impediment to certain areas—

Senator IAN MACDONALD: If there were, the way around that would be to get the states to pass complementary legislation.

Mr Comley: I think we really are in the hypothetical of the hypothetical.

Senator IAN MACDONALD: We can say that, as a matter of fact, if there were constitutional problems, a complementary state piece of legislation would fix that aspect. That is, I guess, a matter of fact or law. The Queensland Premier, Anna Bligh, is on record as being, if not opposed to a carbon tax, certainly concerned about the impact that it might have on her state. Perhaps I should be asking this of the minister rather than you, Mr Comley. Minister, how is the Commonwealth dealing with those concerns that Premier Bligh has expressed?

CHAIR: Just before we go to further questions, I promised Senator Macdonald that I would get him a copy of the report of the Pontifical Academy of Sciences. I will table a

document; then everyone can get a copy of it. I understand that Senator Fisher is seeking the call.

Senator FISHER: I want to follow on from some of the questions that Senator Macdonald was asking about discussions with the states about the potential for a carbon tax. Mr Comley, can you remind us of your response to the question: will state and territory governments be required to make any changes to their respective legislation to accommodate a carbon tax?

Mr Comley: What I said was that the precise details of any carbon pricing mechanism might have implications for states, but when the CPRS legislative model was put forward my recollection is that there were not any corresponding changes to state legislation required.

Senator FISHER: 'Might'. Is the government having any preparatory discussions with states and territories in case of 'might'?

Mr Comley: We are having regular meetings with state and territory governments. As Dr Kennedy was pointing out, we do that in a discussion all at the same time and then we also do that on a bilateral basis with a number of states and territories.

Senator FISHER: Have you had any preparatory discussions with the states and territories as to the potential for legislative change based on your words 'might be required'?

Mr Comley: I am not aware of any that have gone to the question of legislative change. The one that would come the closest to that, which was foreshadowed at the time of the CPRS, was with the New South Wales government. There was an issue at the time of the CPRS as to whether the greenhouse gas abatement scheme would continue. That is a matter for the New South Wales government. There is not a technical independence. It is just an issue of their policy settings in the context of a national carbon price, because their policy has always been, from the time the greenhouse gas abatement scheme was put in place, that that scheme would cease on the commencement of a national carbon price.

Senator FISHER: So why can you not provide any further detail in answer to that question about the carbon tax?

Mr Comley: Because, in line with the other answers, the government has not settled a position on the carbon price.

Senator FISHER: Can you take on notice the question as to whether or not state and territory governments will be required to pass any kind of legislation to bring the carbon tax into effect nationally.

Mr Comley: I will take it on notice.

Senator FISHER: Thank you. By the time you answer the question there may well be further definition around the government's proposals for a carbon tax, such as they are. Leaving aside legislative change, is there any other sort of cooperation or agreement that is needed from state and territory governments to implement a carbon tax? Is there something that might fall short of legislative change but that is another sort of cooperation or agreement?

Mr Comley: There are many things that state governments can have an impact on. They would go more to the question about whether the overall policy setting was coherent with the Commonwealth and the states taken together, not so much a question about whether the carbon price itself would work.

Senator FISHER: Let me ask it another way then.

Mr Comley: Can I give you an example of that, just to be clear. For example, state government decisions on feed-in tariffs have an implication for the way the renewable energy target operates because they create a parallel subsidy regime for the same target. That does not in any way, shape or form invalidate the RET, but it has implications for what the prices of, for example, renewable certificates may be. That is the sort of interaction where technically one does not have to have agreement. In the past the government has sought to get an agreement on those matters. For example, in 2008 COAG negotiated some principles to do with the operation of feed-in tariffs. That was an attempt to bring greater coherence, but it did not stop the technical operation of the renewable energy target.

Senator FISHER: So at this stage have the department or the government identified any other areas or issues in respect of which the government will need agreement from or cooperation by state and territory governments in order to implement a carbon tax nationally?

Mr Comley: None would require agreement that I can think of. In terms of areas where cooperation would potentially be helpful, there is one area where it is the most obvious, and that is with respect to cooperation with the Victorian government around matters to do with the electricity generation sector.

Senator FISHER: Meaning?

Mr Comley: A range of scenarios is being discussed, particularly with respect to the brown coal generation fleet in Victoria. In some of those scenarios, brown coal generators cease operations. The Victorian government has a role, for example, in environmental approvals and requirements for remediation of the mines associated with the generators. Those sorts of things are where the Victorian government would have a role.

Senator FISHER: In the event that one or more of the states or territories do not agree with the Commonwealth or refuse to cooperate with the Commonwealth in respect of implementing a carbon tax nationally, would that thwart the federal government's attempt to implement a carbon tax nationally?

Mr Comley: It depends on precisely what you are trying to implement. But, on the basis of our experience with the CPRS style of thing, I do not think that would thwart the implementation of a carbon price.

Senator FISHER: So, in your view, the federal government can implement a carbon tax nationally with or without the agreement or co-operation of the states and territories?

Mr Comley: With the caveat that you would have a look at precisely what you are doing. But if you are looking at a general carbon price legislated under constitutional powers that the Commonwealth holds, which was the case with the CPRS, I do not think the government needs the agreement or cooperation of the states to put through that legislation and have it be effective.

Senator FISHER: So, consistent with what you are saying, the federal government could so legislate, indeed, in the face of opposition from a state or territory government?

Mr Comley: That is my view, yes.

Senator FISHER: You referred earlier—or it may have been Ms Wilkinson—to the discussions at state and territory forums and also bilateral contact as constituting the extent to

which there have been discussions with the states and territories about the carbon tax. Is that the full extent of discussions and consultations or have there been discussions and/or consultations with one or any of the states and territories about the carbon tax outside the state and territory forums and the regular bilateral contact?

Mr Comley: Those mechanisms I was referring to were officials-level consultations. I am also aware that there have been some ministerial-level consultations with states and territories.

Senator FISHER: What are they—by whom and with whom?

Mr Comley: I would have to take on notice any specific details, but that would be both by Minister Combet and Parliamentary Secretary Dreyfus, who has had conversations with his state counterparts. I believe, although it is not our portfolio, that Minister Ferguson has regular contact with his ministerial counterparts and some of that would go to questions of carbon pricing.

Senator FISHER: To the extent that you are able, can you detail the ministerial-level discussions on notice?

Mr Comley: I will take that on notice.

Senator FISHER: You provided Senator Macdonald with details of the official-level discussions in respect of Queensland—with whom. Can you, on notice, provide the same in respect of the other states and territories?

Mr Comley: We can take that on notice.

Senator FISHER: Thank you. To the extent that there have been the various discussions and consultations, whether they be at officials level or ministerial level, have any documents changed hands?

Mr Comley: I am not aware of any documents that have changed hands. These have tended to be meeting discussions. But I can take on notice whether any documents have changed hands.

Dr Kennedy: In a discussion with the states and territories, we would provide them with information that had been recently released by the MPCCC, for example, or any other relevant documents, and we may have a discussion around those documents. So, to that extent, there would be an agenda and documents. But there are no documents that I am aware of beyond that.

Senator FISHER: Can you take that on notice, Mr Comley?

Mr Comley: Yes.

Senator FISHER: To the extent that there have been documents provided, if they are documents that are not already in the public arena, can the committee be provided with access to those documents?

Mr Comley: I will take that on notice, because it depends what the documents are.

Senator FISHER: What is the time line for discussions and consultations with states and territories about the implementation of a carbon tax?

Mr Comley: The time line is the same for states and territories as it is for other stakeholders. Both the Prime Minister and the minister have made it clear that there is an intention to try to reach agreement by the middle of the year.

Senator FISHER: In a month and a bit?

Mr Comley: 'The middle of the year' is the phrase that has been used. I am sure that you are familiar with the fact that it is not really for me to provide more detail on that beyond what the Prime Minister and the minister have said.

Senator FISHER: Is there a time line for the middle of the year in terms of consultations, be they at official level or at ministerial level, between the Commonwealth and states and territories? How do you know that we are not going to find ourselves there with consultations and discussions not done?

Mr Comley: There has been very extensive consultation, depending on where you start thinking about it from, but for at least 4½ years on these issues, so—

Senator FISHER: But it is not extensive enough to know yet whether you need legislative change, for example, to implement a carbon tax, apparently.

Mr Comley: I do not think there is any doubt that there will be a need for legislation to implement a carbon price.

Senator FISHER: Sorry—from states and territories.

Mr Comley: What I am being, Senator, is cautious on the basis that there have been no details of the scheme announced. What I have been saying is that, based on what was done in the past, I do not anticipate that that requires the cooperation or agreement of the states. But I do not think I could rule out that some of those consultations and negotiations led to a position that required the states to be involved. As to whether that was as part of, if you like, a central carbon pricing mechanism or related to some other measures that might occur at the same time, I just cannot speculate on that.

Senator FISHER: Could states and territories be told just before the middle of this year that the Commonwealth expects them to make legislative change to bed down the carbon tax?

Mr Comley: I think again that goes to a hypothetical. What I am saying is that, on the basis of what was done last time, there would not be any need for that change in legislation at the state level. If there was a circumstance that required legislative change at the state level, that would have to be dealt with in the normal way. But I am not anticipating that is the most likely outcome.

CHAIR: The Shergold report was brought down, I think, in 2007.

Mr Comley: Yes.

CHAIR: It outlined a proposal that there should be a price on carbon. The Howard government said they would put a price on carbon through a trading scheme. On these issues that Senator Fisher has asked about, were there negotiations and discussions with state governments in relation to the Howard government's decision to implement a price on carbon?

Senator IAN MACDONALD: Was Mr Comley there at the time?

CHAIR: I am not sure. The department certainly was—or a version of the department.

Senator ABETZ: I think the Howard government scheme was based on international action.

Senator Wong: You should read the report.

CHAIR: No, it was not, Senator Abetz.

Senator ABETZ: I happened to be in the Senate answering questions on behalf of the government during this time, Senator Cameron, and I have a very clear recollection.

CHAIR: Can you take that on notice?

Mr Comley: I can, but, as Senator Macdonald rightly points out, I was not in the department at the time. My recollection is that it was launched on 3 June 2007. The only reason that sticks in my mind is that that was a date that was subsequently used in a range of legislation. I am not personally familiar with whether there were consultations with the states prior to the release of that, but I am happy to take that on notice.

Senator IAN MACDONALD: I do not want to pursue that, but just before the break we were talking about sea level rises in response to Senator Boswell's questions. You helpfully pointed out to us some websites on sea level rises from the CSIRO. I took the occasion to have a look at it. I see that, going back 140,000 years, the sea level was higher than it is now. Then I see that it fell right down until 20,000 years ago and then, between 20,000 years ago and about 1,000 years ago, it seems to have risen enormously. Obviously that cannot be a result of anthropogenic change in that period. Actually, it has risen from minus 140 to zero between minus 20,000 years and about minus 2,000 years. So thank you for pointing that website out to us. That is the long term; in fairness, I will go to the last few hundred years. Again, it seems to have risen between the year zero and about the year 1800 from minus 1.7, it looks like, up to about—

Senator BOSWELL: Is that millimetres?

Senator IAN MACDONALD: Yes, it is sea level in millimetres. It is on the website. Do not take my word for it on those figures. I am just going through the graph. Then it seems to have risen more rapidly in the last couple of hundred years, but nowhere near to the same scale as it rose in that period from minus 20,000 years to minus 1,000 years. What do these sea level changes tell us? That the rises recently are not unusual and we are back to a sea level that was evident long before I was born, I have to say—back 140,000 years?

Dr Banerjee: I can partly answer. As you rightly point out, sea levels have changed dramatically over those sorts of time periods. One of the challenges in the science is to look at exactly what the driving factors are for those changes. Part of the modelling challenge is to understand how much of that might be anthropogenic or not. It is analogous in that sense to looking for fingerprints for anthropogenic impacts on climate change variation. You are absolutely right to say that there are substantial underlying variations. What the scientists then do is try to fingerprint causes on top of that. It is a similar exercise for the sea level changes to the temperature record that has been canvassed previously.

Senator IAN MACDONALD: But those sea level changes from minus 20,000 years until year zero, even, have been fairly dramatic and far more than the sea level rises that you were indicating earlier. So there has to be a cause in that era that had nothing to do with man, unless it was the way they threw their clubs or something. I would be interested to hear more on that. Thank you for pointing out that material.

CHAIR: Dr Banerjee, the Climate Commission said that one of their key messages was that a plausible estimate of the amount of sea level rise by 2100 compared to 2000—and that is within the time period of existing generations—is 0.5 metres to 1 metre. They say there is uncertainty as to where it would end up because of the dynamics of large polar ice sheets. What are the implications of a mid-range increase in sea levels—say, 0.75? Are there any estimates around what that would mean?

Senator IAN MACDONALD: We asked the minister to provide us with copies of that report. I see you have a copy.

Senator Wong: We spoke to the secretariat. We had only a couple of copies here. I understand that not that many have been printed, so we provided the two copies we had.

CHAIR: You can have my photocopy.

Senator IAN MACDONALD: I will fight Senator Fisher for hers.

Senator Wong: It is on the web. This is the printed version.

CHAIR: Yes, we downloaded at this morning. Dr Banerjee, figures get thrown around a lot, but I am interested in what the practical implications are within these ranges that the Climate Commission is talking about.

Dr Banerjee: The ranges that you have given are certainly consistent with the ranges that have been discussed through the IPCC's reporting. Those ranges have then been linked to a range of impact assessments through the IPCC as well. So, without talking about the specific figures and the mid-level ranges, there is certainly extensive discussion and documentation about what that sort of sea level rise might mean for coastal communities in a range of vulnerable countries. I think the broader scientific discussion or the impacts assessment is that those impacts would be very substantial. There would be very significant impact on a range of communities and cities that have low-lying habitation and you might well see very substantial migration flows from that.

CHAIR: What was the level of rise in the Brisbane floods, do you know? I am just trying to get an idea of what effect this would have.

Dr Banerjee: I can take that on notice. I am not sure of the exact figure.

CHAIR: There has been some work done on what the implications of these sea rises are, hasn't there?

Dr Banerjee: There has, yes.

CHAIR: It is a bit more detailed than you have just outlined.

Dr Banerjee: That is right.

CHAIR: Who can take me to these details?

Dr Banerjee: We can provide you with a bit more information for Australia and then we can also talk a bit about the adaptation work that has been done in Australia. There was some discussion in the committee earlier about some work for South Australia that was released during the week. A report entitled *Climate change risks to Australia's coast: a first pass national assessment* was done in 2009. That was done on the basis of a rise of more than a metre and possibly as much as 1.5 metres. That report found that as many as 247,000

residential buildings with a value of \$63 billion could be at risk of inundation with a sea level rise scenario of 1.1 metres by 2100.

Senator XENOPHON: This is in relation to another portfolio, but with regard to these predictions on sea level rises, we have seen other predictions of variability of weather due to climate change and the impact that would have on food production and the number of potential climate change refugees that there could be internationally. To what extent do you liaise with the Australian Customs and Border Protection Service in relation to the potential risk assessment on what may happen in years to come and the implications that has for border security?

Dr Banerjee: There are a range of discussions across government about the potential impacts of climate change. The department is involved in liaising with a range of departments, including the Attorney-General's portfolio and Customs and Border Protection.

Senator XENOPHON: Is this a factor that is taken into account in terms of longer-term policy and longer-term strategy?

Dr Banerjee: The sorts of estimates that we are talking about are substantially long-term type estimates. They are trend and large-scale projections. I think it would certainly be fair to say that these are considerations in government discussions. But, as to more specifics and for shorter time periods, they are subject to different types of risk assessments.

Senator XENOPHON: I have a line of questioning in relation to the cost-effectiveness of the abatement measures. When considering new carbon reduction or energy efficiency measures to subsidise, what modelling does the department undertake or commission on the cost of the program versus the amount of carbon or energy that will be saved in comparison with other schemes? Do you consider, for instance, the McKinsey cost curve in terms of where we get the best value for taxpayers' funds in terms of abatement?

Mr Comley: I will pass to Ms Wilkinson in a second on how we actually do the abatement estimates. We have looked at the McKinsey cost curve in the past. The one important thing about the McKinsey cost curve, though, is that it is almost a measure of technical abatement potential, assuming that there are no information costs and no implementation or managerial costs. What we have observed, both in history and going forward, is that the proportion of abatement that is actually taken up from the McKinsey cost curve is actually quite small.

Senator XENOPHON: Can you provide some further details on that on notice?

Mr Comley: Sure.

Senator XENOPHON: But it still provides a useful starting point or benchmark in determining abatement?

Mr Comley: It is a useful starting point for where you might go looking for low-cost abatement. The difficulty with it is that it does not capture the managerial and decision-making costs. In fact, one issue that the department is intending to look into is whether we can get a better quantification of those costs and therefore a better understanding of why there are barriers to take-up in practice. I had a conversation with McKinsey in London and ClimateWorks—we are thinking about doing a collaborative project which would augment the McKinsey cost curve with information about on-the-ground, practical—

Senator XENOPHON: What is the time frame for that?

Mr Comley: We have not landed that yet—we are still in early discussions about how that would be done.

Senator XENOPHON: Is that something you would hope to be able to do in the next 12 months?

Mr Comley: I hope so.

Senator XENOPHON: As an example, in terms of media reports, it has been estimated that programs such as the so-called 'cash for clunkers' scheme would effectively cost \$394 per tonne of carbon in terms of abatement costs and solar panel installations would cost \$250 per tonne. Are they figures that the department took into account before the schemes were announced? How does that work in a policy sense?

Mr Comley: The way it works in a policy sense generally is that, if there is a proposal going to government, we would prepare an abatement cost estimate and that would be part of the decision making in front of government. In terms of the specifics of the cleaner car rebate, I believe that at the last estimates we answered that that was an election announcement that we had not had input into before it was announced. When subsequent policy work was done on the cleaner car rebate, we were involved and we helped to prepare an abatement cost estimate. But the normal course of events is that we would put an abatement cost estimate with new programs.

Senator XENOPHON: In terms of benchmarking, do you look at abatement programs overseas and their cost-effectiveness by way of comparison?

Mr Comley: We look at international studies to see where there has been evidence of the most cost-effective abatement and we look at the domestic experience we have had as well on what programs are most cost-effective.

Senator XENOPHON: How do we compare?

Mr Comley: There is such a variety of programs that I think a single summary measure is not really appropriate. Many of the programs that have been done in the past have quite a high cost of abatement. You tend to find that the renewable energy target is lower than many of those other programs. Obviously, carbon pricing policies have been estimated to be lower in the future.

Senator XENOPHON: Just to give an example, if we planted more trees, how would that compare to a renewable energy target in terms of abatement?

Mr Comley: Some of this depends on scale. You cannot really turn around and say that planting trees is always cheaper than doing a renewable energy—

Senator XENOPHON: I am not suggesting that.

Mr Comley: No. But, typically, the estimates that are done of reforestation have lower abatement costs than the renewable energy target. Then there is the question of what scale you could bring in. One of the big issues there, as I am sure you are acutely aware, is water availability—what is the impact—

Senator XENOPHON: There are issues of interception and not actually affecting inflow into river systems.

Mr Comley: That is right.

Senator XENOPHON: But, obviously, there are areas where inflow is not affected.

Mr Comley: There are areas where inflow is not affected and there are areas—for example, in carbon sink forests with people revegetating with mallees et cetera—where those are not issues of the same magnitude.

Senator XENOPHON: So are you saying that in some instances, if there were a greater emphasis on reforestation—taking it with the caveat that it does not impact on water interception and water availability, for instance—that is something that could be more cost-effective than a renewable energy target?

Mr Comley: Again, it depends on the scale. My recollection of the Treasury modelling is that reforestation comes on quite early because it is relatively low cost. But there is a question about how much you can actually get. You might be limited, for example, to five or 10 megatonnes a year from reforestation, which means that, if you are looking to meet the five per cent reduction target, you would need to find other places to go. You can get that low-cost reforestation, but not all reforestation is low cost.

Senator XENOPHON: Andrew Macintosh from the ANU Centre for Climate Law and Policy said that market-based measures like a carbon price would be far more effective than this sort of scattergun approach. I presume that he was talking about a carbon price in the context of some form of emissions trading scheme. Is that the view of the department?

Mr Comley: In terms of unlocking domestic abatement, the question of whether it is an emissions trading scheme or a fixed-price emissions trading scheme or a carbon tax is not really the most important question. There are two important questions. The first question is: what is the coverage of the scheme? The second question is: what is the price that is in the system? That is the primary driver of domestic abatement.

Senator XENOPHON: Mr Macintosh also said—this is about three months ago—that the government is in a superb position, with the resources of Treasury and the department of climate change, to calculate the marginal carbon abatement costs of its programs. He went on to say that they should publish those costs and, where the estimates are high, they should justify why we are investing in those programs. That is a fair cop in terms of driving good public policy, isn't it?

Mr Comley: We have been doing quite a lot of work on abatement cost estimation methodologies and we are not too far away from publishing a paper on abatement cost estimation methodologies. Our intention is to put that out and get a lot of public comment on it. There is a range of different judgements that people can make, so we want to expose that to people and get their feedback on it. Then that will help us to refine future abatement cost estimates.

Senator XENOPHON: Presumably your draft paper will be released. How close are we to that being released?

Ms Wilkinson: I think it should be released very shortly.

Senator XENOPHON: 'Very shortly' can mean a lot of things in this building.

Ms Wilkinson: My expectation is that it will be released before the middle of the year.

Senator XENOPHON: So in the next couple of months. Will that paper drive future policy direction?

Mr Comley: It will certainly be an input into future policy. One of the things that you cannot help but come across in this area is that many policies are put in with multiple objectives in place. It is not solely abatement objectives that you are trying to meet. In some cases, it might be, for example, a biodiversity objective or there may be some objective of helping low income earners. Whilst the abatement estimation methodology is very important input, there are often different policy considerations at play when the government is considering a policy.

Senator XENOPHON: I think it may have been the Grattan Institute that did some research that says that a solar panel scheme is \$250 in terms of abatement cost compared to \$76 for wind, \$67 for gas instead of coal power, \$10 for planting harvest forests and \$26 for planting permanent forest. Are you able to comment on those figures or would that be the subject of comment in the paper?

Mr Comley: We are looking at that in the context of the paper. We have obviously had a dialogue with the Grattan Institute—

Senator XENOPHON: So it was the Grattan Institute.

Mr Comley: We do not necessarily endorse all of those numbers but we certainly welcome their contribution to the debate in having a go at putting those estimates out there.

Senator XENOPHON: My final question relates to some controversy in New South Wales with the O'Farrell government about their solar panel scheme. There is some news today about the state government scheme in South Australia. How do you interact between the two? If a state government decides to go on its own to offer some incentives and then there is a change or vice versa—there is a Commonwealth scheme in place or a state scheme—how do they interact and what level of coordination do you think there ought to be to have the most efficient way of abating carbon?

Mr Comley: We did actually cover this earlier. In 2008 the Commonwealth sat down through COAG to try to negotiate an agreement with the states on feed-in tariffs because of this question of the interaction. At the end of that process there was an agreement to do this in a transparent way but no agreement about a uniform approach. So there is an interaction between feed-in tariffs and renewable energy target. The states in practice have tended to take unilateral actions as to how they would put feed-in tariffs—

Senator XENOPHON: That is not desirable, though—ideally it would be better to have a coordinated approach between the states and the Commonwealth, wouldn't it?

Mr Comley: If you are trying to seek out the lowest cost of abatement—

Senator XENOPHON: For the record, the minister is smiling.

Senator Wong: There are many ideal things in this world, Senator Xenophon.

Mr Comley: The way COAG approached this discussion in 2008 was that at one level you could try to put a suite of policies in place to get the lowest cost abatement across Australia and that would require a very coordinated approach. The way COAG landed essentially was to recognise that if states choose to put in policies that impose costs on members of their own state, that is really a matter that the states have discretion on.

Senator XENOPHON: I direct this to the minister, further to what you have said. Minister, the fact is that the Commonwealth could through a carrot and stick approach try and get greater uniformity with the states with some of these abatement schemes. Would that be right?

Senator Wong: I am not sure what the carrot or the stick might be in this these circumstances.

Senator XENOPHON: In the sense that if there is—with solar panels we have seen what has happened in New South Wales recently and the controversy there. I think there were further announcements in South Australia just today. Is there scope through COAG or through some other process—

Senator Wong: I think Mr Comley has outlined the fact that we did seek some agreement on principles associated with feed-in tariffs. They were agreed but they were fairly wide. So obviously states have taken a set of different views—between states, not just between the states and the Commonwealth—about their policies in this area. There is no doubt that in an ideal world you would have some uniformity in these matters.

Senator XENOPHON: But the Commonwealth is in a better position than the states to drive uniformity.

Senator Wong: Senator, I am always grateful for how much power you think the Commonwealth has in these matters.

Senator XENOPHON: High Court decision on Work Choices, Minister.

Senator BIRMINGHAM: You should invite Senator Xenophon to the COAG meeting.

Senator XENOPHON: Sarcasm will get you nowhere.

Senator BIRMINGHAM: He can help. COAG needs an optimist.

Senator Wong: Chair, I want to respond, just so that it is on the record, to a comment that Senator Abetz made about the state of the Howard government's policy position. The fact is that the response of the Howard government to the task group on emissions trading did not make the introduction of emissions trading conditional on international action. I can provide the senator with a copy of the then government's document if he wishes. It does reference international action but—

Senator ABETZ: Funny, that, isn't it.

Senator Wong: No-one fails to reference international action. The difference is that the government in which you were minister did not make international action the trigger for the introduction of an emissions trading scheme. Your policy was to introduce an emissions trading scheme—

Senator ABETZ: It was always part of it—

Senator Wong: not before 2012.

Senator ABETZ: I can understand that Senator Wong wants to—

Senator Wong: Senator, I can understand why you are embarrassed by the fact that you did not understand the policy Mr Turnbull had got the cabinet to sign up to. You might be embarrassed by the fact that you either did not understand what Mr Turnbull had got your cabinet to agree to or you are simply not telling the truth about what the policy was.

Senator BOSWELL: Yes but—

CHAIR: Senator Boswell, I do not think you should muddy the waters anymore. Mr Comley can indicate to you that on the scientific question the committee is in a bit of a difficult position, because the science underpins everything we are talking about and it will creep in from time to time that. But we can see that the science will come on at 10 o'clock. The committee has been pretty keen to try to set a time frame so that people can be aware of when they are on, and we will probably improve this for the next round of estimates. But at the moment the science will be dealt with predominantly at 10 pm in the wee small hours.

Senator BOSWELL: Is this an appropriate place to ask some questions on aviation and the cost of the EU's decision to place a carbon tax on Australian—

Mr Comley: It is an appropriate place. I am not sure I have a lot of detail on the EU system but—

Senator BOSWELL: Let me ask the questions and I hope that with all the people you have here someone can front the table and give me an answer. Has the department prepared a cost analysis of the impact the European Union emissions trading scheme will have on Australia's aviation industry?

Mr Comley: I think the answer to that is no. I should hasten to add that I do not know, and perhaps it is a question that can be directed to the transport department—whether they have done such an analysis. I know they have been quite significantly involved in this issue.

Senator BOSWELL: I will ask them but I thought I would ask you too.

Mr Comley: I also believe that the Department of Foreign Affairs and Trade has taken a keen interest in this question as well.

Senator BOSWELL: I presume you cannot answer the rest of the questions but I will ask them anyhow. What is the expected cost increase to consumers? You cannot answer that. What would be the increased cost per ticket of an economy class ticket to London. Obviously if you have not done the original research you cannot answer that. Treasury has provided estimates of the economic costs of a carbon tax as part of its work on Garnaut and the government targets and trajectories in 2008. The two headline levels of reduction in emissions have been the government's first-stage reduction of five per cent below 1990 levels of around 27 per cent of business as usual; and 90 per cent capital reduction by 2050. Treasury estimated that \$52.60 was required and the cost in GNP was put at 1.4 per cent for the first level. For the latter, a tax of around \$250 per tonne of CO₂ is required and the loss of GNP by 2050 is put at 2.4 per cent. Could you advise what level of tax and GNP loss you now estimate will meet these targets?

Mr Comley: The Treasury is going through an update of the modelling process. I cannot add anything to what was put in the public domain by *Australia's low pollution future* in 2008. You would need to direct that question to Treasury. The intention is that the updated modelling results would be released in the middle of the year.

Senator BOSWELL: The modelling assumes a considerable introduction of new technology and technology advances—most of which, in carbon capture and sequestration, is unproven, as we discussed this morning. It is not only unproven; it is not there. What would be the tax effect and the loss of GNP effect if this technology, or its adoption, is not forthcoming?

Mr Comley: Again, I think that goes to the question of the updated modelling. You would have to direct that question to Treasury. The intention is to release that updated modelling in the middle of the year.

Senator BOSWELL: I will do that. The Institute of Public Affairs in a submission to the Senate estimated that the carbon tax equivalent of the 20 per cent renewable by 2020 requirement is around \$13 a tonne. Does the department have the equivalent level of tax? Is this tax additional to an actual carbon tax and, if so, by how much?

Mr Comley: The renewable energy target and any carbon price interact because the higher the carbon price is, the lower the renewable energy target price required to meet the given renewable energy target. So until you specify what the carbon price profile is, you cannot talk about what the renewable energy target price would be. In either respect you need to look at the combined effect of the carbon price and renewable energy target in support. Modelling that has been commissioned by the department looks at a renewable energy target price of the order of \$60 towards 2020. That is the best estimate we have available—which does follow on from this morning's conversation.

Senator BOSWELL: That is really \$90, isn't it?

Mr Comley: No.

Senator BOSWELL: The \$60?

Mr Comley: No; this is the point that Ms Wilkinson was making. If you pay the shortfall charge, that is not tax-deductible. But if you buy a renewable energy certificate it is tax-deductible. So if you purchase a renewable energy certificate at \$60, if you have a corporate tax rate of 30 per cent that is equivalent to a little over \$40 as the net cost associated with that.

Senator BOSWELL: Senator Milne previously indicated that the discussions in the so-called Multi-Party Climate Change Committee only proceeded after it was decided to defer consideration of the 2020 target. Today Keith Orchison wrote that the five per cent target is really near a 30 per cent target because to get five per cent lower emissions by 2020 we have to negotiate the estimated 160 million tonnes of additional emissions that would otherwise occur in 2020. So everyone is saying that the target of five per cent by 2020 or 27 per cent from business as usual is not going to be effective. Does the government agree with Senator Milne? Are you listening to Senator Milne when she is saying that the 2020 target is not going to work? Do you agree with her?

Mr Comley: Senator, I note that you are quoting. I have not read the article by Keith Orchison but the comment that the five per cent target is equivalent to a 29 percentage point reduction from business as usual, or 160 megatonnes, is a point that both my predecessor and I have made repeatedly in public engagements—that 160 megatonnes is the effective target of reduction. It is also a point that ministers have made in a number of speeches. So that is not actually a point of contention; it is an indication of the challenge associated with reaching a five per cent target. The issue you are alluding to in relation to the 2020 target—and I am happy to explain as best I can what is within the Multi-Party Climate Change Committee that has been on the public record, but the minister may want to comment after that. The point that has been made by Senator Milne is that to agree on a target in 2020 would require the government and the minor parties, including the Greens, to agree on a target. There has been an indication from the Greens, as I understand it, that the target range they would like is

higher than the one that the government has put forward. That is the fundamental issue. From that starting point, one of the reasons why the architecture was put out by the Multi-Party Climate Change Committee was to allow it to make some progress on carbon pricing while the question of what the 2020 target would be would not be resolved. That does not in itself mean that the five per cent target is unachievable or inoperative; it is just that within the parliament there are different there are views about what the right target should be at 2020.

Senator BOSWELL: You say that 160 megatonnes is the optimum figure that you want to go to.

Mr Comley: No, I did not say that. I apologise if that was the implication. The 160 megatonne number is the emissions reductions from business as usual required to meet the five per cent target. If you were going for the 25 per cent target then the emissions reduction would be of the order of—

Ms Wilkinson: 272 megatonnes.

Mr Comley: 272 megatonnes would be the emissions reduction required for the 25 per cent target. All I was saying, and what has been said a number of times publicly, is that five per cent is not that easy a target to reach and that is because you have to allow for where our starting point is and the underlying growth in emissions that is in the economy.

Senator BOSWELL: So 20 per cent would get you 160 megatonnes?

Mr Comley: No. To meet the five per cent target you would require a 160 megatonne reduction from our business as usual estimate for 2020. So at the moment—

Senator Wong: Remember, it does not stay static. Emissions are rising, so the figure of 160 megatonnes that Mr Comley is giving you is the best estimate that the department has of the difference between where without a carbon price you would expect emissions to be and what five per cent would be. So it is sort of the amount of effort.

Senator BOSWELL: Thank you, but what does 20 per cent give you? Do we know what it gives you?

Senator Wong: What would 20 per cent below—

Senator BOSWELL: The target of 20 per cent reduction—

Senator Wong: Of 2000 figures?

Senator BOSWELL: Yes.

Senator Wong: I think 25 per cent was 272.

Ms Wilkinson: About 240 megatonnes would be a 20 per cent target from 2020.

Senator BOSWELL: Thank you for that. I will go and prepare my tidal chart. I am going to demand an apology from the chairman.

CHAIR: You probably won't get it because I probably won't believe your chart.

Senator ABETZ: No matter what evidence you put in it.

Senator Wong: If you want to talk about no matter what evidence, Senator—all the world's scientists and you are still saying nothing is happening.

CHAIR: Senator Abetz, I am going with the bulk of scientific evidence, not Senator Boswell.

Senator ABETZ: If I am incorrect in asking these questions in this area, please direct me where I should be asking them, but I understand that we are talking about an effective global solution as well in this area.

Mr Comley: No, that is output 1.3 or 1.4.

Senator Wong: That is at 10.30 tonight.

Senator ABETZ: So if I were to ask questions about what we anticipate other countries to be emitting, that will be 10.30 tonight?

Senator Wong: Yes.

Senator ABETZ: All right; that is easy. Or 10 o'clock even? You are trying to get me here late. What about the impact on the cost of living of the proposal? Where should I be asking that?

Mr Comley: If it is related to mitigation policy, a potential carbon price, this would be the right place.

Senator ABETZ: To the carbon price, yes. In the government's thinking, Minister, has any thought been given to the impact and economic pain that might be inflicted disproportionately on different parts of Australia in relation to the proposed carbon tax?

Senator Wong: Your question has a range of premises which I do not accept, Senator. But without engaging in a long argument about those, if the question is whether the government has at the front of its considerations the economic consequences and effects of both its policy decisions and a failure to act, the answer is yes. If the question is whether the government has an understanding of the effect that different policies might have in different regions of Australia, the answer is yes.

Senator ABETZ: You might not accept my premise, which is fair enough. But in those circumstances you do not accept the premise of the Tasmanian Labor premier, who basically said what I just indicated. She has indicated that it would be unfair because it would unfairly inflict economic pain on Tasmania and push up our living costs et cetera. Are you aware of those comments by the Tasmanian Labor premier?

Senator Wong: Not in detail.

Senator ABETZ: Right. They were made on 8 March 2011. I think we have the response thus far.

Senator BIRMINGHAM: Mr Comley, back on 21 February, when we last met in this room for estimates, you said—I am quoting from the *Hansard*—'We have not done updated modelling, so there is no revised view of electricity prices for any potential carbon price regime'. That statement did not prove to be entirely correct, did it?

Mr Comley: To my knowledge it was not incorrect. That was my understanding of the state of play at 21 February.

Senator BIRMINGHAM: But on 1 February Treasury prepared a minute—unless it took more than 20 days to reach you—the opening sentence of which says:

- The Department of Climate Change and Energy Efficiency, on behalf of the Minister for Climate Change and Energy Efficiency, has requested the weekly dollar price impacts of a range of carbon prices for electricity, gas, automotive fuel and food and the overall price impact on households.

That memo was released under FOI. I am sure you saw the consequences of it.

Mr Comley: Yes.

Senator BIRMINGHAM: So in fact the department had sought modelling on electricity price impacts and a range of other factors updated from Treasury when we last met, and would appear to have in fact received it.

Mr Comley: No. My understanding of the information provided by Treasury was that that was not updated modelling; that was estimates based on the previous CPRS modelling. Treasury is currently in the process of doing a substantial update and remodelling exercise, and it has happened over the last two or three years since *Australia's low pollution future* was put out. There have been a number of what you might describe as preliminary estimates in different scenarios than that of *Australia's low pollution future* that have been undertaken. That has happened to continuously over a two- or three-year period. But Treasury had not actually updated the modelling at that point in time.

Senator BIRMINGHAM: But you had asked Treasury to provide you with weekly dollar price impacts on a range of factors, which was obviously asking them for output from their modelling. Whether it was new modelling or new information from modelling, you were certainly seeking information on modelling at the time.

Mr Comley: We were seeking information but we were not seeking new modelling. Treasury is now doing new modelling of potential carbon prices and, as I have answered previously, I believe the intention is to make that updated modelling public.

Senator BIRMINGHAM: The scenarios Treasury modelled included providing price impacts some of which excluded the provision of fuel tax concessions. Was that specifically asked for by the department on behalf of the minister?

Mr Comley: I do not know off the top of my head. I will take that on notice.

Senator BIRMINGHAM: If you could. Can you think of a reason why you would have sought modelling that excluded fuel price offsets?

Senator Wong: That is just another way of asking the same question which he has taken on notice.

Senator BIRMINGHAM: It was not exactly the same question, Minister—

Senator Wong: 'Can you think of a reason'—

Senator BIRMINGHAM: and from Mr Comley's answers before about what is updated modelling versus what is not updated modelling but is information from modelling, sometimes it pays to ask the question a few different ways because you might get different answers.

Senator Wong: I understand your view. I make the point that—I will leave it, Senator.

Senator BIRMINGHAM: Don't tell me I am tiring you out already, Minister. The day is still early.

Senator Wong: I know. It is the beginning of the estimates fortnight. I just think that if you ask a witness a question and he takes it on notice and then you ask him 'If you did do that, why wouldn't you have done that?' it is really asking the same question again. That is all.

Senator BIRMINGHAM: You will take all of the fun out of it if you reach exasperation and do not react anymore. Mr Comley, could you please detail for the committee what bodies of research, modelling et cetera have been requested or are being prepared for the Multi-Party Climate Change Committee.

Mr Comley: I think you need to ask that of Treasury. To the best of my knowledge, all of the modelling is being conducted in Treasury.

Senator BIRMINGHAM: The question was broader, however, than purely modelling; I also asked about bodies of research. Are we only looking at modelling on different price points that is being sought through Treasury, or have other bodies of research or pieces of information that may be prepared either by the department or by external consultants been requested by the MPCCC?

Mr Comley: There has been some material requested by the Multi-Party Climate Change Committee. Most of that material has subsequently been published. The Multi-Party Climate Change Committee has put out communiqués and often attached papers. A number of papers from the department on international action and other things have been put into the public domain. There may be other matters that have gone to the Multi-Party Climate Change Committee which may in fact have been cabinet-in-confidence. That is why I am pausing. We can certainly take on notice material that has been provided. But my recollection is that all of the commissioned work that has been provided to the Multi-Party Climate Change Committee has been published. For example, Rod Simms wrote a short paper which I think went to the Multi-Party Climate Change Committee but I think most of it has been published. We can take that on notice.

Senator BIRMINGHAM: The final instalment of Garnaut is due this week, I think.

Mr Comley: On 31 May.

Senator BIRMINGHAM: And the Productivity Commission analysis on comparative carbon price equivalents across key economies is also due this week—is that correct?

Mr Comley: It is very shortly—next week.

Senator BIRMINGHAM: Next week for both of them, okay. Are there other major research works outstanding for the MPCCC's considerations?

Mr Comley: Not that I am aware of. I cannot think of anything. Essentially the key pieces of information are the Garnaut update, the Treasury modelling and the Productivity Commission work.

Senator BIRMINGHAM: On the Treasury modelling you have referred me to Treasury. Has your own department prepared or modelled work for the MPCCC on what different price points would mean in reduction scenarios? Or is that all being undertaken by Treasury as well?

Mr Comley: We have not prepared that for the MPCCC.

Senator BIRMINGHAM: So is that work also in Treasury's remit?

Mr Comley: We have a joint role with Treasury in talking about abatement estimates and what is likely to occur but we have not provided that information to the MPCCC.

Senator BIRMINGHAM: So you are providing advice to Treasury on the abatement potential of different price points?

Mr Comley: When Treasury does its modelling it updates all of its assumptions. That involves conversations with us but also conversations more broadly, outside government as well as inside government. It also draws on all the research work that has been done in the last three years. For example, quite a lot of work was done in preparation for the energy white paper which looked at technology cost assumptions. That is all available to Treasury. That was not done by our department; it was done by the Department of Resources, Energy and Tourism.

Senator BIRMINGHAM: Obviously there is modelling that relates to what the impact of certain pricing decisions would be and the flow through the economy, and I understand that that would very clearly be modelling that fits within Treasury's program. Just to be clear, modelling that looks at what reductions in emissions will be achieved by certain price points is also encapsulated ultimately in the Treasury modelling as well?

Mr Comley: Ultimately. Over the last few years we have done the sort of exercise, which is a bit like what we were referring to before, where we take information from *Australia's low pollution future* and look at stylised scenarios. But I would not describe it as modelling.

Senator BIRMINGHAM: Looking to the future, we have discussed and canvassed previously the importance of global price on where an Australian price may go. What are the department's current estimates of where the global price will go between now and 2020?

Mr Comley: We do not have departmental estimates of those. The Treasury will, again, update their modelled view of global prices. What we do do is monitor the current state of the carbon markets. I think at the moment the European Union price is around \$23 a tonne, the UN CDM market is around \$17 or \$18 a tonne, and 2014 futures for EU permits are a bit higher.

Ms Wilkinson: They are around \$27.

Mr Comley: Yes, \$27 a tonne. New Zealand is effectively at \$12.50 at the moment because it has a fixed-price period which runs until 2012.

Ms Wilkinson: The end of 2012.

Senator BIRMINGHAM: So you do not have your own modelling. Do you have access to estimates at present of what the global price may be in 2020 or in the years leading up to it?

Mr Comley: We have access to the previous Treasury estimates, obviously. We have a range of informal consultations with Treasury around where their estimates may end up this time but they are not finalised.

Senator BIRMINGHAM: The previous estimates you refer to are how old?

Mr Comley: They are from 2008.

Senator BIRMINGHAM: What did they indicate about where the global price would go?

Mr Comley: It depended on which mitigation scenario you were looking at. Under a scenario consistent with the 550 parts per million scenario they start at around the mid-20s and they rise at four to five per cent in real terms over the decade.

Senator BIRMINGHAM: Last week Minister Ferguson or his department released the report on the electricity generation investment analysis. I am assuming that your department has had some chance to review that report.

Mr Comley: Yes.

Senator BIRMINGHAM: That report attempted to look at what industry expected the price would have to be to see a switchover from certain forms of generation to other forms of generation. There were figures reported in the media. What is your understanding of price points required to see a switchover from coal to gas in the first instance?

Mr Comley: I might ask Ms Wilkinson to comment in a moment but I think there are a couple of important qualifications. The report picks it up but you have to be very clear what you are talking about. There are switchover points where for your current generation capacity you would see some switching out of, say, brown coal to black coal or black coal to gas. That is the switch point that is required to change the average dispatch from each of the fuels in the energy market. Then you have a second set of questions: what is the price at which a current generation asset becomes uneconomic and would completely shut down. Then the third question is what price will stimulate someone to build a new plant when they have not already made that capital investment. The report goes to these things but really you can almost think about a price for short-term switching, a price for closing of assets and a price for building new assets—or switch, close, build. Typically the estimates of where you get switching between existing plants are lower than the prices you might need to stimulate a new build. From memory, I think that report has fuel switching occurring from \$20 but new build of a plant not happening until you have higher prices. It could be \$40 or more.

When you go around and talk to the industry there is quite a wide variety of estimates of what the exact price points are for that switching to occur. That depends a lot on your view of gas prices over time and your view of new technology costs. So you can think of the spectrum from those low prices the short-term switching—and I have certainly heard some people around the industry saying you will get switching of fuel types even below the \$20 mark. The new build requires higher prices to bring on. So it depends on whether you are talking about switch, close or build.

Ms Wilkinson: The other thing the report makes clear is that what is important is expectations of where these prices will be rather than the actual level of the price at any particular point in time. But other than that I certainly agree that the broad conclusions of the report are as outlined by Mr Comley.

Senator BIRMINGHAM: I have read parts of the report. I will not claim to have read it from cover to cover as yet, and its technical detail is probably better understood by some on the witness side of the table rather than on this side. In terms of switch, closure or build, what are the expected prices required to achieve a change—say from coal to gas—for each of those three scenarios?

Mr Comley: I do not have the report in front of me but I do not think there is a single price. We sometimes think about electricity as 'the electricity market'. You almost need to think about it as the summer market, the winter market, the autumn market and the spring market, because demand varies quite a lot. You also have peak pricing over that period. You can get switching at quite low prices in some circumstances. The build tends to be at the higher end of those spectrums—the \$40-plus spectrum. But as Miss Wilkinson said, it is not just a question of what the price is at any point in time; it is what the expectation of that price over time is. If you are building an asset that runs for 20 or 30 years, you would like it to be

profitable from the date it opens but the clear question is how that profitability will occur for the life of the asset.

Senator BIRMINGHAM: But to get people building new infrastructure, that is when you get into at least an expectation, if not a reality, of a \$40-plus price point.

Mr Comley: That is what that report says. The point I am making is that there is a significant amount of abatement you can have before you move to new build, because you have the existing power fleet to redeploy. An example of this is black coal power stations. I can think of one in New South Wales that has a capacity factor of about 35 per cent. So even if you are not talking about a gas switch, if you had switch from brown coal to black coal to take up the excess capacity that sits in the existing black coal, then you get a significant impact on emissions even before you have a new build decision in the system.

Senator BIRMINGHAM: One argument that often comes up in this space is Australia requiring more investment in electricity capacity in future years. And attempting to get that investment if we are looking at a situation where new assets need to be at a \$40-plus price point for them to be—sorry, I should clarify. Is the \$40-plus estimate that you speak of purely for gas, or for renewables?

Mr Comley: My understanding is that that was the report's estimates of what you would need for gas.

Senator BIRMINGHAM: Do you have an estimate for, say, large-scale solar?

Mr Comley: I do not have that in front of me. It would be higher than the current REC price because we are not seeing the deployment of large-scale solar at the moment through the RET. That is the other thing you need to be conscious of here. In most people's estimates of this market a lot of the growth in the capacity of the market is coming through the renewable target over the next 10 years. So unless you have significant retirement of base load capacity—depending, again, on who you talk to, the estimates are often that there is not a large base load power requirement, at least until the second half of the decade and possibly beyond that.

Senator BIRMINGHAM: But if you do not have an expected price point exceeding \$40 there is no reason to expect that new investment in energy would come from anywhere other than black or brown coal?

Mr Comley: I think if you read the report—again, I have read it but it was a little while ago so it is not fresh in my mind—you will see a comment that there is not a lot of interest in building coal-fired power plants because people are taking a longer term time horizon and are not just thinking about what the short-term economics might be over five or 10 years; they are thinking about the life of the asset. So, with current uncertainty, the report says, you try to do things that minimise your up-front capital costs. Large coal-fired power stations are actually the type of power station with the largest up-front capital costs. So unless you were very certain that the price of carbon was not going to increase over time, you would be very reluctant to build a large coal-fired power station.

Senator BIRMINGHAM: Doesn't that create a potential no-man's land? If the price is not high enough, the incentive is not there to build a new gas-fired power station, let alone a renewable energy plant. Yet you are saying that equally you are unlikely to get that new infrastructure built in the coal space.

Mr Comley: And that is essentially what the investor group says: because of this period of uncertainty of not knowing what is going to happen with carbon pricing, people are holding off investment. The report says that what you do in that investment environment is go for the lowest capital cost you can, even if it has high running costs—and that tends to be open-cycle gas turbines—because you are reluctant to put money on the table. Over time that is not sustainable, because if demand does increase in the electricity sector and there is no new investment, you will bid up the price of electricity and that will feed back into new build investment decisions. But you are right: there is a period—and that is what the report says—when without greater clarity about carbon pricing it does tend to reduce the amount of investment that flows into the sector, and it changes the nature of the investment to more open-cycle gas compared with other forms of generation.

Senator BIRMINGHAM: But what you are saying is that it is not just clarity around having a price; it is clarity around how big the price is.

Mr Comley: And ultimately the most significant part, frankly, is what government's long-term commitment is to emissions reduction policies driving that. You are trying to form a view of what the government is likely to do over 10, 15, or 20 or 30 years.

Senator BIRMINGHAM: So will the price that is necessary for a five per cent reduction by 2020 actually provide the certainty that will deliver the investment necessary to get Australia's generation capacity certainty for the future?

Mr Comley: They are related. As I said, it is important to look at the short-term switching effects because that is genuine abatement that comes forward. But typically having regime certainty about how the approach to carbon will be dealt with is probably the most important thing in the electricity sector.

Senator BIRMINGHAM: Is it possible that if the price is too low, though, you will just end up with continued investment uncertainty?

Mr Comley: It depends. It really comes to the question of how credible the regime is. In a world where you have a regime that is seen as stable and credible, even if it is at a low price, that gives a greater degree of certainty than a situation where you do not know when a regime is about to emerge.

Senator Wong: Long-term signals, Senator—given the sorts of investments you are talking about. If I may say, you are intelligent enough to understand why the policy that your colleagues are propounding provides no such signal.

Senator BIRMINGHAM: You make those claims about our policies. I am trying to establish whether the type of policy you are talking about achieves a better outcome. I am not hearing clearly enough that—

Senator Wong: Find an economist who supports your approach. The sadness of this is that people like you in the coalition who generally take a little more sensible approach to evidence based policy could possibly line up behind a policy that everybody knows is not going to work, that no serious economist has supported and that will simply continue the uncertainty. I really do think that in years to come people will look back at those people who have deliberately tried to stop action on climate change very poorly. In the face of all of this evidence, on a day when you have the report that has been released by Professor Steffen on top of all the scientific evidence and all the evidence from the policy work done under your

previous government and under us about the need to think about a sensible economic policy to deal with this issue, you people put forward a grants program and pretend to the Australian people that that is going to work. And you know that it will not.

Senator BIRMINGHAM: Minister, I am attempting to ask some sensible questions about this policy.

Senator Wong: You ask sensible questions, Senator. My point is that I wish you would ask them of Mr Hunt and Mr Abbott.

Senator BIRMINGHAM: Thank you for your advice. I am hearing, though, that a policy based on the likely price points of a five per cent target by 2020 is not going to provide the type of investment certainty that will address the issue of investment in Australia's future generation capacity.

Mr Comley: That is not what I was saying. What I was saying is that there are different ways in which emissions reductions are done and they have been modelled with price points that have certain outcomes. Probably more important than any of that is what people think the trajectory of prices and the regime are over quite a long period of time. In reality, it is quite difficult for governments of any persuasion, or state or federal, to establish that credibility without having a scheme in place. In fact, I think more credibility comes from a scheme being in place and people seeing how it operates in practice.

The second point I would make about this is that whilst modelling of the electricity sector is very sophisticated—and it is very sophisticated; a lot of people have been trying to model this for quite some time—it is true that modellers have quite different views at times of exactly what price points are required to trigger those outcomes, and it is also true that if you talk to industry participants you will hear quite varied views about what prices are required. So with a lot of this you will not know with absolute certainty how this is going to play out in advance and you may find that you are surprised about the amount of activity that goes on. In some respects that is what we have seen with the renewable energy target. Initial estimates of which technologies are likely to win have turned out not to be correct, because markets have found more cost-effective ways of doing it.

The third point is that the architecture that is being proposed at the moment has fixed going to floating price. At the point when you go to the floating price you are in a world of the price being determined by what is required to deliver the abatement targets that have been set. The architecture that has been announced by the government and contemplated by MPCCC starts with a fixed price which will lead, depending on what price is set, to some switching and sending investment signals. It is putting a regime in place which should enhance certainty, and then a floating price ultimately gets driven by what the targets are. Is that giving perfect certainty to the industry? No. But in the context of having to deal with carbon there is an element of trying to find a way to increase regime certainty—which is effectively what that investor group is saying is the most difficult thing at the moment in the industry: the level of uncertainty.

Senator BIRMINGHAM: Has your department provided advice or developed work on expected emissions reductions against business as usual scenarios of the fixed price regime?

Mr Comley: We have worked with Treasury. But the domestic emissions reductions for an emissions trading scheme are modelled effectively the same way as a carbon price. They are modelled the same way.

CHAIR: Mr Comley, on the direct action scheme that is being proposed by the coalition, when Malcolm Turnbull in his *Lateline* interview attempted to describe the policy he said that it was one where 'the Government does pick winners, there's no doubt about that, where the Government does spend taxpayers' money to pay for investments to offset the emissions by industry'. Have you seen any literature on schemes where picking winners and using taxpayers' money for investments to offset emissions has proved successful?

Mr Comley: I cannot think of any particular literature. This is a while back, but when we did an analysis of the direct action program—and then a paper was published on that—we looked at examples of where that had happened in government. We looked at the Greenhouse Gas Abatement Program, which was a program under the former government. It turned out to be not particularly high-cost abatement but very hard to get projects off the ground. The initial budget allocation, from memory, was \$400 million for the greenhouse gas abatement program, and I think in the end less than \$150 million was spent because it was not possible to find projects that met the additionality criteria. At one level this is very similar to the question I received from Senator Xenophon about taking McKinsey's cost curves and how you turn them into practice. It can be quite difficult, when you impose the sorts of probity and process requirements that a government spending funds will always want to do, to both bring on a lot of projects and ensure the integrity of those projects. So the history of finding and funding projects where you have confidence additional is not strong.

CHAIR: When Tony Jones asked Mr Turnbull how much the direct action program would cost, Mr Turnbull said: 'there's a budget set out for that and I'll leave Greg Hunt to identify it, but it is certainly a multi-billion-dollar exercise'. Given that this is a scheme from the alternative government, has your department looked at the cost and the effectiveness of this scheme?

Mr Comley: We did an analysis of it last year and that analysis was provided to this committee. I believe that it is still on the Parliament House website. I do not think we have anything to add to that analysis. My recollection is that the budget envelope which had been announced by the coalition was \$10 billion over 10 years.

CHAIR: Just refresh my memory on what you told us.

Mr Comley: I think there were two aspects to the advice. One—from memory—was that our estimate was that with the sort of program that was being contemplated you may be able to get up to 40 million tonnes of abatement in 2020, which would leave a shortfall on the target of around 120 megatonnes. The \$10 billion that was announced was over the 10 years and I think it got up to around \$2 billion in the last year because there was a phasing-up of the expenditure over that period of time. Our estimate of getting 40 megatonnes of abatement was based on the fact that we thought that you would feasibly have to pay around \$50 a tonne for each tonne you purchased through a program of that type. Then the question of what the full cost would be would depend on what you did about that 120 megatonnes—whether you buy international permits or deal with that in some other way.

CHAIR: What if you had to buy permits?

Mr Comley: It would depend on the international carbon price. I think if you are using an international carbon price of around \$30 a tonne then that is equivalent to about an extra \$20 billion over that 10-year period.

CHAIR: So \$20 billion on top of the \$10 billion cost?

Mr Comley: That is if you did it all with the purchase of international permits. The question of the 40 megatonnes relates to Senator Xenophon's observation about how you can take something like a McKinsey's cost curve and think you can pick off all the value along that cost curve at those sorts of costs. Our view, from a practical implementation point of view, is that that would not be something that a government would be able to do.

CHAIR: So the government would not be able to do that. If you simply spent \$10 billion, have you any idea what you would have to spend that \$10 billion on? Can you have a market based on taxpayers' dollars?

Mr Comley: You effectively—and this is what I understand the direct action plan is—have to set up project criteria and say that if you can prove you have an additional abatement opportunity you will be funded for it. Is it a market or is it not a market? It is not a market in the sense that you are sending a highly decentralised price signal throughout the economy but it is a provision of funds for particular projects that people come forward with. The question is how easily we will be able to do that at scale. I referred to the Greenhouse Gas Abatement Program that was run under the Howard government. Originally it was allocated \$400 million. It was found not possible to find projects to spend that money on.

CHAIR: So your analysis is consistent with Malcolm Turnbull's analysis that the bigger it gets and the longer it goes, the more expensive it becomes?

Mr Comley: I do not necessarily want to endorse comments by Malcolm Turnbull on *Lateline*.

CHAIR: Let me just ask the question. The bigger this direct action approach becomes and the longer it takes, does that mean it becomes more expensive?

Mr Comley: Our view across the whole economy is that there are a range of low-cost abatement opportunities and then you exhaust those and get to the high-cost abatement opportunities. So any program that increases scale must be moving up to the higher cost abatement opportunities. That is true of carbon pricing in the same way that it is true of any other policy. You hope the carbon price picks off the low-cost abatement and ideally you pick them off all the way up. The issue that is really the difference between the two types of schemes is that one of the reasons why economists have favoured emissions trading schemes or carbon prices for a long time is that it is very hard for governments to best understand what the economics of an individual business is. The people who have the most information about that are the businesses themselves. At the moment they do not have an incentive to pursue low-emissions approaches. So what you are trying to do with a carbon price is effectively send a decentralised signal throughout the whole economy so that the people who understand their businesses the best make the decisions about how to reduce their emissions. A government program that goes on grants for a relatively small number of industries or sectors may be administratively feasible because it does not require you to have that detailed information across a large range of sectors. The larger that program is, the more

administratively difficult it becomes to run in a way that has robustness. That is the judgement you form when you think about how you administer such a scheme.

CHAIR: So the cheapest cost abatement is through a market-based system, and if you are using a direct action system that would mean someone like the minister and you or someone from Treasury sitting down and saying 'We think that's the best scheme'?

Mr Comley: There are different ways to design it but in essence it would have to either set up broad categories or individual projects, depending on how you designed it, which would have to determine the best way of expending the money.

CHAIR: So public servants and politicians would be determining what would be the best scheme?

Mr Comley: Depending on how you set up the governance arrangements. You could have that at arm's length from ministerial decisions or you could have it closer to ministerial decisions, but ultimately you would have to be ticking off on projects or pre-specifying criteria in advance, which would have probably a greater degree of transparency. Those are the sorts of design issues you would have to contemplate if you followed that sort of scheme.

CHAIR: But one way or another there has to be a political decision made as to what project will get funded?

Mr Comley: There has to be a political decision about the criteria for funding projects. You could be in a situation, as with other grants programs, where you set up these criteria and then the discretion is circumscribed by those guidelines.

CHAIR: And the capacity for individual companies across the country to make decisions based on a market price disappears and you focus narrowly instead of broadly across the economy?

Mr Comley: You would typically focus more narrowly. Part of the reason why you would do that is—any scheme I have seen contemplated is voluntary in the sense that it is only if you come forward and ask to be funded for a project that you are in a position where you are inside the scheme. As I said to Senator Xenophon, the reason why many abatement opportunities that look cost-effective on a McKinsey cost curve are not taken up is that often people just come back and say 'It's administratively too hard; it's just not something I'm going to bother with'. One of the issues you come across in businesses is that they will say 'Is this my core business? If it's not my core business I'm going to make a business decision not to allocate my time to engage in that process. There would be a high risk that you would have a self-selection of business that are particularly engaged in these sorts of issues and you would have a range of businesses that might have abatement opportunities that probably in practice would say 'Look, it's not my core business and that's not where I'm going to play'. That is the nature of a voluntary scheme.

CHAIR: Mr Turnbull described that as companies being free to pollute, not being involved in an overall program to reduce carbon pollution in the country.

Mr Comley: That would be an opt-in scheme, whereas a carbon price in a sense is not opt-in.

CHAIR: Has the department looked at what that would mean in terms of lost capacity for companies across the board to use a market mechanism to reduce their carbon pollution?

Mr Comley: As I said, our estimate last year was that you would get 40 megatonnes of abatement in 2020 through that sort of policy. That would be our view of an optimistic estimate. That is significantly lower than you would get under a carbon price.

CHAIR: Then you have to make up the difference between the 40 megatonnes and—what was it?

Mr Comley: The abatement task is 160 megatonnes for a five per cent reduction.

CHAIR: And that is when you have to start buying permits overseas?

Mr Comley: That is a way you would meet an international obligation. That would be a matter you would have to decide if you did not make your reduction target.

CHAIR: So the estimate is that the market based system can deliver the five per cent reduction by 2020?

Mr Comley: The estimates from the Treasury modelling achieve the five per cent target. It is important to note that in the Treasury modelling that five per cent target was also met with some accessing of international permits, but the amount of permits that would have to be accessed would be significantly less than would be the case under something that only delivered 40 megatonnes.

CHAIR: But it would not be the government using taxpayers' money to access the permits; it would be the big polluters.

Mr Comley: It would be the emissions-intensive firms that would be buying international permits in a world of open international linking.

CHAIR: Given that there would be this, say, \$30 billion cost to the taxpayer, have you seen any propositions where the taxpayer would be supported or helped in the extra cost?

Mr Comley: I do not want to comment on that. We looked at the stand-alone policy that was released. We did an analysis which has been made public.

CHAIR: If you impose a \$30 billion cost on the economy through direct action, that will have implications for consumers, won't it?

Mr Comley: It depends on how you raise any revenue to meet that or whether you go further into deficit. But I would not want to speculate on that.

CHAIR: So you would either have to increase revenue—and I am talking in in-principle terms here, not detail—or go further into deficit to fund a direct action scheme that would deliver a five per cent reduction by 2020?

Mr Comley: Any expenditure proposal would have that implication.

CHAIR: Has there been any work done on how much that would increase the deficit?

Mr Comley: No. We analysed the proposal as it was; we did not look at the second-round implications of how that might be funded or any other implications.

CHAIR: Thanks, Mr Comley.

Proceedings suspended from 15:45 to 16:08

Senator IAN MACDONALD: I understand that as we speak a conference is being hosted by this department in Trinidad and Tobago on climate change adaptation where 'experts will share experiences and lessons learned in climate change'. The report I am reading from is

from Go-Jamaica, which I understand is a Jamaican radio station; that is my authority. It finishes with this paragraph:

The Conference is being co-hosted by Australia and the South Pacific Regional Environment Program, and is being funded by the Australian Government, through the Department of Climate Change and Energy Efficiency and the Australian Agency for International Development.

I just want to know who from Australia is attending, at what cost of their attendance, what the cost is to the department and to AusAID or any other government agency of putting on this conference, and what the carbon footprint might be of attendance at this conference in Trinidad and Tobago.

CHAIR: Thank you, Senator Macdonald. That has been taken on notice.

Senator HEFFERNAN: The back of the hall is a bit like the Labor conference in Melbourne: it is empty.

CHAIR: Senator Heffernan, I understand that you have been told to get over here and do a job. So let us do the job.

Senator HEFFERNAN: Thank you for your indulgence, Mr Chairman. My question goes to carbon farming. Do people willing to participate in that have a choice between the Kyoto compliance scheme—which has various vagaries but the main driver is trees, and that has been an issue for the previous government and this government—and participation in a voluntary scheme. Could you confirm that?

Ms Thompson: You are quite right, Senator. The Carbon Farming Initiative legislation that was introduced into parliament in March last year does cover both Kyoto-eligible abatement and non Kyoto-eligible abatement. One of the strengths of the carbon farming initiative, though, is that it sets up an administrative system that allows landholders to essentially have both non Kyoto-eligible and Kyoto-eligible trees on their land as part of one project. As you are probably aware, the main difference between Kyoto-eligible and non Kyoto-eligible trees is really the state of the land in 1990 before the activity commenced. So we think this will be quite a benefit to landholders, because for the first time they will not have to worry so much about where the trees are on their land and what was there before. The CFI administrator will be able to help them out by referring to our maps that the government will produce as part of the regulatory framework.

Senator HEFFERNAN: ABARES say they have seconded some of their people to Treasury to help with the sums. Has the department figured out at what price for carbon farmers would be tempted to be compliant and plant trees rather than grow crops?

Ms Thompson: It is a very difficult issue. The department did some initial estimates of abatement that might be derived from the Carbon Farming Initiative. One of the issues there is that Minister Combet said way back in March that the government position is to link the Carbon Farming Initiative with the carbon price mechanism, which would of course create a stronger driver for the credits that are Kyoto eligible coming out of the Carbon Farming Initiative.

Senator HEFFERNAN: A reasonable effort. I am a farmer and I must own up that I have a community of interest with farming. If I am a farmer and I am figuring out whether I will go into the compliance scheme or whether I will go into the voluntary scheme—and you would be aware that the voluntary scheme in most places on the planet has failed because it did not

get critical mass, and in the US it was \$1 a ton or something and was not trading. You understand that?

Ms Thompson: Yes, although I think that perhaps misses out a bit on some of the voluntary schemes that are actually doing quite well. One is the voluntary carbon standard, which I think is going pretty well in terms of the credits it is producing and the markets it is supplying. In fact they have been active in Australia recently too.

Senator HEFFERNAN: But are you willing to consider the fact that if the carbon price was struck at a trigger point it might be more profitable for a farmer to forget about the food task and just worry about the carbon task?

Ms Thompson: The analysis we have done so far indicates that you are probably unlikely to get tree planting in land that is very profitable for agricultural production because, as you point out, the economics of food production are probably more attractive to landholders than planting trees, particularly when you look at some of the design features of the Carbon Farming Initiative, which include things like the permanence obligation that will require landholders to—

Senator HEFFERNAN: One hundred years.

Ms Thompson: That is right. In addition we will have an additionality test that will require the activities to not already be in widespread use. That will have an impact as well.

Senator HEFFERNAN: With the trees and the 100-year commitment, is there an allowance for agri-inflation in that?

Ms Thompson: I am not quite sure what you mean by agri-inflation.

Senator HEFFERNAN: If you strike the price 'well south of \$40', whatever that means, and I participate and say 'Right, I'm going to grow those ridges over there with trees'—and you have some sharks of course coming into the market wanting to do it for you, which I advise people against. If the price is struck 'well south of \$40', what will the situation be in 25, 50, 75 or 100 years time in relation to my obligation and the well south of \$15 price for the carbon?

Ms Thompson: I think you are quite right. That is one of the things landholders will have to think very carefully about when they decide whether they want to be part of carbon farming. Part of the effort the government is pursuing at the moment is working with Landcare facilitators and others involved in the rural sector to ensure that landholders are very aware of the obligations they will be entering into when they are part of carbon farming.

Senator HEFFERNAN: But in terms of fair return on capital, \$1000 an acre today might be \$2000 in 20 years time and \$10,000 an acre in whenever. If I am still getting a price for my carbon sequestration based on \$1000 an acre for the country that would hardly work, would it?

Ms Thompson: I think the government has acknowledged that carbon farming is not going to be for everyone. It is a voluntary scheme. So people will have to look very carefully at the economic returns and the permanence obligation and then decide whether it stacks up for them.

Senator HEFFERNAN: But are you saying the carbon price return on the investment would not escalate for 100 years?

Ms Thompson: What would typically happen is that people would plant their trees or take the other abatement action that they take under the project on their land. The credits would be generated after the event, so after the trees have grown. Then of course that would be the return that they would get for that particular investment. You are quite right. When you start to look at having the land and those trees for 100 years then that is part of the calculations people will need to make to decide whether it is worthwhile for them.

Senator HEFFERNAN: I am trying to get you to answer—and I appreciate that you may not know—whether it will be a floating market. Will the price be market driven? Or will you contract at \$15 or \$25 a tonne and then plant the trees and cop that for 100 years?

Ms Thompson: I think that will depend a bit on the market arrangements people decide to enter into. The government's position is that the Carbon Farming Initiative and the credits would be linked to the carbon price mechanism. The government's position on that is that in the first years of the scheme there would be a fixed price, so everyone would know what the return for the Kyoto-eligible credits would be. But the government's position is that the scheme would then move to a cap and trade model and then of course the price would move around as trading schemes do. The question I think you are asking is what return a farmer would expect to get from the carbon credits from his particular investment. That will depend on when the trees grow and when he decides to sell his credits.

Senator HEFFERNAN: I will go to the voluntary scheme. If I decide to plant 2000 acres of lucerne for carbon sequestration and along comes Lennox Walker, as he did in 1954, and says 'By the way, at the turn of the century there's going to be a 10-year drought' and I cop a 10-year drought that is state wide and probably includes southern Queensland, all of New South Wales and most of Victoria, as has occurred in the last 10 years, and I am in the scheme and I get wiped out—the lucerne dies—I then get an account for the loss of the carbon.

Ms Thompson: There are a few elements there. The Carbon Farming Initiative has a number of features that attempt to reduce that risk for everyone. One of the features of the scheme is that if landholders decide, for example, that they would rather use the land for something else they retain the capacity to pay back the equivalent number of credits that they generated to the scheme administrator and then they are free to move into doing something else.

Senator HEFFERNAN: No, I understand that.

Ms Thompson: Yes, I was just about to move on to the arrangements to deal with the sorts of impacts that you are talking about.

Senator HEFFERNAN: Force majeure.

Ms Thompson: Yes—natural variation. The scheme also has a feature whereby there is what is called a risk of reversal buffer, which is set—

Senator HEFFERNAN: Five per cent.

Ms Thompson: That is quite right. That is partly to deal with the sorts of temporary losses of carbon that you would get as a result of that sort of phenomenon. We have also said that where a landholder loses the carbon on his land, the trees, from something like a drought or perhaps fire there is an obligation to restore the carbon on the land to what it was before the event—noting that in a number of cases that will simply mean allowing the trees to grow

back, because a lot of the vegetation that would be subject to projects will be native vegetation and naturally restoring—

Senator HEFFERNAN: In the voluntary scheme, though, it is more likely to be pastures and things of that nature, isn't it?

Ms Thompson: You would also get some non Kyoto-eligible revegetation. We are thinking that quite a lot of that—

Senator HEFFERNAN: To a thinking farmer who is fully informed—and the government is not fully informed yet on this—this is pretty scary. Having been burnt out twice and having sown some of the best pastures, deep-rooted perennial event based pasture to deal with the event based weather that has been predicted, we have been completely wiped out to the point where the top of the earth was just scorched. This was through some mug throwing cigarette out 20 miles away—and through she went. If I am participating and I get wiped out—and the five per cent variation is garbage: it is not going to help anything, especially if you have an east coast drought which you cannot average across the area if it is the whole of the state. I mean the state was 95 per cent in drought 2½ years ago. How would you make that work? How would I ever pay it back?

Ms Thompson: Your obligation as a landholder in that circumstance would be to essentially re-establish the vegetation—noting, as I said, that in some cases it will just be a matter of letting it grow back. What the five per cent risk of reversal buffer means—and note that it is scheme wide so it applies to everyone—is that five per cent of all the credits generated under the biosequestration projects of carbon farming will not actually be issued. That is the mechanism by which—

Senator HEFFERNAN: I understand that; that is the insurance.

Ms Thompson: Yes, that is right. It covers the period of time for the atmosphere between the natural event coming through and the trees growing back. Another feature of the scheme is an acknowledgement that landholders will want to take preventative action to manage the effects of bushfires. What we have said there is that where landholders are working in line with state and local government rules on bushfire management, we will not require those carbon credits to be paid back.

Senator HEFFERNAN: Can you say that again?

Ms Thompson: Where farmers are taking action to do things like create firebreaks to manage the risk of bushfire impacts on their properties, we are saying that is okay—we will not require those carbon credits to be paid back or the carbon to be re-established.

Senator HEFFERNAN: Who supervises a decision that I have firebreaks and my neighbour does not?

Ms Thompson: Responsibility for looking after fire management generally rests with the states. What I am trying to say that the carbon farming scheme—

Senator HEFFERNAN: It is getting worse.

Ms Thompson: has created some approaches to ensure that people can take that action without suffering a detriment.

Senator HEFFERNAN: I think that is flawed. Having been the emergency fire controller for southern New South Wales at one stage I can say that in a practical sense—I do not have

time to explain to you why now—there are a lot of vagaries in that. I will move on to saltbush. Saltbush country is a great root-based plant—bladder saltbush, not old man saltbush—and there are hundreds of thousands of acres of saltbush in the back country. I own up: I have some of it. But we have been wiped out twice. The saltbush has been denuded. The country has just gone denuded and back to blow-away species of bushes—poverty bush type things. Sometimes it has taken seven to 10 years to rejuvenate through nature. We are talking about 12-inch rainfall country. If I were participating in this scheme, where would that leave me?

Ms Thompson: I think the first thing you would need if you wanted to get credit for planting saltbush is a methodology to work out how you planned to do the measurement and so forth. Part of what we would require in the methodology is an averaging approach to the carbon credits that would deal with what we call this natural variation in terms of building up and losing biosequestration. The arrangements to deal with the problem you are identifying would need to be part of the methodology that is submitted to the domestic offsets integrity committee.

Senator HEFFERNAN: But at this point in time the government has no idea how that would work, does it? And that is fair enough.

Ms Thompson: I do not entirely agree with that analysis of the answer I have just given. I have said that it would need to be subject to a methodology. The government has set up a number of expert working groups to work with stakeholders and technical experts, including landholders, to find ways through these problems.

Senator HEFFERNAN: If I am doing event based deep-rooted pasture in a farming cycle—which lasts seven years and then you might go out to five years of long-term pasture—and I get burnt out and it takes seven years to get back to plant the pasture because of the farming cycle, will I be rested from the account that would be rendered if I do not?

Ms Thompson: I am not sure what you mean by 'rested from the account'.

Senator HEFFERNAN: You are saying that we will be given an opportunity to replant and not be billed for the loss of carbon.

Ms Thompson: So you are saying that in the event that your saltbush is subject to a natural event like drought—

Senator HEFFERNAN: Let us get off saltbush, because that is a different. I am talking about 24-inch rainfall now and things like lucerne, fescue, phalaris—those sorts of deep-rooted pastures. If we get wiped out—and I have been wiped out—and it takes seven years of bringing the country back to full production with that pasture for which I was claiming the credit, would I be rested from being rendered the account for the loss of carbon when it all got burnt?

Ms Thompson: What I have been trying to explain is that if you are taking management action to build carbon in your soil then part of what you would need to do in setting up the requirements of your project is to have a methodology that would explain first what action you would take to build the carbon in the first place, and second how you would propose to deal with the loss of carbon that is associated with the sorts of natural variability events like drought that you were just talking about.

Senator HEFFERNAN: That is fair enough. We will have to do this later. But you do not really have a model. You are asking the person who is applying to develop the model.

Ms Thompson: That is exactly right. The government has said that it will work with stakeholders—

Senator HEFFERNAN: So at this time it is a vagary. The committee wants me to shut me up. You have done well.

Ms Thompson: Thank you.

CHAIR: I think you have opened up a very interesting set of questions and I would like to ask some questions on this as well. Agricultural emissions have reduced quite significantly since 1990. Evidence that was given to the carbon farming initiative inquiry shows that it has declined by 50.5 per cent, or 112 million tonnes of CO₂, since 1990. Is that correct?

Ms Thompson: I am not quite with you. Are you talking about deforestation or—what activity are you referring to?

CHAIR: I think it is a range of activities generally in agriculture.

Ms Thompson: Are you referring to the national inventory? You are. The most recent figures for the inventory that I have show agricultural emissions have declined by three megatonnes, I believe, from 2008–09 to 2009–10. Is that what you are referring to?

CHAIR: Yes.

Ms Thompson: This, I understand, is because of a range of factors. But generally with respect to agriculture it has been the sector coming out of the impact of the drought. It is also usually informed by demand for agricultural commodities internationally.

CHAIR: Just so we are clear, the department says that it is currently estimated that the agriculture, forestry and fishing sector—for brevity the agricultural sector—is responsible for 109.8 megatonnes of CO₂ emissions or 19.5 per cent of total emissions in Australia. Is that correct?

Ms Thompson: Yes. That sounds like you are reading from the beginning of the consultation paper.

CHAIR: Yes.

Ms Thompson: I am sorry, I do not have that with me. But we might be able to take your question on noticed if that would assist.

CHAIR: Yes, thanks. Again from the department, *Deforestation and forestry emissions projections 2010*, which is one of your documents, says that emissions from the agriculture sector have declined by 50.5 per cent. That is 112 megatonnes of CO₂ since 1990, attributable to declining emissions from clearing of forest cover and increased carbon sequestration from afforestation and reforestation. I am not asking you to be exact but does that sound in the ballpark?

Ms Thompson: I think you are quoting from the 2010 projections document.

CHAIR: Yes.

Ms Thompson: I think my colleague Ms Wilkinson can assist you with that.

Ms Wilkinson: I do not have those figures in front of me but if you are quoting from—

CHAIR: I am quoting from evidence that we received. The point I want to make is that the agricultural sector produces a huge amount of carbon pollution and over the years has reduced that quite significantly. Would that be fair to say?

Ms Thompson: Are you talking about a projection of what we think may happen in the future, or are you asking about—

CHAIR: I am asking about what has happened in the past.

Mr Comley: I think the reason you might be at cross-purposes is that emissions from the agricultural sector, as they are measured and classified in international accounts, have not declined over that period. The big change is effectively in reduced deforestation. Broadly speaking, I think that in 1990 there were 144 megatonnes of emissions from deforestation and reforestation, and that has dropped to around 45 megatonnes. So that explains the whole difference. Whereas agricultural emissions, as Ms Thompson said before, have a bit of year-to-year variability, or in fact season-to-season variability with droughts et cetera, but have been relatively stable over that period.

CHAIR: The Howard government with Mr Turnbull as the environment minister had a carbon Farming Initiative, a green carbon initiative. Are you aware of that?

Ms Thompson: I think we would need to take that on notice. It may have been part of the direct action agenda—

Mr Comley: No; I think there was a small green carbon fund which was essentially looking at research and development issues. A similar fund was proposed—

CHAIR: I think that is right.

Mr Comley: as part of the CPRS negotiations, where around \$10 or \$20 million was put aside for soil carbon research and those sorts of things.

CHAIR: The point I want to try to get to is the potential of carbon sequestration—the technical potential and the actual potential. Ms Thompson, you gave evidence on that to the inquiry into the CFI bill. Are you in a position to take us to the difference between the technical and the actual potential?

Ms Thompson: Yes. We also answered a question on notice on that point. In fact, I think we were asked to clarify the difference between technical potential and actual abatement. One of the key points to note in that regard—and Mr Comley referred to this earlier—is that technical potential really refers to the carbon-carrying capacity of the land or the physical capacity of livestock to have their emissions reduced as a result of new change management practices or something of that ilk. The indications of technical potential are drawn, I think, most recently from the CSIRO report of 2009, and also there were some numbers in Professor Garnaut's update on the land sector. Those numbers tend to be quite large. This is because they reflect the physical carrying capacity of the land. They do not generally make judgments about what sort of carbon price or what other sorts of policy measures would need to be taken to deliver that sort of quantum of abatement. They are, in fact, in no way projections of what might occur; they are just talking about what you might be able to achieve if you did everything you could, often up to an unlimited carbon price, to achieve things. That is an attempt at an answer as to what technical potential means.

CHAIR: So the actual potential is much less than the technical potential.

Ms Thompson: That is correct.

CHAIR: And the department's estimate of the potential of the CFI bill is 15 megatonnes of CO₂; is that correct?

Ms Thompson: That was the estimate for the Kyoto-eligible abatement in 2020. I should note that it is a point estimate in 2020; it did not seek in that figure to quantify what you might be able to get each year on the way through.

CHAIR: There are a number of checks and balances in relation to integrity standards, additionality test and permanence. Can you briefly explain how these operate?

Ms Thompson: Certainly. The reason for all of this, as we attempted to outline for the Senate committee, is that the Carbon Farming Initiative was originally designed for the voluntary carbon market. Voluntary carbon markets have very stringent rules around environmental integrity. They include additionality, which is to say that for the voluntary carbon market there needs to be an assurance that the quantum of abatement would not have occurred automatically as a result of what would have happened in the sector anyway. So the CFI bills do include an additionality test. The approach we took in the end to the CFI additionality test was one of the things that was really enhanced as a result of consultation with stakeholders. Where we came to was the thought that we wanted to do away with the notion of economic additionality for individual projects, because what that meant was really trying to look into the hearts and minds of the people investing in the project and working out what their intention would be in response to other economic returns they might get from the project. It is a very difficult test to administer and it also makes it very difficult for landholders and others to pursue activities that might be profitable in their own right or in addition to the carbon price itself.

We settled on an approach known as the common practice test. What we are saying there is that activities to be considered additional under the Carbon Farming Initiative need to go beyond what farmers and others would be doing anyway on the ground in their sectors or in particular regions. The government has also advised that as part of the regulatory framework for carbon farming we will be preparing, in a regulation, a list of activities that we deem to meet the common practice test and are hence considered additional for the purposes of carbon farming. I think we are getting quite close to having an indicative list to use as the basis for consultation that we will be looking to make available publicly very soon. That is additionality. I am happy to go on and talk about permanence as well, although I note that my answer to Senator Heffernan detailed some of that requirement.

CHAIR: I am comfortable with that.

Senator BIRMINGHAM: There are two areas I want to cover. First, the Prime Minister, Minister Combet and others are keen to talk about the carbon pricing regime as applying to the 1,000 biggest polluters—that is their phrase—in Australia. Who are the 1,000, or what is the easiest way to find out who the 1,000 are?

Mr Comley: The best way to get some indication of who they are is to look at the people who are registered for NGERs, the national greenhouse and energy reporting system. Of course the usual caveat applies about whatever a final scheme design would look like, but that would be the principal place to look: who is registered for NGERs.

Senator BIRMINGHAM: As at 1 December 2010, the extract of the NGER register published on the department's website listed 777 corporations. Does that sound about right?

Mr Comley: That sounds broadly right.

Senator BIRMINGHAM: And one could reasonably assume from the parameters—the Prime Minister and Minister Combet keep repeating this 1,000 figure so we will assume it is pretty well settled—that these 777 are pretty much the highest emitting corporations in the country?

Mr Comley: No; there is an important distinction here which I should have made at the beginning. Under the national greenhouse and energy reporting system, firms that are listed are not only those that have direct emissions but also those that use a lot of energy. Under the proposal for the CPRS—as a comparison of how you run this liability—you would only have liability to be in the scheme if your direct emissions were above a certain level. For example, if you produced no direct emissions yourself but drew a lot of electricity from the grid, you could be liable to be an NGERS reporter, because that is relevant to how much energy, but you would not have been liable under the CPRS, because the only firm that was liable was the power station that provided you with electricity in the first place. So the set of firms likely to be liable under a carbon price, if the same design features were put in place, may in fact be smaller than under the national greenhouse and energy reporting system because you are not liable simply because of your energy use.

Senator BIRMINGHAM: Okay.

Ms Wilkinson: There is one other qualification. You can also be liable under the national energy reporting scheme at a corporate threshold if as a corporation all of your facilities add up to the threshold, which I think is 25 kilotonnes; whereas under the former Carbon Pollution Reduction Scheme liability was determined at a facility level and an individual facility had to meet the threshold in order to be liable. No corporate threshold was applied. Some entities that would be liable under the national energy reporting scheme because they meet the corporate threshold would not have any facilities that would meet the individual facility threshold.

Senator BIRMINGHAM: If the government does go with that threshold figure that seeks to include 1,000 facilities or thereabouts, would you expect a number of companies that are not currently NGERS reportees to have to be roped into becoming NGERS reportees?

Mr Comley: Maybe it is worth saying that to my knowledge the government has never had a policy objective of covering 1,000 firms. It is more that 1,000 is a round figure that captured roughly how many would be covered by the emissions threshold that was used under the CPRS, which was 25,000 tonnes of emissions per year. In fact, whilst we often use the round figure of 1,000, the number of firms that would be liable under a scheme with a 25,000-tonne threshold is likely to be significantly lower than that.

Senator BIRMINGHAM: Thank you. The other issue I want to touch on is the Climate Change Foundation campaign. There has been some redirection of budgeted funds there from the current year to 2011–12. Of the \$5.5 million expected to be spent in the current year, how much has already been spent?

Ms Sidhu: It may be very difficult to give you a very precise amount, because expenditure depends on when invoices come in, so while we have been engaging in some activity I think a lot of the invoices are yet to come.

Senator BIRMINGHAM: I am happy to accept that it will be an estimate for the time we are looking at.

Ms Sidhu: The figure I have is something under \$1 million—about \$946,000. But I do not have any precision about what that involves.

Senator BIRMINGHAM: So there is \$4 million or \$4.5 million still in the budget for the remainder of this year?

Ms Sidhu: I think some activities may have been undertaken which will have committed some of those funds but for which we have not received invoices.

Senator BIRMINGHAM: What activities have been undertaken to date, either concluded or still in progress, as part of the foundation campaign?

Ms Sidhu: There is some work on developing materials to launch online—developing content. There has also been work to develop partnerships or sponsorships for various activities which we expect to occur very shortly. They are the main areas of work at the moment.

Senator BIRMINGHAM: So the funds that have been expended to date have largely been on consultancies?

Ms Sidhu: Essentially consultancies. Think tanks, groups, various sources—but yes, largely they have been outsourced; they have not been done from the department. That is in line with the rules for expenditure of administered funds.

Senator BIRMINGHAM: Can you take me through those consultancies that have been undertaken as part of the foundation campaign to date?

Ms Sidhu: I do not have all the details in front of me but I am happy to provide that on notice.

Senator BIRMINGHAM: That would be great. You are managing the campaign, I assume, or overseeing the expenditure.

Ms Sidhu: Yes.

Senator BIRMINGHAM: Have the consultancies to date been market research type consulting, or—

Ms Sidhu: There have been a number of things. Obviously if one wants to gauge the effectiveness of—this is intended to be an information campaign. We have done some baseline research just to test where the community is at. Then we have undertaken consultancies to develop materials, as I said. Some of that has been done in house and some has been done through assistance from, for example, graphic designers and people who have expertise in putting material on websites. Another set of work has been around providing sponsorships or working in partnerships with non-government organisations or private organisations.

Senator BIRMINGHAM: Who has undertaken the baseline research that you have done?

Ms Sidhu: That would be Hall & Partners, Open Mind.

Senator BIRMINGHAM: Do you have a value for their consulting work at hand?

Ms Sidhu: I am afraid not.

Senator BIRMINGHAM: Have they provided the department with a single significant report, or is there a series of ongoing reports? Have they provided a benchmark and do they have a contract to provide ongoing reporting against that benchmark data? What is the nature of the work they have done or are still doing for the department?

Ms Sidhu: There is always a benchmark report that we start any of these processes on. But I am not sure how many reports we have done with respect to the information campaign dimension—whether there have been any others since then. I think there have been a couple of others since.

Senator BIRMINGHAM: If you could provide details on notice, that would also be welcome. Can you give us a flavour of the sorts of materials you are talking about developing under the campaign? You mentioned website content. Is there anything else under development?

Ms Sidhu: The usual range of things that you would put on: fact sheets on particular elements of the climate change story, specifically targeted material for schools, for example—those sorts of things.

Senator BIRMINGHAM: There is not a lot of the current financial year left and you still have \$4 million or \$4.5 million of this year's budget. What are the plans for the next five or six weeks?

Ms Sidhu: There has been a great deal of activity in the last few weeks. We anticipate that by the end of the financial year the vast bulk of that should be committed and therefore able to be expensed.

Senator BIRMINGHAM: On what?

Ms Sidhu: Essentially on the work of information and content development—this could be content that can be delivered as fact sheets, brochures or that sort of thing—and also on partnership arrangements that would allow third parties to develop further work for the department.

Senator BIRMINGHAM: Who has the bulk of this work that is currently happening? If you have only spent around \$1 million on the campaign to date there must be some fairly significant pieces of work that are being done, finalised and invoiced over this five- or six-week period.

Ms Sidhu: It is a range of entities. As I said, it is quite a wide range of work. Individual expenditures range from in the tens or low hundreds of thousands up to quite large amounts. A large number of activities have been put in train but they are all on a rather small scale individually.

Senator BIRMINGHAM: Are any aspects of a television campaign under development as part of the expenditure?

Ms Sidhu: In, I think, March this year the minister and the prime minister acknowledged that some work was being done to develop options for advertising campaigns but that no decision had yet been taken on advertising. That remains true. The work that has been done under this has essentially been exploring the kinds of communications messages that might be

useful. But the avenue for those messages has not yet been agreed or decided on by government.

Senator BIRMINGHAM: So the work you are doing in the current financial year in developing those materials could be applied to a television environment just as much as to the department's website?

Ms Sidhu: Yes, and that would be a matter for decision by the government.

Senator BIRMINGHAM: What types of partnerships or sponsorships are we talking about here? Are these investments in complementary television programs or the like? What is the arrangement?

Ms Sidhu: You will appreciate, Senator, that because some of these are still in the process of contract negotiations it would be rather difficult for me to be very precise about all of them. Answering in a general sense rather than any specific sense, the kinds of things we are talking about involve, for example, providing sponsorships to conferences that are already being organised by private sector entities. This is part of the business that we normally undertake in any case—providing support for conferences and events that private sector and non-government entities undertake to inform Australians or to gather expertise in one place about a particular issue. That is one type of thing. Another type of activity might include coordination of deliberative forums of people in various communities together with experts to help explain climate change. These are all low-level, small-scale community type engagement activities by and large.

Senator BIRMINGHAM: Aren't most of those things the types of activities that the Climate Commission is undertaking?

Ms Sidhu: Not exactly. In the design of the work to inform and educate the Australian community, the government has taken on a number of levels of work. The Climate Commission is essentially running large-scale public forums in different towns and communities. That is where the Climate Commissioner is presenting to and discussing with, say, a town hall meeting type forum. The deliberative forums we are talking about are rather small-scale groups of people—another phrase for it might be kitchen table discussions. They allows people to get better in-depth understanding of the issues in play or perhaps explore issues that they might have an interest in such as energy efficiency or how to maximise the efficiency of their energy use. Those are the sorts of activities that we are proposing.

Senator BIRMINGHAM: Senator Troeth will have a bit of spare time on her hands in a few weeks. If she wanted to run a bunch of kitchen table forums, could she apply to the department for funding?

CHAIR: I think that will be one of her priorities.

Senator Wong: That is really top of her list of things to do when she gets out of this place: a kitchen table forum.

Ms Sidhu: You would be very welcome, Senator Troeth. Obviously all of these things are assessed very carefully to see whether they align with the objectives of the activities.

Senator BIRMINGHAM: Who will be running these kitchen table forums?

Ms Sidhu: I could not name names but they would be significant and major well-known government, non-government or private sector entities.

Senator BIRMINGHAM: Yet they are going to be small-scale forums as against the comparison of the large-scale forums that the commission is running?

Ms Sidhu: Yes, but they will be much more widespread as well. They will run across Australia. These are all activities at different levels of engagement.

Senator BIRMINGHAM: Are you signing up partnerships at present to run these forums, or are you developing a model through which they might be delivered?

Ms Sidhu: We have been in distant discussions with a few proponents and we are in the process of signing that up at the moment.

Senator BIRMINGHAM: Are the proponents state government agencies? Are state education departments the type of body we are talking about?

Ms Sidhu: Not ordinarily but there is nothing that necessarily precludes or excludes them from applying. Essentially we are trying to reach people in the broader community. It would not necessarily be through, say, schools because it is not a school function; it is about informing and developing the community's understanding of the climate change issues.

Senator BIRMINGHAM: What is the budget for these forums?

Ms Sidhu: Overall over two years—it is not just for the forums, though; it is for the entirety of the activity—it is of the order of \$6 million over two financial years, about an 18-month period.

Senator BIRMINGHAM: Does the 'entirety of the activity' also include your sponsorships of—

Ms Sidhu: Yes, and information production and publication et cetera.

Senator BIRMINGHAM: So there is \$7 million or thereabouts for the more information or advertising type of campaign?

Ms Sidhu: Yes, although it will not necessarily end up in advertising. It will be materials that might be developed that could be used as videos on a website, for example. So it need not necessarily end up as an advertisement.

Senator BIRMINGHAM: Do you have a target for how many of these kitchen table forums you expect to hold?

Ms Sidhu: We would like to have a great deal of them, but we are starting off with a pilot scheme just to test whether or not they are effective.

CHAIR: If it is up to Senator Troeth, there will be one less than you would think.

Senator BIRMINGHAM: And \$6 million will hopefully fund a few kitchen table discussions.

Ms Sidhu: Can I be clear: \$6 million is not entirely for kitchen table discussions. I just mentioned that as an illustration of the types of activities we would run. Obviously, there would be a range of other activities.

Senator BIRMINGHAM: Do you have a further budget breakdown on what will be conference sponsorship versus where you expect to go in regard to the lower level community discussions?

Ms Sidhu: I can certainly provide that. We do not have a very precise breakdown. Essentially, it is a lump of funds. We have a series of criteria to apply and partnerships and

sponsorships fall into the same bucket. I could give you a high-level breakdown of costs, but I could not go line by line at this stage.

Senator BIRMINGHAM: The Climate Change Foundation Campaign funding was all allocated in last year's budget?

Ms Sidhu: That is right.

Senator BIRMINGHAM: So it has been with the department for some time. Have particular proposals been put forward to the minister or to cabinet for advertising campaigns or other specific campaigns in relation to the foundation that have not gone ahead?

Ms Sidhu: I would have to take that on notice. Some of this actually predates my understanding of the campaign as it currently stands. It has had a history, as you rightly say—it was intended to fund an information campaign in early 2010 to keep the community information going on climate change issues. Obviously, very little was done at that point because, soon after that decision was made, we moved into the election and that held things in abeyance for a while.

Senator BIRMINGHAM: I think you are being polite there, Ms Sidhu. I think around that time the CPRS was shelved and therefore probably the urgency for government to talk in that space vanished a little. You are not aware of any campaign proposals that were put forward to government, the minister, cabinet or the relevant approvals body of government for advertising campaigns that were subsequently rejected?

Ms Sidhu: From this foundation campaign?

Senator BIRMINGHAM: Yes.

Mr Comley: May I intervene. The reason I think Ms Sidhu is being careful is that typically we do not comment on decisions that cabinet has or has not made. It is true that cabinet has considered issues related to public engagement over the last year, but the point Ms Sidhu is making is that no final decision has been made on advertising by the cabinet.

Senator BIRMINGHAM: That does not quite go to the issue. However, I understand the cabinet issues and, in fact, if cabinet is sitting around deciding what the climate change advertising campaign is going to be then, obviously, that makes it a bit hard to get clear answers on what the decisions are, as against if the minister were making those determinations. Lastly, just to be clear—and I think you have already addressed this, Ms Sidhu—you have received no instructions from government at present about mediums may be used in regard to this campaign?

Ms Sidhu: I think I have answered that. The government has not made a decision as to whether it will proceed with advertising or use material in any other way at this point.

Senator BIRMINGHAM: And there are no current plans for mass mail campaigns either?

Ms Sidhu: At this point in time there is no decision on that either.

Senator BIRMINGHAM: Thank you.

Senator FISHER: Beyond the Climate Change Foundation Campaign, are we to understand that there are no plans under consideration for any other carbon tax advertising?

Senator Wong: She has answered that question.

Senator FISHER: I am just seeking clarification—

Senator Wong: No, it is not a clarification, with respect. It is a re-asking of the same question—

CHAIR: You are asking the same question.

Senator Wong: and Ms Sidhu has helped—

Senator FISHER: It is a clarification.

Senator Wong: No, it is not. She has answered that question.

Senator FISHER: So the answer is no?

Senator Wong: She has answered the question previously. We are not going to be here all night repeating it. Chair, I would ask you to deal with this issue.

CHAIR: Senator Fisher, it is very much the same question.

Senator IAN MACDONALD: Can I follow up on something that Ms Sidhu said to Senator Birmingham on what I could call the Judith Troeth kitchen forums. How it would work? Would someone—I will not use the name—apply to run a forum then receive some money to set up the forum and then have a discussion about the issue? Is that how it would work?

Ms Sidhu: It is a bit more formal than that. We receive proposals—and we do all the time—and we have a set of principles and guidelines against which we assess these proposals. Generally, it is not a single forum. We do gauge the reputability of the organisation that is proposing it and we put that through a fairly rigorous assessment process.

Senator IAN MACDONALD: So it would not just be individuals saying, 'I believe in this proposal. If the government gives me a thousand bucks, I am going to put on a morning tea and a couple of glasses of champagne and get my friends in'—

Ms Sidhu: It does not work like that.

Senator Wong: You clearly have more fun morning teas than I do, Senator Macdonald—glasses of champagne!

CHAIR: Maybe it is a Queensland thing.

Senator IAN MACDONALD: If the government were paying for them, I could put on a great morning tea.

Senator Wong: I think it probably is the sort of morning tea that Senator Troeth might want to have after she is out of this place.

Senator TROETH: I am becoming more interested as the topic goes on.

CHAIR: Maybe in North Queensland it would be Bundy.

Senator Wong: For morning tea?

Senator TROETH: We have to draw the line somewhere, Senator Cameron.

Senator IAN MACDONALD: So it is run by a community organisation—for example, the CWA could put on the morning tea? Is it that sort of organisation?

Ms Sidhu: In theory, yes. In practice, obviously there are a number of things that such a program would set out to achieve. We have all kinds of Commonwealth financial management rules that we need to meet and those involve a really clear explication of the

program's objectives. We have done so in this case. We assess the capability of the proponent to provide that program to a high quality and we assess the materials. Quite a bit of discussion goes into talking with the proponents about how they might run such programs, forums, discussions or other events.

Senator TROETH: So these are for facilitators or people like that who are at a fairly high professional level?

Ms Sidhu: Yes, these do not involve someone just coming up. These are fairly serious proposals.

Senator IAN MACDONALD: I understood from your response to Senator Birmingham's question that this is a mass community thing where everyone can get involved if they want to. But it is not—it is targeted at particular organisations that might have the wherewithal to do it and it would be facilitated by either professional facilitators or government officials?

Ms Sidhu: Or experts in the field. The idea is really that the government has a responsibility to reach Australians as far and widely as they can and we are trying to use this program to do that. One of the things we know is that there is an enormous desire to understand a lot more about the issue and it is difficult to do so in 20-second grabs. People do appreciate the opportunity to be given a bit of information and a chance to discuss the issue.

Senator IAN MACDONALD: I asked a question earlier about certain high-profile media commentators doing these Climate Commission gatherings. Is this the same sort of thing or on a different scale?

Ms Sidhu: Exactly. The Climate Commission has a very large remit. However, the commission is really six people and there is a limit to how far they can go, even though they in fact have quite an intense program of travelling around Australia to meet with communities. Essentially, the way to think about it is that the commission carries out these forums at a rather large scale—town hall forums in major regional centres or some urban centres—and those obviously require professional facilitation. What we are looking at is something at a slightly smaller scale and a more intense scale amongst communities.

Senator IAN MACDONALD: With the Climate Commission, is it intended to keep those programs going and keep paying high-profile media personalities \$3,800 a session? Is it intended that that will continue?

Ms Sidhu: For the present there is a plan for the commission to go out there. It was always envisaged as part of the commission's terms of reference and functions that it would conduct public forums, discuss matters with the community and cover off on issues of climate change science, international action and the economics of climate change. So, yes, there is an intention for them to continue doing that for the foreseeable future—certainly for the next few months. The commission, as you know, is not a short-term body. It has been set up and has funding over the forward estimates. It will undertake activities that will obviously develop over time.

Senator IAN MACDONALD: Can you on notice give me the cost of the forums that have been run to date, including the amounts paid to the presenters, travel costs for commission members who attend and the cost of the hall and a cup of tea afterwards or whatever they have? If possible, on notice can you give us an indication of their forward program—where these commission meetings are going to go?

Ms Sidhu: Yes.

Senator IAN MACDONALD: I am conscious that the department oversees the expenditure. Is it intended to continue using these high-profile, highly-paid—and good luck to them—media personalities to MC these forums?

Mr Comley: The department does sign off on whether it is appropriate expenditure of funding, but the commission does have a large degree of independence. If we saw a proposal for something that was clearly not seen as value for money then we would have to query the commission. Getting experienced facilitators is not a cheap thing to do in any circumstance, so if the commission wishes to continue to do that then I would not see the department turning around and saying, 'We think that is an inappropriate use of funds'.

Senator IAN MACDONALD: Experienced facilitators are one thing. I understand facilitating these days is almost a profession. That is a bit different to getting high-profile media people who might give to these sessions a perception that is not reality—it might give a perception that they or the organisation they normally work for actually supports the government's policy and political agenda.

Mr Comley: You may draw that inference; I would not. I think the skill of facilitating a large town hall meeting is something that is quite a difficult skill to come by, so that is what I think is useful. The other thing that is probably worth mentioning is that the climate change forums have all been televised live and some experience in the media is probably a good idea for those facilitators.

Senator IAN MACDONALD: Who is televising them?

Mr Comley: Sky and A-PAC have televised each of those live. ABC News 24, I think, has also televised them.

Senator IAN MACDONALD: Are they being paid to do that?

Mr Comley: No, that is just their decision, because they believe it is newsworthy.

Senator IAN MACDONALD: Watching a town hall forum?

Mr Comley: Believe it or not, I came home on a Thursday night and had the benefit of watching the town hall forum in Ipswich. It was the highlight of my day.

Senator BIRMINGHAM: Fear not, Senator Macdonald—greetings to our friends on A-PAC if they happen to be tuning in right now. Please go to bed at whatever time of night it is that you are watching this.

CHAIR: Senator Birmingham, I can assure you that it will probably get better the longer the day goes.

Mr Comley: I think it is a relevant consideration in terms of the cost-effectiveness of the forums. Obviously there are the direct communities they get to visit—and, I understand it, when they go they have a program of talking to members of the local community before the forum and trying to understand a few of the issues there—but it also has been broadcast through those channels, which means it has a broader reach than just the town hall itself.

Senator IAN MACDONALD: Some of the best-known propagandists in history would be green with envy at the sort of ability to propagate propaganda that this program is dealing with.

CHAIR: You had a go at that with Work Choices, I must say.

Senator IAN MACDONALD: Did we have community forums on Work Choices?

CHAIR: No, you were not game.

Senator IAN MACDONALD: How many turned up at the Ipswich meeting?

Mr Comley: Was it about 300 or 400?

Ms Sidhu: No, Ipswich was a bit smaller—I think it was about 150.

Senator IAN MACDONALD: So 150 turned up for a program that we are getting the cost of. I think from the top of my head the population of Ipswich would be about 90,000, so that is not a great deal of interest. But a lot of money is being spent to try to create interest in support of what is effectively a political policy program of the government. But that is not a matter for questions here—it is a matter for questions in the wider area, I guess.

CHAIR: I raised earlier that Senator Minchin described the Climate Commission as being populated by climate alarmists. Can anyone take us to the qualifications of the Climate Commission?

Senator IAN MACDONALD: Chair, if you read the Hansard from last estimates you will find all of the information there.

CHAIR: I am asking for it again. I want my memory refreshed.

Mr Comley: Professor Tim Flannery is the chief commissioner. He is one of Australia's leading writers on climate change and an internationally acclaimed scientist, explorer and conservationist. Professor Flannery was named Australian of the Year in 2007. Professor Flannery has held various academic positions, including professor at the University of Adelaide, director of the South Australian Museum in Adelaide, principal research scientist at the Australian Museum and visiting chair in Australian studies at Harvard University in the Department of Organismic and Evolutionary Biology.

Senator IAN MACDONALD: Does he really believe in telekinesis?

Mr Comley: I have not put that question to him.

Senator IAN MACDONALD: I put it on notice and I was hoping that someone might have answered it. But it was ignored.

Mr Comley: Mr Roger Beale AO is an economist and public policy expert and currently the executive director of economics and policy at PricewaterhouseCoopers. He is a former secretary of the Department of the Environment and Heritage and was a lead author of the United Nations Intergovernmental Panel on Climate Change Fourth Assessment Report. Mr Beale was made a Member of the Order of Australia in 1995 in recognition of his contribution to economic reform and was awarded the Centenary Medal for leadership of the Environment portfolio in 2001. In 2006 he was promoted to Officer of the Order of Australia in recognition of his contribution to the development of national environment policy.

Dr Susannah Elliott is a science communication expert and the chief executive officer of the Australian Science Media Centre—an independent, not-for-profit organisation that works with news media to inject evidence-based science into public discourse. She is also the current chair of the Expert Working Group on Science and the Media and initiator of the Inspiring Australia program. Dr Elliott's previous roles include the director of communications

for the International Geosphere-Biosphere Program in Stockholm and managing the Centre for Science Communication at the University of Technology.

Mr Gerry Hueston is a prominent businessman who recently retired as president of BP Australasia after a career with BP spanning 34 years in a variety of management and senior executive roles in New Zealand, Australia, Europe and the United Kingdom. Mr Hueston's previous roles include chairman of the Business Council Sustainable Growth Task Force, chairman and board member of the Australian Institute of Petroleum, board member of the Business Council of Australia and member of the Chairman's Panel of the Great Barrier Reef Foundation.

Professor Lesley Hughes is the head of the Department of Biological Sciences at Macquarie University and an expert on the impacts of climate change on species and ecosystems. She is the Australian representative on the United Nations Convention on Biological Diversity Ad Hoc Technical Expert Group on Biodiversity and Climate Change and co-convenor of the Terrestrial Biodiversity Adaptation Research Network. Professor Hughes was also a lead author of the IPCC Fourth Assessment Report and a member of the Expert Advisory Group on Climate Change and Biodiversity for the Australian Greenhouse Office and the department of climate change. Her research has been published extensively in peer-reviewed journals. Professor Will Steffen is a climate science expert and researcher and the executive director of the Australian National University Climate Change Institute in Canberra. He is on the panel of experts supporting Multi-Party Climate Change Committee and has also served as the science advisor to the Australian Department of Climate Change and Energy Efficiency. From 1998 to 2004, Professor Steffen served as executive director of the International Geosphere-Biosphere Program—an international network of scientists studying global and environmental change based in Stockholm. His research interests span a broad range within the fields of climate change and earth systems science, with an emphasis on sustainability, climate change and the earth system. He is the author of numerous publications on climate science.

CHAIR: Are you aware if any of these individuals have ever been accused of being climate change alarmists?

Mr Comley: I am not aware of those allegations. Perhaps I should read more widely.

CHAIR: Yes—maybe Senator Minchin's website. There is a science advisory panel. I do not need to go through everyone on the science advisory panel, but can you just give us a brief overview of what that science advisory panel does and how it was appointed?

Mr Comley: They were appointed for eminence in their field of climate science and other expertise. Essentially, they are there to form a reference panel for the Climate Commission so that, when the Climate Commission wants to enter the public debate, it can go to this eminent panel to say: 'Are you convinced that this is actually an accurate reflection of the current state of the science?' The science advisory panel has nine members on it with a range of expertise, so the committee has a touch point and can go and ask advice from that science panel.

CHAIR: And that science panel has a range of skills across all of the climate science, has it?

Mr Comley: They do. For example, Professor Matt England has expertise in global-scale ocean circulation and influence on regional climate. David Karoly is an expert in climate

variability and climate change, including interannual climate variations due to El Niño southern oscillation and weather extremes—

Senator FISHER: Excuse me, Chair, I thought you said you did not want—

CHAIR: I am pleased that Mr Comley is giving me those details. It is important, I think.

Senator FISHER: That is five minutes of our lives that we will never get back—with no disrespect, Mr Comley.

Senator IAN MACDONALD: It has all been done at previous estimates, Chair.

Senator FISHER: You can find it on the net.

Senator Wong: If that were a criterion for not answering questions, there would be quite a number of coalition senator questions we would not answer.

CHAIR: If we could not ask a question that was not in the *Australian*, you might have a bigger problem. Please continue, Mr Comley.

Mr Comley: Professor Andy Pitman has climate modelling expertise focusing on land surface. Professor Neville Smith has expertise in ocean and climate prediction. Professor Tony McMichael has expertise in the impacts of climate change on environmental conditions and human health. Dr Helen Cleugh has expertise in the dynamics of carbon, water and energy cycles in the Australian ecosystem and the effects of climate variability and change, especially the vulnerability of land-based carbon sinks. Dr Lisa Alexander has expertise in the changes in the frequency and/or severity of extreme climate events. Professor Brendan Mackey has expertise in ecosystem responses to climate change. Professor Neville Nicholls has expertise in climate change and weather impacts on agricultural and human health and ecosystems. That covers pretty well most of the field.

CHAIR: So they would be well published and peer reviewed in terms of their expertise, wouldn't they?

Mr Comley: Yes.

Senator IAN MACDONALD: Of those you mention, could you list for us—on notice, of course—the extent of grants that each one has received over—let us be reasonable—say the last three years for research grants into climate change. That includes both the board and the advisory panel. I venture to suggest that all of them—I do not know this, but I would guess—would have been the recipients of a huge number of grants from governments for research into climate change. Perhaps you could take that on notice.

Senator Wong: What is the implication, Senator?

Senator IAN MACDONALD: There is no implication. I am simply seeking facts, Minister, as we are supposed to do in these committee hearings.

CHAIR: Just on that point, Mr Comley, can you take on notice and advise us about any grants that were received from the Howard government if that is available?

Mr Comley: I will take on notice both questions. I am assuming you mean a longer time frame rather than necessarily going back 15 years. I would be very surprised if this group, with this level of eminence, had not received quite a few grants. As you know, through the academic process, successfully achieving competitive grants through the ARC process and the like is actually one of the markers of whether your work is well regarded. So, if we do in fact

turn up very long list of grants, that would be good evidence of the quality of the people in terms of their capacity to attract competitive grant processes.

Senator IAN MACDONALD: It would also indicate that they have a particular interest in this climate change science and research into it—

CHAIR: Given that they are climate change scientists, it is not surprising.

Senator IAN MACDONALD: because it attracts funding. I restricted it to three years in deference to the department's workload, but I am more than happy to go back as long as you like if Senator Cameron wants that. It simply reinforces the point.

CHAIR: I am simply asking Mr Comley for something within reason; I am not wanting to divert huge amounts of resources of the department or these eminent professors themselves.

Senator IAN MACDONALD: The information is there, because I once got it—not particularly in relation to those but in relation to grants generally—so it is easily come by. As I mentioned before, I did ask on notice a question about the chairman of the Climate Commission appointed by this government. Just by way of explanation, I mention that telekinesis is psychokinesis—the power to move something by thinking about it, without the application of physical force. I pointed out to you that, in the first edition of Professor Flannery's book *The Weather Makers: The History and Future Impact of Climate Change*, he was indicating that civilisation is telekinetic. That phrase disappeared from subsequent editions of that book, I might say. I am asking, as I did on notice, whether the minister believes that acceptance of that theory—that is, that you can move something by thinking about it without the application of physical force—was appropriate for a person selected by the government to lead the Climate Commission. I do not think the answer I got from the minister actually made reference to that. So perhaps I can ask that again.

Senator Wong: I do not have anything to add to the minister's answer.

Senator IAN MACDONALD: I am asking if it could be put to the minister to answer the question I put on notice. It has not been answered, so perhaps the minister could refer to it on notice in future. I am not sure whether it was heard in the hubbub, but on notice can I ask the department to advise how the salary being paid to Professor Flannery for three days work a week compares with the salary paid to his minister, who works seven days a week.

Mr Comley: We will take that on notice.

Senator IAN MACDONALD: You did say that you accept that Professor Flannery had no conflict of interest—that the department was satisfied that nothing he was doing created a conflict of interest?

Mr Comley: Yes.

CHAIR: I understand that what Professor Flannery called atmosphere telekinesis is regional climatic disruptions that can happen that can have global consequences. So maybe it is in that context and he is not sitting around trying to move objects by the power of his thought. Maybe that could be clarified.

Senator BIRMINGHAM: Perhaps we could apply telekinesis to the ORER and bring them to the table.

Senator FISHER: What information and secretariat type support does the department provide to the Climate Commission?

Ms Sidhu: The Climate Commission is supported by a secretariat based in the Department of Climate Change and Energy Efficiency. That support consists essentially of six staff: five full-time ongoing staff and one full-time non-ongoing staff member. Costs for the secretariat are absorbed by the department and are around \$500,000 for the year. Obviously the costs for this financial year will be somewhat less because the commission only began its work in February or March. The support that the secretariat provides is largely in the context of logistic and other support. It includes helping to organise the various events of the Climate Commission and manage their programs when they visit parts of Australia; supporting meetings of the commissioners and roundtables; providing support for, for example, the publication of the Climate Commission science document; and providing support for the Climate Commission website.

Senator FISHER: Who decides where the commission will have the public meetings and when?

Ms Sidhu: The commission itself makes that decision. The commissioners meet regularly either by telephone or in person and they have made those decisions themselves. They have obviously consulted sometimes with various state governments as to—

Senator FISHER: Do they consult with your department?

Ms Sidhu: Obviously a conversation with the department occurs. The conversations essentially go round the department making providing options or suggestions. But generally speaking these are decisions and often suggestions made by the commissioners themselves—ultimately the decisions of the commission.

Senator FISHER: How is it decided who will host public forums of the commission?

Ms Sidhu: The department has outsourced that work. Managing an event in a regional area is a very difficult thing to do for staffing from Canberra. So a lot of that has been outsourced to an events management company. It is the events management company, I understand, that proposes the MC arrangements.

Senator FISHER: Is there anything in the outsourcing contract, which I understand is between the department and the events manager, talking about the choice of host?

Ms Sidhu: I do not think there is any specification on the choice of host. I can take that on notice to be absolutely sure.

Senator FISHER: Thank you. Is there anything in the contract that talks about consultation with the department prior to proceeding with an event?

Ms Sidhu: I would have to take that on notice again.

Senator FISHER: All right. When you say an events management company is contracted to do 'that', what is 'that', given that you earlier said, if I understood you correctly, that the Climate Commission itself decides what public meetings to hold et cetera? Does the events company do the mechanics—the machinery—once that is determined?

Ms Sidhu: Precisely. Once the town is selected, the departments role, if you want to have a distinction, is essentially to liaise at the official level. You cannot just roll into town without least letting the local government know or something like that. The events company actually manages the event itself.

Senator FISHER: So once a decision is made about what public event to hold, where to hold it, the date on which to hold it, the format and the host, is the department notified of that prior to the event occurring?

Ms Sidhu: The commission does not decide and nor does the department decide who the host will be—just to be clear about your list. But the commission will decide—the secretariat is present at the commission's meetings where these decisions are taken. The secretariat generally has to carry out the actions and decisions made by the commission, so obviously the department is notified from that perspective.

Senator FISHER: So through that mechanism of the secretariat, the department becomes aware in advance of public forums and the details thereof?

Ms Sidhu: The department is aware of the dates and likely locations of those forums. The precise locations occasionally will change at the last moment depending on logistics and other practical considerations.

Senator FISHER: What about details as to host? Is the secretariat also privy to that?

Ms Sidhu: That generally occurs after the events company, as part of the whole process of locating, for example, the appropriate venue—the host and all of those arrangements fall to the events company to organise.

Senator FISHER: Does the events company not then consult back with the Climate Commission so they know who is going to be the talking head fronting their public occasion?

Ms Sidhu: It informs the department; the secretariat is aware. The secretariat is essentially the link between all of these elements.

Senator FISHER: So the department also becomes aware in advance of the hosts of these various public events of the Climate Commission?

Ms Sidhu: Yes, that is true.

Senator FISHER: I understand that Mr Tony Eastley from the ABC hosted a public meeting of the Climate Commission in Port Macquarie during April. He introduced speakers and invited speakers and questions from the floor. Did the department express a view on the choice of Mr Eastley as the presenter?

Ms Sidhu: No. To be clear, the department has not expressed a view on any of the other presenters who have been appointed either.

Senator FISHER: Is the department aware of whether Mr Eastley was paid for the public forums, potentially plural, of the Climate Commission which he hosted?

Ms Sidhu: Just going back, the decision on who will emcee a particular forum is generally made in the context of the arrangements for that particular forum. I think there is a bit of a suggestion that there is an ongoing arrangement or engagement. This was clearly a one-off with Mr Eastley, as it has been with each of the other facilitators so far. There is no ongoing arrangement between the government and any of the facilitators.

Senator FISHER: So was he paid?

Ms Sidhu: Yes, in line with standard practice and in line with the practice that we have put in place with all of the other facilitators.

Senator FISHER: What are you able to tell us, if anything, about that payment? What is the standard payment?

Ms Sidhu: So far we have had a number of facilitators. We have had Robert Gell, a Ten Network weatherman, who facilitated in Geelong; Lisa Backhouse, a newsreader from Nine Network, who facilitated in Ipswich; Tony Eastley in Port Macquarie; and most recently Jillian Whiting, a journalist who has occasionally worked for Channel 7, who facilitated in Mackay on Friday last week, on the 20th. The standard fee under the arrangements that we have in place is about \$3800 per appearance. I mentioned that before. There was no distinction between Mr Eastley's arrangements and others.

CHAIR: Let us come back to some of the real issues that the Climate Commission is dealing with. In its report—

CHAIR: Mr Comley, can you take notice to give us some advice in relation to the nine bleaching events and the implications for the Great Barrier Reef? You do not have to do it now; I am happy for you to take it on notice.

Mr Comley: Okay, I will take that on notice.

CHAIR: Thank you.

Office of the Renewable Energy Regulator

[17:42]

CHAIR: Mr Livingston, do you have an opening statement?

Mr Livingston: I do not.

CHAIR: We will go straight to questions.

Senator BIRMINGHAM: Mr Livingston, good to see you; thank you for joining us. Can you tell us the number of STCs that have been generated since we went into a split system of renewable energy certificates and how that has compared with estimates to date?

Mr Livingston: It changes every minute, so we are—

Mr Rathore: The number of STCs that have been created since January this year is just over 18 million. As Mr Livingston mentioned, the number of certificates created in a day is quite large, so from the time we extracted this data until now there will be more.

Senator BIRMINGHAM: I appreciate that. What were ORER's estimates for either the first six months of this year or the year in total?

Mr Rathore: In setting up the small technology percentage, we estimated in last November that there will be 28 million certificates created in 2011.

Senator BIRMINGHAM: I am assuming you expect that the 28 million will be easily reached if, not potentially exceeded, if more than 18 million have been generated by some time in May.

Mr Livingston: We put a number on our website for the 2012 estimate, as we are required to. That estimate is 31 million, which comprises 24.7 of base estimates and 6.3 of overhang from this year, so you add 6.3 to 28 and our current estimate is about 34 million STCs for 2011. But since we did that there have been a number of changes to feed-in tariffs in WA and New South Wales, changes to the multiplier and changes to the Australian dollar, so we will re-estimate that towards the end of the year.

Senator BIRMINGHAM: At this stage you are not providing any updates as a result of those various policy changes at a state and federal level?

Mr Livingston: It is a bit too early, I think. They are still moving.

Senator BIRMINGHAM: It is a bit of a moving feast for all involved. We did hear some evidence about this earlier today, but could you put on the record what the price impact of this has been. What is the current market value that you are aware of for STCs?

Mr Livingston: We do not track it but we do look at a number of the websites that do. The price tracked up towards about \$39.50 towards late March. Then the market realised that there was probably more supply than they thought and it went down to the mid-20s, and then when the multiplier was reduced from 5 to 3 it rose to about \$27. I think it is down around \$25 today. It does move around.

Senator BIRMINGHAM: How many certificates have been cleared through the clearing house to date?

Mr Livingston: At the surrender we had on the first quarter about 10 per cent were cleared through the clearing house. The majority went through private sales. The exact number is 117,505 cleared through the clearing house. We had 17 buy orders but seven of those were really tests; we asked people to test it. There were 10 real buy orders. So of that 117,505 there were 10 purchases which were valid.

Senator BIRMINGHAM: Then real buyers out of—how many entities have to be redeemed—

Mr Livingston: There were about 80 liable entities.

Senator BIRMINGHAM: Out of about 80 liable entities.

Mr Livingston: Some liable entities would have done from the clearing house and some from their own accounts.

Senator BIRMINGHAM: What is the oldest certificate you currently have on the clearing house list?

Mr Livingston: There is a February one. I do not know what date it is but they clear from the top. The ones in January all cleared but some of the February ones did not clear.

Senator BIRMINGHAM: So there are still some from February. So it is running at present with about a four- or five- month clearance rate?

Mr Livingston: The numbers are 45,000 from February, 121,000 from March, 575,000 from April, 604,000 from May, and a total of 1.3 million in there. So people are now lodging them faster than they did early on. So to say how long the clearing rate is—I do not think we can make that judgement.

Senator BIRMINGHAM: So it might be longer than four or five months.

Mr Livingston: That is right.

Senator BIRMINGHAM: Are you aware of any incidents where companies are buying certificates on the market at a low price and placing them on the clearing house site at the \$40 price?

Mr Livingston: There are some firms that have bought them at below market and lodged them in the clearing house.

Senator BIRMINGHAM: And there is nothing that prevents firms from doing that?

Mr Livingston: No.

Senator BIRMINGHAM: Do have an idea of to what extent this has occurred?

Mr Livingston: We know it has occurred—

Mr Rathore: We can only give you a rough estimate. About 10 to 12 companies are trying to resell. But we are happy to take that on notice and give you some exact numbers.

Senator BIRMINGHAM: I assume that when someone lodges a certificate with the clearing house you know whether they are the company that has generated the certificate or whether they are a third-party that has come into possession of the certificate.

Mr Livingston: We know who the buyers and sellers are; that is correct. To go in the clearing house you must first become a registered person with ORER and go through proof of identity checks. Before you can use the clearing house you have to pass the proof of identity checks, so we know who the buyers are.

Senator BIRMINGHAM: You are aware of 10 to 12 companies. Do you have an estimate as to how many certificates they are currently trading in?

Mr Rathore: We do not have those numbers in front of us. We are happy to take it on notice.

Senator BIRMINGHAM: Okay. Obviously for those that can afford to it is potentially not a bad return if you can buy in the mid-20s and wait, even if it is a bit more than four to five months, and sell at \$40. You would have to be pretty happy with that return.

Mr Livingston: There is a carrying cost and there is some sovereign risk involved. The minister can change the \$40-odd price. So it is a choice you make.

Senator BIRMINGHAM: Is the government happy that the market is working in that regard? Minister, do you have any concerns? You are as informed on how the RET works as anybody in this place.

Senator Wong: I am not sure any more, Senator. I have some been somewhat focused on the budget. It is the case, as you know, that a number of changes were negotiated with your party and, I think, others; but I defer to Mr Comley on this.

Mr Comley: From a policy perspective the additional increase in small-scale RECs beyond what was expected is what contributed to the government's policy decision on the solar multiplier. Independently of that, as Mr Livingston mentioned, a number of state schemes that have become less generous. But, as a general point on the policy point of view, having intermediaries in the market prepared to purchase small-scale RECs holds the price up higher than it otherwise would be. Essentially you have someone who is prepared or has the capacity to take it on their balance sheet, facilitating a cash flow to someone who is very keen to have the money now. So from a policy perspective it is not too problematic. What is interesting is the depth of that discount. Even allowing for the holding costs that you are talking about, it is surprising that the certificate price has stayed that low.

Senator BIRMINGHAM: It is a business opportunity that perhaps has not been realised as widely as it could have been.

Mr Comley: We were having a meeting in the department and I thought it was a pretty attractive proposition but my staff advised me that I should not enter the market.

Senator BIRMINGHAM: That was probably sound advice on their part, Mr Comley. My staff occasionally give me such sound advice too. Are the 10 to 12 companies that are undertaking the practice at present also companies that are involved in the creation of RECs or STCs, or not?

Mr Rathore: From my knowledge, some of them could be. There are liable entities that are also in the business of creating STCs. For example, the big retailers are also involved in solar water heaters and photovoltaics. So I would not be surprised if they were actually creating STCs and offering them for sale in the clearing house after using some of them to meet their liabilities.

Senator BIRMINGHAM: But from what you have said, Mr Rathore, some of the liable entities are in fact the ones who are buying more than they need in the market at present and are putting them on the clearing house site, and presumably will make the judgement call themselves when the next redemption period comes along. If they still have not sold them through the clearing house they can decide to redeem them instead.

Mr Rathore: That is true. I think they are in a better position than the installers, who are trying to get their money and are not able to have their certificates in the clearing house for a longer period. The cash flow is a problem for small installers compared to the bigger liable entities, who can create certificates, meet their liability and use some of them to get a better price in the clearing house after a bit of wait time.

Senator BIRMINGHAM: Amongst those 10 to 12 are there simply traders, for want of a better word—people who are neither liable entities nor creators of certificates?

Mr Rathore: I think it is a mix of both. There is no such thing as a pure retailer or a pure installer. They are in the business of almost everything.

Mr Livingston: I think the two biggest trades were liable entities who chose to use the clearing house rather than go to the trouble of purchasing them from the market.

Senator BIRMINGHAM: I am just trying to ascertain, with regard to those who are stockpiling certificates as such—

Mr Livingston: There are some doing that; that is correct.

Senator BIRMINGHAM: Of those 10 to 12 companies involved in the stockpiling, I gather some are liable entities and I assume some of them are traders who are neither liable entities nor small companies creating certificates.

Mr Livingston: There is one company there that is a trading entity.

Senator BIRMINGHAM: They would be like Mr Comley had he not taken his staff's advice?

Mr Livingston: That is right. They obviously had some spare cash on them.

Senator BIRMINGHAM: I will turn to issues of inspection. How many inspections of small-scale solar installations has ORER caused to have undertaken?

Mr Livingston: There are two tranches. We commissioned about 330 from the CEC last year. That was the first tranche of inspections. They did not involve unbolting things. We

have now begun the inspections which were legislated by the parliament last year. We have let tenders to three firms and they are now, as we speak, inspecting places. We have the numbers here.

Mr Rathore: The number of inspections planned for the financial year 2011–12 is just over 3000, and for the next financial year it is just over 2000. Then it stays around that mark. The tenders have been signed. These three companies have started the inspections. We have not received any results. We are expecting some results to be available in the next few months.

Senator BIRMINGHAM: Mr Livingston, I am sure you would have seen reports in the weekend press that suggested that some companies that had been involved in the home insulation scheme were likewise involved in providing solar installations. Is there a targeting in some way of how inspections are being undertaken?

Mr Livingston: The inspections which are done by legislation are random. That is what the Act requires them to be. But outside that we have our own validation, compliance and enforcement area and we do targeted inspections and visits as part of that. So if we see patterns of behaviour or anomalies in the data we will do some sort of inspection around that—some sort of client visit. We might issue a monitoring warrant and so on. So we do target particular firms.

Senator BIRMINGHAM: Are you aware of whether you have targeted any of the firms that have a history in the previous government scheme?

Mr Livingston: I do not know at this stage. I saw the list in the *Australian* of those firms. We checked those names to see if any were involved in our scheme. None of them had created any STCs in our scheme, and most of the firms mentioned were not in our scheme. Two of them we are aware of—they have the same name—but they were not agents so they had not created any STCs. I do not know where that leads.

Senator BIRMINGHAM: It seems strange for somebody to be installing small-scale solar systems and not creating STCs.

Mr Livingston: They may just be an installer and they may work for an agent. There may be an agent layer. There are installers, agents—

Senator BIRMINGHAM: And that of course probably creates another challenge for you in relation to knowing exactly who is involved in the delivery of the service.

Mr Livingston: To be an installer you must be CEC accredited and you must be a licensed electrician, so there are a number of checks and balances on that. Then when the agent creates the STCs we have some checks on that as well. Where we have found things to be incorrect we have issued enforcement undertakings to fix the situation.

Senator BIRMINGHAM: I turn to your own compliance inspection regimes and actions that you have taken. Can you give us a quick summary of the number of problems that have been identified and the number of certificates that they relate to, to date?

Mr Livingston: To date we have done 143 site visits to various sites. We have done 12,377 pre-valuation checks. We have done 27 outreach visits. Seven warrants have been executed. We have done 53 compliance visits and issued nine enforceable undertakings, which are on our website.

Senator BIRMINGHAM: Nine enforceable undertakings. I did not quite catch whether you gave me a number of certificates in that regard.

Mr Livingston: I did not give the number of certificates but we had that before. I think it was about 18 million. These are visits though; these are—

Senator BIRMINGHAM: Sorry; I was trying to get an understanding of the number of certificates relating to jobs where you have identified problems. Have there been certificates that you have invalidated, and how many?

Mr Livingston: I think we are invalidating at about five per cent, typically. But many of those come back again. Often it is bad paperwork or wrong numbers or they have things incorrect. So we will fail them, they will fix their problems and then they will come back. The number that are failed and do not get recreated is very small.

Senator BIRMINGHAM: The nine enforceable undertakings—have any firms had their licence or their registration revoked?

Mr Livingston: No. With all of the nine enforceable undertakings the people have either done the required undertaking or will shortly. We have not revoked any licences on the basis of that yet.

Senator BIRMINGHAM: Nor on any other basis?

Mr Livingston: No.

CHAIR: That was your last question, Senator Birmingham. Thank you.

Department of Climate Change and Energy Efficiency

Proceedings suspended from 18:03 to 19:04

CHAIR: I now call officers from the department in relation to program 1.2, Improving Australia's energy efficiency, and I invite questions from senators.

Senator FISHER: How many claims submitted to the government by installers who installed insulation under the home insulation program have not yet been paid? How many claims are outstanding? I presume that the number of claims will equate with the number of homes in respect of which that insulation was supposedly laid. What is the latest?

Mr Bowles: That is correct. There are approximately 20,000 claims that we are holding for compliance checking; some of which we may at some stage refer on for further investigation. There will be a small number of other claims where we have found some difficulty in deciphering what the claim is, and we are talking with the installers, if we can find them; otherwise we just keep trying to sort those out. There are a small number of those. The main bulk is the 20,000 in that other category.

Senator FISHER: Sorry, what was the small amount?

Mr Bowles: Ones that we cannot decipher; ones we talked about before.

Senator FISHER: So are there 50 or 100 like that?

Mr Bowles: There may be some hundreds to maybe over 1,000, something like that.

Senator FISHER: Simply indecipherable?

Mr Bowles: A lot of them are indecipherable. Some of them were duplicate payments. We keep going back to the installers, trying to work out if it is a valid claim. If it is, we then either pay them or we do the compliance checking.

Senator FISHER: So the vast bulk to which you have referred, the 20,000 or so—there are 20,000 claims still hanging, so 20,000 homes. How many installers does that involve?

Mr Bowles: Off the top of my head, it is probably around 800 or 900.

Senator FISHER: What is the total amount which, were those claims valid, would be outstanding?

Mr Bowles: Approximately \$24.5 million.

Senator FISHER: So what does that average out at per installer?

Mr Bowles: Marginally over \$1,000. That would be \$24 million divided by 20,000.

Senator FISHER: That is per house but not necessarily per installer.

Mr Bowles: Sorry. Per installer, it will vary from as low as one to as many as hundreds, possibly. I could not be definitive about that at the moment. But, as you would imagine, some installers did very few and some did quite a large number.

Senator FISHER: I presume you are aware of the story in the *Advertiser* from 7 May in which it was alleged that companies say they are owed between \$18,000 and \$60,000?

Mr Bowles: Yes, I am aware of that story.

Senator FISHER: What can you tell me about the allegations made in that story. What can you tell me in particular about the company that was named in there, Cool or Cosy Natural Insulation, which claims it is owed more than \$100,000 for jobs done more than two years ago?

Mr Bowles: We are investigating those issues. As I said, the majority of our claims that we are having issues with are in that non-compliant category. I am not saying that these ones actually fit into that, but some of them may. We will investigate all those issues and deal with that company as we have in the past.

Senator FISHER: What is your time frame for resolving the issue? Mr Morelli, the proprietor of that company, if he is quoted correctly, says, for example, that companies are getting letters from the ATO saying, 'Don't forget to declare your income from the home insulation program,' whereas some of them have not got any or certainly have not got all the income they think they are entitled to. Not only that; they have outlaid GST on money they have not got yet. They have bought stock, much of which they say lies idle in their backyard or in storage somewhere. And they have paid staff. So, for example, what is your target time line to resolve Mr Morelli's and Cool or Cosy's claims?

Mr Bowles: A lot of it will depend on where they fit in the compliance regime, and we will continue to look at all of those issues. My understanding is that we have written to that particular installer, in about September last year, asking for more detail on a range of their claims.

Senator FISHER: Can you get back to the committee on notice about, for example, Cool or Cosy's claims, because there is no mention of correspondence from the department in the article. That does not necessarily mean it did not happen of course.

Mr Bowles: That is correct. As I said, we wrote to Cool and Cosy in September last year, I think it was, asking them to clarify a range of issues. We are still trying to deal with that. I am happy, once we clarify the situation with Cool and Cosy, to provide this committee with the advice on where it lands.

Senator FISHER: Thank you. If it is not resolved by the next time this committee meets for estimates, you might give a status report.

Mr Bowles: Yes, I will definitely do that.

Senator FISHER: What of the suggestion made in the same article that groups of businesses were considering a class action against the government? Do you know anything about that?

Mr Bowles: I do not make a habit of making too much comment about legal claims, except to say that we have no class action on the books. There is one claim that has called itself a class action, but that has not been submitted in any formal way at this particular point.

Senator FISHER: When you say 'there is one claim that calls itself a class action that has not been submitted'—calls itself that where?

Mr Bowles: There is a whole series of draft documents that we are aware of and I am just trying to think of the name of the group. It was called the demand group. Schwab lawyers are acting on their behalf but the Commonwealth has denied liability at this point and we are waiting on further detail.

Senator FISHER: So you have had correspondence from Schwab lawyers acting on behalf of this group?

Mr Bowles: That is correct.

Senator FISHER: Are you able to provide the committee with a copy of the correspondence?

Mr Bowles: While we are deciding issues around legal issues I would prefer not to.

Senator FISHER: Whom does Schwab lawyers purport to represent?

Mr Bowles: It is a group of installers under the banner 'Demand Group'.

Senator FISHER: So they are installers. Are you able to inform the committee how many installers are supposedly in that group? Where they operated from? Did they install in one state or a number of states?

Mr Bowles: I believe it is around 50.

Senator FISHER: Around 50 installers?

Mr Bowles: Yes.

Senator FISHER: Operating where?

Mr Bowles: I do not know.

Senator FISHER: What has been the duration of the exchanges between Schwab lawyers and the department? When did they start? How many exchanges have you had? Have you responded in writing?

Mr Bowles: We met with them at one stage in the middle of April. So it has probably been a couple of months, maybe.

Senator FISHER: So Schwab lawyers first contacted you a couple of months ago?

Mr Bowles: I do not have the specific date that they started but we did meet with them on 12 April.

Senator FISHER: If you could, on notice, tell the committee when that action first commenced?

Mr Bowles: Sorry, Senator, it is not an action at this stage.

Senator FISHER: When you first became aware that Schwab lawyers was acting for that group and exchanges commenced.

CHAIR: On this question of Demand Group: they seem to have a head office in Chatswood, New South Wales. They seem to be a franchise organisation. It is not a whole group of people from disparate companies. The Demand Group is a company.

Mr Bowles: That is correct, as I understand it.

CHAIR: It looks like franchisees.

Mr Bowles: I do not know the specifics, whether they are franchisees. I do know that this group represents about 50-odd installers. I would have to check specifically.

Senator FISHER: Sorry, Mr Schwab does? Or the group does?

Mr Bowles: The Demand Group.

Senator FISHER: And Schwab lawyers are representing Demand Group or those 50 individuals?

Mr Bowles: They are called Demand Group that they are representing.

CHAIR: It is a company with a head office in Sydney.

Mr Bowles: Yes.

CHAIR: I thought for a minute it was some disparate group.

Mr Bowles: No, it is not a disparate group. They are a group of installers under that company.

Senator FISHER: So far as you are aware, in respect of what are their claims? Unpaid claims? Or something different?

Mr Bowles: I am not aware of the specific detail other than that it is in relation to the home insulation program and the early termination of that.

Senator FISHER: You had one meeting with Schwab lawyers so you must be aware to some extent the nature of the claim.

Mr Bowles: I personally am not aware of what happened, because I did not attend that meeting.

Senator FISHER: Who did?

Mr Bowles: I believe it was the department's general counsel on my behalf.

Senator FISHER: So do you have an officer available here who can find out?

Mr Bowles: No, I do not.

Senator FISHER: We are on this outcome until 10 o'clock less the tea break.

Mr Bowles: It is in relation to the early termination of the program.

Senator FISHER: So presumably some sort of contractual damages due to early termination.

Mr Bowles: Legal cases for the Commonwealth are managed by Comcover, which is under the Department of Finance and Deregulation. So you could ask them about how they manage some of these things. We have a close relationship with them but Comcover are the ones that manage the claims on our behalf. I generally have someone present when we meet and my recollection is that it was the department's General Counsel on my behalf at that meeting.

Senator FISHER: Be that as it may, I am asking for the general nature of the claim.

Mr Bowles: And I said: the general nature is in relation to the early termination of the program.

Senator FISHER: Beyond Demand Group, are you aware of any other claims whether they have reached formal legal status or not against the government or the Commonwealth in respect of the home insulation program, be it from homeowners, installers, retailers or manufacturers?

Mr Bowles: Yes, I am aware of a number of claims against the Commonwealth in relation to the home insulation program, but that does not mean the department or the Commonwealth believes it has any legal liability in any of those cases.

Senator FISHER: Can you expand on each of those of which you are aware, Mr Bowles?

Mr Bowles: I do not really want to go into the details of who. I will tell you that there are 46 claims and they will go from installers and distributors, as I said before, and we also have an electrical company seeking payment. There is a range of different issues, but there are 46 of them in the home installation program.

Senator FISHER: Of which Demand Group a is plus one or one of the 46.

Mr Bowles: No, it is one of.

Senator FISHER: Are you able to break down the 46 claims from installers, claim from householders, claims from manufacturers, claims from electrical companies?

Mr Bowles: No. I would have to take that own notice.

Senator FISHER: On notice could you please break down the claimants. As to the status of those 46, have any of them issued legal proceedings?

Mr Bowles: I think you would need to check that with Comcover through their process. We have not accepted any legal liability for any of the 46 claims.

Senator FISHER: Have you accepted service of legal process?

Mr Bowles: Again, I think you would need to check with Comcover because they manage that on our behalf.

Senator FISHER: Given that they manage it on your behalf, can you please break down on notice the status as of the time that you answer the question—

Mr Bowles: Very good, Senator.

Senator FISHER: of those 46 claims.

Mr Bowles: Yes, Senator.

Senator FISHER: Are you aware of claims that in respect of some homes where an installer found that there wasn't a manhole to get up into the roof that they cut an access hole through the roof rather than through the ceiling? There wasn't a man-hole through the ceiling to get up to the nether regions so the installer cut a hole in the roof to access—

Mr Bowles: The external roof, do you mean?

Senator FISHER: Yes, the external roof.

Mr Bowles: Are you talking about in the initial program?

Senator FISHER: Both.

Mr Bowles: Both in the initial program and the suspended program—prior to cancellation. So the program up until the 19 February when the home insulation program was cancelled—is that correct?

Senator FISHER: Yes.

Mr Bowles: As I think I have said before, there are a range of strange activities that happened through the program which have been documented before and, as I understand it, there were some homes which did have their roof lifted. I cannot not specifically say anyone had a hole cut in theirs. My understanding is roofs were lifted and insulation was pushed through the lifted roof into the ceiling space. Mostly that would have been—and it is not definitive—the cellulosic product that would have been pumped through big air pumps.

CHAIR: On that point, it is not unusual for roofs or tiles to be lifted externally to access—

Mr Bowles: No, it is not; it is a usual practice in a range of different things for that to happen.

CHAIR: There is no other way to do it in some—

Mr Bowles: In funny roofs that have no access, that is correct. If you want to put insulation in, you have to use that method.

Senator FISHER: Are you aware of allegations where that sort of method was utilised: the created access route was not properly sealed afterwards so that when it rained, guess what?

Mr Bowles: Yes, we have talked about those issues before and they are issues that we have dealt with on a couple of occasions.

Senator FISHER: How have you dealt with them?

Mr Bowles: In the first instance, the homeowner deals with the installers' insurance or their home insurance if there is actually a problem with any of the structural issues in the home. In a couple of cases, we have asked Comcover, again, our Commonwealth legal representatives, to look at a particular case and they have provided advice to homeowners on some occasions on how best to deal with either the installer's insurer or their own home insurance.

Senator FISHER: So the Commonwealth does not consider it bears any liability in those circumstances, I gather.

Mr Bowles: This program was about a relationship between a homeowner and an installer. In some cases, that was not done to the best of the installer's ability and the first port of call for people is to actually talk to their installer. If their installer is not playing game, they can

also talk to their home insurance. Also, they have avenues around the fair tradings in either the state or territory and in some cases, as I said, we have actually talked with Comcover about them providing some advice to householders in these extreme circumstances but that has only been a very small number.

Senator FISHER: Indeed, the installation may well have been done according to the ability of some of the installers, Mr Bowles, wherein lies part of the problem. I will leave that there for the moment. What about the government's attempts to recover money that has been paid out by the Commonwealth but which the Commonwealth is attempting to recover. How much money has the Commonwealth recovered through, I guess, the antifraud measures that the government has put in place?

Mr Bowles: At this stage, we have recovered about \$735,000.

Senator FISHER: How much does the Commonwealth consider it should recover?

Mr Bowles: We do not put a figure on that because the process is we write to the installers in the first finance trying to deal with the compliance of the particular install, if we have some concerns. In a large number of the cases, the installer comes back to us with evidence around that particular install that says it was okay or it was done in accordance with the terms and conditions therefore they do not actually go into that bucket. It is not a number that we track; the number we track is the recover amount, which, as I said, is \$735,000.

Senator FISHER: From how many firms or individuals?

Mr Bowles: Approximately, 600.

Senator FISHER: What is the break-up of those individuals; were they all installers?

Mr Bowles: They are all installers. They are the only ones who can make a claim, so they are the only ones that will pay it back.

Senator FISHER: In terms of actual money?

Mr Bowles: Yes.

Senator FISHER: Are there any other actions that the Commonwealth is considering in respect of the home insulation program against any person or body other than recovery of moneys paid out by the Commonwealth?

Mr Bowles: I am not quite sure what you mean.

Senator FISHER: For example, is the Commonwealth alleging that any firms or bodies failed to perform their part of the bargain in respect of whatever that might have been or have been guilty of negligence in connection with the home insulation program so the Commonwealth is maybe contemplating a claim or proceedings against that firm or body?

Mr Bowles: As you have probably seen in the media, the department has been working with the Australian Federal Police on a range of cases, and the Australian Federal Police in consultation with us executed 35 warrants earlier this year so there is that activity underway.

Senator FISHER: So that was the activity that was publicised on 2 or 3 March, I think.

Mr Bowles: That is correct.

Senator FISHER: And there was reference then to some 2,000 letters being sent to firms and individuals to recover further debts to the Commonwealth.

Mr Bowles: That is correct; that is in relation to what I was just talking about—the process of looking at their noncompliance. That turns into: if it is proven to be non-compliant, we will actually issue an invoice and seek to recover moneys.

Senator FISHER: When I was asking you about making a claim against bodies or persons that may well result, if it were successful, in payment to the Commonwealth but not repayment of moneys that the Commonwealth expended in the first place. Why have you brought me back to those warrants if they are all in connection with moneys paid out by the Commonwealth which the Commonwealth is now seeking to get repaid?

Mr Bowles: That is what we are after. This is a program—

Senator FISHER: What?

Mr Bowles: If you would let me finish, Senator: this is a program where installers did the work. They made claims and they were paid. If they were paid inappropriately and we believe they are non-compliant or there is some fraudulent activity, we will seek to get that money back and that is the 2000 that was referred to and the warrants that were executed. We will endeavour to do that.

Senator FISHER: So is that the beginning and the end of it: you just try and get your money back. You would not then seek some sort of damages as a result of the damage to the taxpayer or the industry as a result of people not doing the right thing.

Mr Bowles: At this stage, there is no intent to go down that particular line. Our intent is to track down people who have done—correct me if I am wrong—the wrong thing by the Commonwealth and seek to get that money back. In some cases, we have some voluntary payments; and in other cases we have directly sought out repayment and that has happened.

Senator FISHER: That is all very well and good for the Commonwealth to the extent it occurs. It is not so good for the taxpayer, who might consider it has not got value for money, and it does not help a householder who may well have been wronged by the very same individuals who were noncompliant. So, from what you are saying, all the Commonwealth wants to do is recover its upfront outlay. Is that right?

Mr Bowles: Yes, Senator. The nature of the program was a rebate program around the delivery of insulation to a house.

Senator FISHER: Yes. But you know, Mr Bowles, it is well documented the damage to people and things and an industry and workers along the way.

CHAIR: Senator Fisher, allow Mr Bowles to finish. You have been very good. You have been exceptional tonight.

Senator FISHER: I love your condescension, Chair. It is fantastic.

CHAIR: Mr Bowles, please carry on.

Mr Bowles: So, as I was saying, Senator, that is the nature of the program. We are not out to do anything else at this particular point. You know, we have always said the safety of houses was the No. 1 issue that we have dealt with, and that is how we have proceeded over the last 12 months or 14 months or whatever it is.

Senator FISHER: Okay. So out of the \$735,000 recovered thus far, what is the Commonwealth's plan when one of those individuals—one of the 2,000 recipients of the letters—refuses to budge? What is the Commonwealth's plan?

Mr Bowles: Senator, we will do what we normally do for debt recovery—that is, we will probably write to them again and try to seek repayment. Ultimately, we could hand it over to a mercantile agent to seek debt recovery. That is normal practice.

Senator FISHER: And has that happened in respect of any of the 2,000?

Mr Bowles: Not at this stage, Senator.

Senator FISHER: Okay.

Mr Bowles: We are in the early stages of the process, obviously.

Senator FISHER: You are still in the early stages, okay. So I gather no person or firm has been charged or got legal process from the Commonwealth?

Mr Bowles: Let me just think about that. Out of the 35 warrants that were executed, no, Senator. There is the gathering of evidence. Most of these things take quite a bit of time to gather evidence, obviously. That is what is happening at the moment. I just hesitated there because there were some issues that we have pushed a little harder in some cases, but I do not think anything has moved to a legal case at this stage.

Senator FISHER: Okay. And what about outside the 35 search warrants? What about anyone or anything else involved in the program? Has the Commonwealth issued legal proceedings?

Mr Bowles: No, Senator.

Senator FISHER: I gathered not. I just wanted to confirm. You are saying you have to look at evidence et cetera. Can you tell us anything more about what the Commonwealth is discovering might have occurred in one or more of these 35 instances involving potentially up to 2,000 firms and individuals?

Mr Bowles: Senator, the answer is no because I do not want to prejudice any of those particular cases. But let me just correct what you have just said then. The 35 warrants that were issued does not relate to 2,000 letters sent. They are two separate and individual actions that we have taken.

Senator FISHER: Can you explain how they are separate? Sorry.

Mr Bowles: The department and the AFP have been working together around a range of installers. Thirty-five warrants were issued for a range of installers. That was one action.

Senator FISHER: So they are warrants to search premises?

Mr Bowles: Search premises. It could be a house. It could be a car and things like that.

Senator FISHER: And what were they looking for? Documents? Materials?

Mr Bowles: Yes. Things like that in relation to the home insulation program that might provide evidence of some fraudulent behaviour.

Senator FISHER: Okay.

Mr Bowles: The second and separate activity was the distribution of letters to those approximately 2,000 installers for debt recovery action. That is the process that we have underway at the moment; we are trying to seek debt recovery. That will be in relation to noncompliant activities under the program.

Senator FISHER: So some of those 2,000 could overlap with the 20,000 claims referred to by Minister Dreyfus and to which you referred earlier, Mr Bowles, in your evidence?

Mr Bowles: Yes, they could, Senator.

Senator FISHER: They could be a part of the 20,000 claims from installers?

Mr Bowles: Yes. They could, Senator.

Senator FISHER: Are they all a subset of the 20,000?

Mr Bowles: I do not believe so, Senator.

Senator FISHER: The majority?

Mr Bowles: No. I do not believe so, Senator.

Senator FISHER: So a minority?

Mr Bowles: I do not want to be specific about some of the legal issues that we are dealing with. As I said, there are a range of people in that 20,000 that we would be looking at in that particular arrangement. But they are the ones that are payments that are pending at the moment. There is also a range of people who have already received payments which are more likely to be—

Senator FISHER: In the 20,000?

Mr Bowles: Outside of that 20,000. Because 20,000 have not received payments.

Senator FISHER: Sorry, yes. I said it the wrong way around. I am sorry, yes. I am with you on that point. Just to confirm, to your knowledge, no firm or person has been charged with a criminal offence arising out of the home insulation program?

Mr Bowles: That is correct, Senator.

Senator FISHER: Can you update us—

Mr Bowles: Sorry, I am just reminded that there are a couple of states' occupational health and safety charges that were laid against the installers of some of the deceased.

Senator FISHER: Yes. I think they have been publicised.

Mr Bowles: That is a separate issue. They have been publicised; that is correct.

Senator FISHER: I was not referring to them either. Can you update the committee as to fires in homes that have had insulation installed under the program?

Mr Bowles: I think 207 fires have occurred under the program and 28 of them, of course, caused structural damage.

Senator FISHER: Mr Bowles, you just said 207 fires occurred under the program.

Mr Bowles: Fire incidents, sorry, Senator.

Senator FISHER: Right. Does that mean that you are accepting that the fire incidents were caused by the program?

Mr Bowles: No. That is not what I said. Under the program—

Senator FISHER: No. You said 'under the program'. So how did the fire incidents happen under the program? What did you mean by that, then?

Mr Bowles: Senator, we have been over this at every estimates and the inquiry.

Senator FISHER: I am surprised that you are not being more circumspect in your language. That is why I am asking you.

Mr Bowles: There are 1.2 million homes installed. There have been 207 fire incidents, and 28 of those have resulted in structural damage.

Senator FISHER: So 207 fires occurred in homes that had been insulated under the program?

Mr Bowles: Under the program; that is correct.

Senator FISHER: Thank you. And 28 resulted in structural damage?

Mr Bowles: Structural damage, yes.

Senator FISHER: Have there been any injuries of people?

Mr Bowles: We believe so, Senator, yes, in a couple of cases, yes.

Senator FISHER: And can you give us any more detail?

Mr Bowles: Not specifically, Senator. We know of a couple of anecdotal cases and we know a couple of people we have been in contact with, but they are very small numbers.

Senator FISHER: Right. And how has that contact come about? Have individuals contacted the department?

Mr Bowles: In some cases they have contacted the department. In other cases, when we have found out about a fire, we make contact with anyone who has had a fire incident. We make contact with the householder and we inspect their properties. So we will have conversations with them.

Senator FISHER: Okay. Can you provide the committee on notice confirmation of injuries arising from fire incidents, using your language, that have happened under the home insulation program?

Mr Bowles: We can provide you with what we know. We cannot provide you with a definitive list. Some people might have some minor injuries that we have no knowledge of. But, as I said, there is a small number of ones that have come to our attention that we have dealt with. That is about all we would be able to provide you, Senator.

Senator FISHER: Thank you. The government's targeted inspections save some 150,000 non-foil insulated homes and some 50,000 foil insulated homes. Given that the CSIRO a couple of weeks ago roughly said that they found that a quarter of the homes did not meet safety standards, why is the government contemplating abandoning targeted inspections?

Mr Bowles: What CSIRO said is 24 per cent of homes did not meet the terms and conditions of the home insulation program. What they also said was that not meeting those terms and conditions around standards did not mean that they were a fire risk. So, using the CSIRO analysis and the work undertaken by Booz and Company, whose recommendation to us was there was no need to continue with the targeted inspections, I think at that stage we would have done around about 110,000. What we have recommended to government and government has accepted is that we would go to the 150,000 and then cease targeted inspections. But we would keep the program running for householder initiated inspections for 12 months from 1 July to 30 June 2012.

Senator FISHER: I will go to that in a minute. So at this stage you have inspected around 110,000 of the 150,000?

Mr Bowles: That was as at the particular point when Booz and Company were in. We have done around 147,000 now.

Senator FISHER: A hundred and?

Mr Bowles: 147,000 now.

Senator FISHER: So about 3,000 to go to hit 150,000?

Mr Bowles: That is correct.

Senator FISHER: I will go back to the CSIRO report. It says 24 per cent did not comply with building conditions to do with the home insulation program but that did not mean they were exposed to a fire risk. However, that does not rule out other issues arising from noncompliance, does it, for example, electrocution?

Mr Bowles: Senator, I am trying to explain this. The risk in the non-foil home is not about electrocution. It is around the masking of electrical wires—

Senator FISHER: Downlights?

Mr Bowles: and downlights and the like that may create an issue. That is the fire risk that is in the non-foil homes.

Senator FISHER: No other risk in non-foil homes?

Mr Bowles: Not particularly in relation to the program. There are other risks in homes that are not related to the home insulation program.

Senator FISHER: How did the government target the homes that it did inspect? In saying that it targeted high risk, therefore, the 24 per cent was somehow not representative anyway to, in one word, extrapolate across 1.2 million?

Mr Bowles: In the first instance, we used the inspection data. So we started inspections and we gathered a lot of data out of that particular exercise. We then targeted certain installers who we knew to have noncompliant work. We also knew different types of activities around companies who may have actually gone into a suburb and done a whole suburb. So we targeted those sorts of groups in the first instance. When we engaged the CSIRO, they did a lot of work on the targeting issue. We adjusted our targeting around the type of insulation material used and where it actually occurred. We looked at downlights, exhaust fans, heat lamps and all the things that we have talked about before, Senator.

Senator FISHER: Okay. You said you used inspection data and you targeted installers who were not compliant. Not compliant with what?

Mr Bowles: The terms and conditions of the program.

Senator FISHER: And did the terms and conditions of the program include any applicable state laws?

Mr Bowles: They were predominantly the building codes standards. Installers had to comply with normal state and territory regulation.

Senator FISHER: If an installer were not complying with normal state or territory regulation, then I presume your thinking was they are perhaps more likely than others to be

indulging in the sort of conduct that you are using as the basis for your targeted inspections. Correct?

Mr Bowles: In the early days in particular, Senator, that is correct.

Senator FISHER: So if you are taking into account noncompliance with state laws, in doing your targeted inspections in South Australia, which was the only state that had requirements for insulation installers to be licensed, did you have disregard of that requirement by installers who insulated roofs in South Australia?

Mr Bowles: Senator, the South Australian government is in charge of managing the licensing of installers. We are responsible for the terms and conditions of the program. As we have gone through before, there were a number of installs within South Australia that were installed by unlicensed installers. But I am not sure what else I can add to what I have already had on the record.

Senator FISHER: Mr Bowles, come on. Your department was talking to the South Australian authorities, were you not, or have you not since?

Mr Bowles: Regularly.

Senator FISHER: Yes. That is what you have told us in previous estimates.

Mr Bowles: That is correct.

Senator FISHER: So one would have thought that consistent with what you have said earlier. In targeting your inspections in South Australia, it would only make sense for you to target your inspections in SA at those homes that had been insulated by installers who had no regard to the South Australian laws to be licensed—that is, by unlicensed installers?

Mr Bowles: Senator, you are taking a little licence with what I actually said. One of the issues is—

Senator FISHER: ‘Licence’ is the operative word. It is spelt a bit differently, maybe.

Mr Bowles: Maybe.

Senator FISHER: Don’t know.

Mr Bowles: Senator, we targeted installs based on a range of factors. One of those was the installer. Then, as I said, we moved to the type of insulation, the downlights and the series of issues from there. So one of the aspects of how we targeted was the installer itself. In the case of South Australia, we have done, I think, about 4,200-odd safety inspections down there and around—

Senator FISHER: As of what date, Mr Bowles?

Mr Bowles: As of 1 May.

Senator FISHER: Yes. So that is an update?

Mr Bowles: Yes.

Senator FISHER: Your last advice was 3,303.

Mr Bowles: That is right. It is 4,200-odd now.

Senator FISHER: Of those, how many were homes insulated by unlicensed installers? Previously, in answer to a question on notice, you have indicated that, of some 3,300

inspected in SA, 686 of those were insulated by installers not licensed as required to be so under South Australian laws.

Mr Bowles: Yes.

Senator FISHER: So how many of the 4,200 were insulated by unlicensed installers?

Mr Bowles: Approximately 1,400, Senator.

Senator FISHER: At least the ratio has come up a bit in your increased inspections. I am sure you are aware, Mr Bowles, that some 17,339 of those insulated in South Australia were insulated by unlicensed installers. That is a total of about 38,000, I think, in round terms, homes insulated in South Australia under the program. Of these, just over 17,000 were insulated by unlicensed installers. So that is just under half. Would you not expect, all other things being equal, that it was more likely than not to find shortcuts and risks in those roofs insulated by unlicensed installers than those insulated by licensed installers?

Mr Bowles: I do not know whether I am qualified really to answer that. It does not necessarily go down that particular pathway, Senator.

Senator FISHER: Well, I think a layperson could answer that, could they not? If you have a group of people who are not bothering to be licensed as required to be under state laws, why are they going to bother with the rest of the stuff to do with your program?

Mr Bowles: Senator, that is why laypersons are not necessarily the best qualified to actually make some assessments about that.

Senator FISHER: Okay, then, how about you making an assessment?

CHAIR: Senator Fisher. This is twice Mr Bowles has attempted to answer your question. You have to let him answer the question you put. Mr Bowles.

Mr Bowles: Thank you. Senator, the terms and conditions of the program were how we operated. A number of installers from outside of South Australia also participated in the program. They met the terms and conditions of the program. What we have also found in a lot of the inspection results is that there is still a lot of good work that happened through this program that is getting lost in the few bad eggs that might have been around. So it does not—

Senator FISHER: I am not asking about that.

Mr Bowles: So it does not mean that everyone who is not licensed in South Australia is necessarily bad. I think that is the inference that I am getting. What we are trying to do is to look at the program from a balanced perspective based on a whole range of things that we know about home insulation now, and we are targeting inspections to that. As I have indicated, we have done 4,200-odd inspections of the nearly 39,000 installs done in South Australia.

Senator FISHER: And some 1,400 of those, what percentage is that?

Mr Bowles: It is about 32 per cent, Senator.

Senator FISHER: So about one-third of the ones you have done are now of premises insulated by unlicensed installers when approximately half of those insulated in SA were insulated by unlicensed installers. So the ratio has improved since the last stats, and it ought, but it is still way short of the half?

Mr Bowles: It is not quite half, Senator. But there is not necessarily a direct correlation between—

Senator FISHER: It is not way short of the not quite half, yes.

Mr Bowles: But there is not necessarily a direct correlation between the issues that you are raising.

Senator FISHER: No.

Mr Bowles: We are inspecting homes based on our targeting arrangements. And that has been further refined with the CSIRO report.

Senator FISHER: So the Commonwealth not only did not bother to enforce or see to it that the state laws were enforced in implementing its program; it is now not bothering to reconcile the state laws with its targeted inspections?

Mr Bowles: Senator, we are in constant contact—

CHAIR: Let him answer the question first, if he may.

Mr Bowles: We are in constant contact with the South Australian government and we share information on this particular topic on a regular basis. So I do not see any particular issue with how we have actually been developing this program. There is constant feedback between the South Australian government and the department.

Senator FISHER: Thanks, Mr Bowles. I will come back as soon as the Chair and Senator McEwen, presumably, have finished their questions.

CHAIR: I am not sure, Mr Comley, who I should address this to. I am interested in the National Building Framework. Mr Bailey, the framework is designed to set an increase in the strong minimum performance standards over time for new buildings and major renovations and standards to be reviewed and increased periodically. Where is that up to?

Mr Bailey: Progress on the National Building Framework is moving at different speeds for different parts of it. On the residential side, there has been the setting last year of a minimum energy rating standard for new houses. On the commercial side, there has been the mandatory disclosure of energy efficiency ratings for buildings. In addition to those sort of standard setting steps, there is also the need for greater clarity on how standards get set and evaluated. That is the subject of continuing work which is planned for, I think, the release of a consultation document later this year. That is part of the COAG work that you may be familiar with. So the work on the framework is a combination of actions in those different areas.

CHAIR: The framework is designed to cover what is described as the building envelope, including roofs, walls, doors and windows, as well as the energy efficiency of key building services. How do you go about doing that?

Mr Bailey: The energy efficiency rating of a building depends a little on the type of building that you have in mind. On the residential side, the energy efficiency performance of a house is very much conditional upon the way the occupants operate the various energy appliances of the house. If you have a need for heating, are the doors and windows left open or are they closed and so on? So the energy rating for a house is a sort of a theoretical or an in-principle rating that reflects the thermal efficiency of the building structure. On the commercial building side, the energy operating characteristics of the building are much more

standard because it is largely an enclosed office building. So the NABERS rating of an office building does include the operating characteristics of its central services, not necessarily the tenant lighting on each floor but certainly the major power and air-conditioning services of the building. So that is not a theoretical calculation as it is on the residential side. It is an actual calculation relating to the characteristics of that building in operation.

CHAIR: I have been told that a lot of the new buildings that are going up have very shallow eaves. Therefore, the glass is exposed. There are two problems with that. That is a bad design in terms of the overhang, and the glass is usually single glass. It is not double-glazed. It is not heat reflectant. Is that the normal situation in new buildings in Australia?

Mr Bailey: The energy efficiency rating that is given to a building depends upon all of the design characteristics. So it may well be that—and I presume that you are talking about commercial buildings?

CHAIR: You deal with domestic as well?

Mr Bailey: Yes.

CHAIR: Domestic firstly, and then I will come to commercial.

Mr Bailey: Okay. So on the domestic side, there is a rating tool that is used that picks up a number of aspects of the design of the house. So it may well be that things like the orientation of the house—east-west orientation—single glazing or double glazing, insulation in the roof, all of those factors affect the performance rating that the house gets as well as the size of the eaves. So I am not aware of any information that says that one particular building feature is causing new houses to get a lower performance rating.

CHAIR: I have been told by builders that it is cheaper to put glass in than bricks. So it is cheaper to put a door or a window in than it is to do double brick. Obviously, then, it is cheaper just to put these in and then they are not very energy efficient. What is international best practice in terms of glazing for energy efficiency?

Mr Bailey: For residential or for commercial?

CHAIR: For residential. Because I am sure that would not be allowed in some countries—that you could just put single glazing in and just allow for either heat to leave or heat to come in.

Mr Bailey: I am not aware of a single international standard on a component like glass because the performance of houses really does depend a lot on the climate in which the house is situated. In Australia, we have more temperate climates overall than in places like Canada or the UK. As far as I am aware, the sort of products that are available in Australia—the main building products—are broadly comparable to the products available in other countries that would have similar climates. If you went to a country with more an extreme climate—for example, in Canada—you would get much more specialised insulation products because their climate requires a higher level of insulation. But I think for Australian type climates, I am not aware of any information that says that the range of products here is deficient.

CHAIR: But would it be a general rule that if you improve insulation and energy efficiency, you reduce energy use?

Mr Bailey: Definitely.

CHAIR: Are there any discussions taking place with state governments about setting increased building standards in the residential area?

Mr Bailey: Yes, there has been a substantial discussion of that over time. So the first setting of energy efficiency standards in residential buildings, I think, goes back to 2003, which was a joint Commonwealth and state discussion. At that point, the mandatory standard for new homes was set at 3½ to four stars. In 2006, it was raised to five stars. Last year, it was raised to six stars. So each one of those regulatory steps has been the subject of substantial consultation between the states and Commonwealth. Of course, a lot of the regulatory and compliance responsibilities for these issues sits at a state level rather than with the Commonwealth. The building framework question, which we started on, is like an overlaying dialogue, again, between the Commonwealth and states because there is, I think, a substantial concern amongst some stakeholders. They are concerned about not only where the absolute level of mandatory standards is set but also the process that we go through to review those standards. So that also is a conversation that is spanning the state and federal jurisdictions.

CHAIR: The standards are one thing. Meeting those standards is another, is it not? I saw some publicity recently where home owners are being told that their houses have been built to a five-star standard and yet when independent testing is done, they are nowhere near that. Have you seen these sort of reports?

Mr Bailey: I have not seen that one in particular. But I am aware that there is an issue of compliance, and that is purely a state government responsibility. So, for example, just to go back, the move from five- to six-star standards for new buildings will go into the national construction code. Then it is up to each state government to adopt that change in the national code into their state regulations. So that whole area of translating a national standard into a state regulation and then compliance with that regulation is purely a state responsibility.

CHAIR: It is purely a state responsibility. But given that your department is looking at energy efficiency, are you satisfied that the compliance measures in the states deliver for consumers? Do you have any interest in that?

Mr Bailey: Yes.

CHAIR: Maybe that is the wrong question. I am sure you have an interest in it. But is it hard for you? I am concerned that consumers do not seem to be satisfied that, if they are paying for five- or six-star energy efficiency, that is what they are getting.

Mr Bailey: I have to be honest, Chairman. I am not aware of specific information that says there is a substantial noncompliance problem. I am aware of a debate that has been going on amongst stakeholders about the move from a five- to six-star minimum standard. But, if you would like, I can take that issue on notice and see whether in the department we do have more systematic information on compliance.

CHAIR: I would be happy with that. Part of the national strategy on energy efficiency surely should be that we just do not set the standard but that the actual standard is being delivered to consumers. I know it is a state issue, but surely we should be dealing with it in the national strategy.

Mr Bailey: Yes. In the ongoing dialogue between the state and Commonwealth governments, that is a matter of debate and discussion. I am just not sure of the specific data

that we might have on where individual states are at and the levels of compliance that are being observed.

CHAIR: So the star ratings come from the national strategy. Is that correct? Where does the star rating come from?

Mr Bailey: There are two sets of software tools, effectively. One is NABERS, which relates to commercial buildings, and NatHERS, which relates to residential buildings. Both of those, I think, had their start in life as a result of substantial prior research by CSIRO into building performance. Both of them now, though, are sitting underneath the national framework because I think as minimum standards have risen, there has been a realisation that there is a greater need to be systematic about where those standards are set and how different stakeholders input into the setting of those standards. So I think today, yes, I would say that the rating systems for both of them sit under the National Building Framework.

CHAIR: What problems do we have with commercial buildings in terms of improving energy efficiency?

Mr Bailey: The mandatory commercial building disclosure came into force in November of last year. Both the act and the regulations around that move were the subject of substantial stakeholder consultation. Nonetheless, after it came into force, it emerged that there were a class of buildings where there was mixed use of office and showroom or warehouse and so on. The existence of a set of buildings with mixed use was not a surprise. But what has emerged since is that in those buildings with mixed use, there was an anticipated high level of common metering, which meant that it is difficult to calculate the energy efficiency of the building because that rating is calculated differently according to use. So with a single set of metering for shared services, it has become quite difficult to get a proper energy efficiency rating for that building. So, as an interim measure, buildings with substantial mixed use have been temporarily taken out of the scheme. I think, leaving that aside, the view of the mandatory disclosure of commercial buildings is going well because since November last year we have been aware of an increasing awareness of the need for the current energy efficiency rating. We are aware that banks, who are often the financiers of transactions for the purchase and sale of buildings, are insisting that those certificates are up to date. So the market response to the introduction of mandatory disclosure, I think, has been a good one. This issue of mixed use buildings is something on which there is consultation with stakeholders and industry, and we will get to a resolution of that. Then I am sure that will go back into the rest of the buildings.

CHAIR: On the issue of mandatory disclosure, is there any evidence that if you have a highly efficient commercial building, that adds a premium to the selling price? Is that part of the market forces that are in play?

Mr Bailey: I do not have that data. I think at this early stage it is probably a little early to say whether that effect will occur. I think in principle you would expect it, but I do not have data yet on that.

CHAIR: If you have two buildings exactly the same size, one has six-star energy and one has three-star energy, the costs of your power and your ongoing electricity in that building must be some attraction for the high star rating, surely.

Mr Bailey: I agree with the reasoning, but at least at this stage we do not have the data on that. What I think we can say is that some companies have shown a real awareness of the benefits to their brand of being in a higher star rating building. So there is that association of a clear incentive by some firms to go to very highly energy efficient buildings because that corresponds with the brand image they want.

CHAIR: Thanks, Mr Bailey.

Senator LUDLAM: I apologise if I cover some of the same ground that the chairman has already been addressing. I want to ask you briefly about energy efficiency as well. The PM's task group on energy efficiency recommended—this is last year—that Australia adopt an aspirational target by 2020 of a 30 per cent improvement in energy intensity, which I recognise is not the same thing necessarily as energy efficiency. But I am just wondering whether that has any bearing on the work you do and whether you think Australia might commit to any such target?

Mr Bowles: The PM's task group, as you know, was brought down a little while ago. The government is considering its response at the moment. The department over the last few months has been consulting with a range of players around that particular thing. So government is yet to consider the full outcomes of the report. As to what plays into our thinking around buildings and all things, obviously energy efficiency measures and the need for us to improve our energy efficiency performance are what drives us in both the buildings and the appliance space.

Mr Bailey: I will just add a comment to Mr Bowles's comment. In January and February of this year, there were a range of workshops held in each capital city around the PM's task group report. The report on those consultations is now up on the department website.

Senator LUDLAM: All right. That does not get us any further to the question of whether we might have an energy efficiency target or an energy intensity target in the same way, for example, as we have a renewable energy target now.

Mr Bowles: That is correct. As I said, the response will be considered by government and they will make a decision from there.

Senator LUDLAM: Is the department doing any further work in that end, or have you shunted it up to the minister's office and they are in possession of it?

Mr Bowles: No. We are still working on the response.

Senator LUDLAM: So you are not going to make any dramatic announcements here at estimates that something is underway?

Mr Bowles: No.

Senator LUDLAM: There is a document that was done for the ministerial council years ago—2003 or 2004—that showed, I think, across residential, commercial and industrial premises you could get 30 per cent energy savings based on things that you could do that would have a four-year payback. If you went out to an eight-year payback, which is obviously a bit more ambitious, you could get energy savings of 70 per cent. It is some time since I have seen anything like that sort of ambition expressed. But is that work being pursued? Given that government policy currently is for a 5 per cent cut by 2020, what analysis have you done of

the role that energy efficiency could play even in meeting that target, given that such vastly larger gains than that seem to be possible, according to the Commonwealth's own figures?

Mr Bowles: Senator, I think you missed a little bit of what Mr Bailey was talking about around buildings. But there is a lot of work happening in the building and the appliance space that actually goes to some of those issues. Mr Bailey might be able to add some more about that. Personally I am not aware of that. I was not around in those days.

Senator LUDLAM: I will come back with a citation.

Mr Bailey: In each year, the department does an estimate of the emissions forecasts out to 2020 on a policy-as-usual basis. In the most recent one of those for the 2010 emissions forecast, I cannot remember the exact percentage but I think something just below 40 per cent of the emissions on a policy-as-usual basis are projected to come from various state and Commonwealth energy efficiency measures.

Senator LUDLAM: Forty per cent of what would otherwise have been emitted if we had not bothered. Is that right?

Mr Bailey: Forty per cent of?

Senator LUDLAM: Of what would otherwise have been emitted if we had not done anything?

Mr Comley: It is a BAU measure starting back from—I think the measure has been replaced—1990. So it is the concept of BAU. It is above our current estimates of BAU. It is BAU incorporating all measures, which has it 124 per cent above 2000 levels. It is the reduction from what you would have had with no measures.

Senator LUDLAM: Okay. So it has taken care of some of the growth, but it is not actually projected to lead to a reduction in emissions overall?

Mr Comley: Not without additional measures; that is right.

Senator LUDLAM: What kind of work have you done in what I have just reminded myself is termed the Jevons paradox? It says that as you make things more efficient, people will waste them more. They will waste the gains. You see it with vehicles. We now have vehicles that are vastly more efficient, but because they weigh three times as much, we are still using more petrol in the efficiency space.

Mr Comley: Well, in a sense, you can call it the Jevons paradox. Some people refer to it as a rebound effect.

Senator LUDLAM: Yes.

Mr Comley: One of the things that obviously the government is contemplating is carbon pricing, because it still changes the relative price of using those sorts of additional energies in the process. But essentially if you make people better off, you increase their effective income. They are going to use it partly to improve their amenity. Unless you significantly curtail choice, there is a limit to how much you can constrain that. We were talking about buildings before. We have certainly seen that in buildings. Since incomes have risen, we now have the largest average new build size in the world.

Senator LUDLAM: Yes, we do.

Mr Bowles: Senator, the same can be said around appliances as well. Appliances got bigger but more efficient. But overwhelmingly that efficiency of a lot of the appliances we use today is significantly better than it was 15 years ago, for instance.

Senator LUDLAM: Yes. But our electricity consumption is still vastly larger. So it is going to come down on your shoulders to work out how we avoid that kind of behaviour in the future. How are we going to do that?

Mr Comley: Well, I think there are two ways. There are two sides to this. There is the energy efficiency side but there is also what is the fuel mix used in producing electricity in the first place. So I think your overall policy suite needs to deal with both sides of the equation, recognising that income growth is likely to increase the demand for these services over time.

Senator LUDLAM: I will leave it there. Thanks for your time.

CHAIR: Mr Bailey, I see here that there is a star rating on windows. This is the submission from the Australian Window Association to your inquiry. I think you have done an inquiry into some of these issues. No stars means poor performance and 10 stars means excellent performance. What is an excellent performance? If somebody is going to buy 10 stars, what are they getting for their 10 stars?

Mr Bailey: I am not aware of the details of the rating system that you are referring to. I do know that the thermal efficiency of windows is now measured specifically because of the introduction into residential buildings of double-glazed windows. Those windows now have an insulative property whereas previously a single pane glass window did not. But, going to my earlier comment, the main energy rating systems that we are focussed on relate to the overall building, not just to one specific component. If you like, I can follow up on that submission from the Australian Window Association and respond.

CHAIR: They call it the WERS, the window energy rating scheme. They say it is solely owned and managed by Australian Window Association. It says independent of any individual manufacturer. Then they go on and say there is nought to 10. Surely there has to be a more technical description of its energy efficiency than nought to 10 stars.

Mr Bailey: Yes.

CHAIR: Can you find out about that and whether that is an issue that needs to be dealt with in the broader strategy?

Mr Bailey: Yes. I am happy to take that on notice, Senator.

CHAIR: Thanks, Mr Bailey. Sorry, Mr Bowles.

Mr Bowles: I want to correct something I said earlier. When we were talking about the debt recovery, I said \$735,000. Senator Fisher asked me how many installers and I said around 600. It is actually 600 claims. I am just clarifying your question around the \$735,000 debt recovery issue. In answer to your question about installers, I said around 600. That is around 600 claims. But it actually relates to around 350 installers. That is to clarify that issue. On the fires I said 28 structural fires. There were 29. It has been a long day, Senator.

Senator FISHER: Thank you.

Mr Comley: Chair, you were talking previously about eave widths.

CHAIR: Yes.

Mr Comley: It reminded me that the department produces a publication called *Your home*. It is a guide, really, for builders et cetera. It indicates the right eave width. It actually changes with latitude. The angle of the sun affects what the optimal eave width is. We would certainly be happy to provide copies of that publication for the committee.

CHAIR: Thank you. That would be good, thanks.

Senator FISHER: How many householders have contacted the home insulation helpline to request inspections?

Mr Bowles: Off the top of my head, Senator, I think we have done just over 20,000 householder initiated inspections.

Senator FISHER: Sorry. A question on notice which you guys answered for me on 9 March totalled the number of callers at 26,519.

Mr Bowles: It depends. You are asking about those who actually requested an inspection?

Senator FISHER: Yes.

Mr Bowles: As opposed to calls to the call centre?

Senator FISHER: Yes.

Mr Bowles: But calls to the call centre in the non-foil space is around 35,000ish. But my recollection—and I can take this on notice—is we have only done around 22,000 inspections.

Senator FISHER: That is why I am referring you to this.

Mr Bowles: We will try and sort that out.

Senator FISHER: That is at odds because at question No. 38 you said:

Below is a state by state breakdown of the number of householder inspection requests as of 9 March 2011—

There is requests for inspection as a result of calls made to the insulation safety hotline. And you tally that at some 26,500.

Mr Bowles: Sorry, what question number is that?

Senator FISHER: It is 38.

Mr Bowles: That is HISP and FISP, by the look of that number.

Senator FISHER: Yes.

Mr Bowles: Let me read that for a second, Senator.

Senator FISHER: Because it must have only gone up. It might not have gone up by much.

Mr Bowles: This is household inspection requests. Not all necessarily become inspections in that immediate sense. Some people ring up the hotline about that and then they decide during the conversation that maybe they are not necessarily there. My understanding, though, is the number is around 22,000-odd.

Senator FISHER: Say, for example, 26,000 might have called seeking inspections. You are saying that as a result of that—

Mr Bowles: It only results in 22,000.

Senator FISHER: In some 22,000?

Mr Bowles: That is right.

Senator FISHER: Then I had better ask both those questions on notice. What is the latest number of callers?

Mr Bowles: Yes. That is fine.

Senator FISHER: And how many inspections have resulted?

Mr Bowles: You just need to be careful about the question there because I have obviously answered that one in the context of how many people call in.

Senator FISHER: And inspection requests as opposed to inspections which subsequently materialise?

Mr Bowles: That is right. Because some people will ring up. Basically during the conversation they decide that they do not really need one.

Senator FISHER: Understood. So if you take your 22,000 inspections resulting from householder requests to the insulation hotline, that would be, would it not, a fair indicator of how many people will continue to call and request inspections from the home insulation helpline and out of which inspections will materialise, would it not? You would not expect that rate to change?

Mr Bowles: Possibly we would, Senator, because that goes back to the start of the program when there was a lot of media attention into the program. There were a large number in the first few months that actually came through that process. I do not have the specific numbers now, but it has actually reduced.

Senator FISHER: So you would expect, if anything, it would go down?

Mr Bowles: It would go down, yes, Senator.

Senator FISHER: So even at that level, though, if you say 1.2 million homes insulated, in round terms, 200,000 inspected, so that leaves about one million uninspected. Then if you say 22,000—I do not know as a percentage of that; I have terrible maths here—that is not 5 per cent, is it? I might be out a zero or two. That is a very low percentage, however you cut it. You are saying that low percentage, in my view, is only destined to go down in terms of home owners who will request an inspection. Now that is relevant, is it not, in the context of the budget papers and the government indicating that government targeted inspections will cease and what will continue are householder initiated inspections. Well, no-one is asking for the jolly things in relative terms. So is this not really a mechanism to see to it that inspections of houses insulated under the program wither on the vine?

Mr Bowles: No, Senator. This is us trying to look at a way whereby, when householders have concerns, they can actually ring up the hotline and request an inspection. Depending on the day, the week or the month, between 10 and 50 people are calling a day. So it is not what you would call consistent. It is up and down. Quite frankly, it is up and down depending on what is happening.

Senator FISHER: But a few minutes ago you said you would expect it to go down, bearing in mind that the earlier figures were following the publicity. On your own testimony, you have said that you will expect it to go down.

Mr Bowles: Senator, I was talking about the 22,000 referred to in that case. That has elapsed over about a 15-month period. I am not talking prospectively about what we expect to go forward over the next period.

Senator FISHER: And what do you expect?

Mr Bowles: As I just said, what we are seeing at the moment is an up and down type process where we have anywhere between 10 and 50 people ringing the call centre a day.

Senator FISHER: And some of those you would talk out of having an inspection?

Mr Bowles: No. None of those would we talk out of anything, Senator. If a householder wants an inspection, they will get one. Sometimes when we talk to the householder, they decide not to have one because they are reacting to particular things that were not necessarily relevant to the safety of their home.

Senator FISHER: So they get reassured by the phone call?

Mr Bowles: I would imagine that to be the case in some cases, Senator.

Senator FISHER: Let us hope correctly so. How much has been budgeted within the HISP and FISP resources for householder initiated inspections?

Mr Bowles: Well, into 2011 out of the budget papers, \$111 million-odd has been budgeted for all activities in relation to the program. Given the majority of the work in the 2011-12 year will be on the rectification and the compliance activities that we do, it is a proportion of that \$111 million.

Senator FISHER: Sorry, what proportion? I was making an aside to Senator Birmingham. Can you repeat your last sentence, Mr Bowles?

Mr Bowles: I said the program has allocated \$111 million next year for the program. That will be for a range of activities: the householder initiated ones and any complex inspections that we will continue to do—we do have a number of complex inspections that we will continue to do—and a series of compliance activities that we will continue to operate in the 2011-12 financial year.

Senator FISHER: In terms of the householder initiated inspections, how many of those have you budgeted for?

Mr Bowles: We have been reasonably conservative in that to make sure that we can cope with anything there. We also have the understanding through the process that if there were an upsurge in these numbers, we have the capacity to deal with that.

Senator FISHER: By 'conservative', do you mean you think you are overestimating rather than underestimating?

Mr Bowles: Yes.

Senator FISHER: Can you give us a feel for that?

Mr Bowles: I will have to take that on notice. I just cannot remember off the top of my head at the moment.

CHAIR: Senator Fisher, I am going to go to Senator Abetz.

Senator FISHER: Can we finish this area, Chair?

CHAIR: If you want to leave Senator Abetz waiting until then, that is okay. Senator Birmingham, did you want the call?

Senator BIRMINGHAM: Yes, please.

Senator FISHER: Yes. And then I will take it back.

Senator BIRMINGHAM: I want to talk about this issue of what is being spent. I might want to come back to a couple of other issues on it as well. You are saying that you expect that the \$111 million budgeted for 2011-12 is to be expended on the issues you have raised?

Mr Bowles: That is correct.

Senator BIRMINGHAM: All of it?

Mr Bowles: Well, at this stage, it is our best guess. It is the budgeted forecast for the 2011-12 financial year.

Senator BIRMINGHAM: With regard to the 2010-11 financial year figure, we heard a few weeks back, when he made his statement, that Minister Combet put the current estimate of the cost around the HISP at \$190 million; I think that is the figure he said at the time.

Mr Bowles: Yes, Senator.

Senator BIRMINGHAM: How much of the \$318,340,000 that is in the budget has been spent?

Mr Bowles: The revised estimates are that \$318 million figure that you talked about. We have a few months to go. We are not quite sure how close we will get to that particular figure at the moment. It will also depend on our accrual processes for the end of the financial year because we accrue from year to year. Accruals happened in 2009-10, for instance. They flowed into 2010-11, and 2010-11 will flow into 2011-12. So it will just depend on how all of those things balance out. If you recall, I think the initial figure in the PBS was \$438 million. We have obviously put that down to \$318 million, which is our best estimate at this stage on where we are likely to land.

Senator BIRMINGHAM: So, again, in terms of all of the costs of inspections and rectification work et cetera, you would expect that that is your budgeted figure?

Mr Bowles: Yes.

Senator BIRMINGHAM: As against the environment we were working in previously, where there was a big lump sum left over from the home insulation program and the department was saying, 'We don't know how much it's going to cost so we're just working within this big lump sum and some will be returned?'

Mr Bowles: That is correct. That is what I said last time. We have been trying to refine these things, obviously. With the announcement on 20 April of where the program goes next year, we have refined the 2010-11 figure to that \$318 million and the 2011-12 to the \$111 million figure.

Senator BIRMINGHAM: And how much of the total budget that had been allocated to the home insulation program was ultimately returned to general revenue?

Mr Bowles: I believe at this stage there is about \$150 million returned to budget and there is about \$100 million in a contingency based on understanding what might happen with the householder initiated activity for next year.

Senator BIRMINGHAM: So there is \$150 million and a potential \$250 million depending on what happens with the contingency?

Mr Bowles: Around how much we would spend in the next financial year, yes.

Senator BIRMINGHAM: Thank you. I might come back to a couple of those other issues.

Senator FISHER: Chair, I will resume after Senator Abetz.

CHAIR: You do not want to finish questions on this now?

Senator FISHER: Yes, I do. But I am happy for Senator Abetz to dispose of his interest.

CHAIR: Very flexible.

Senator ABETZ: Thank you very much, Chair and Senator Fisher. I want to go to my home state of Tasmania. Do you have the number of homes that were insulated in Tasmania? Do you have that figure handy?

Mr Bowles: I think I do.

Senator ABETZ: If you are finding that, I will then ask: how many of those were audited? A percentage figure or whatever.

Mr Bowles: I am just thinking where I might have the number of installs for Tasmania. I cannot recall. But I can tell you we have done 1,500-odd inspections in Tasmania and two foil inspections.

Senator ABETZ: Two foils. And how many of those were found to be faulty?

Mr Bowles: In Tasmania, nine per cent passed after rectification.

Senator ABETZ: Passed after rectification?

Mr Bowles: Part of the program was that we would do minor rectifications as we actually did the inspections. That was the program.

Senator ABETZ: How many were found to be faulty, or what percentage? How many were able to be rectified as opposed to, I assume, having it all ripped out?

Mr Bowles: Nine per cent were found to need some form of rectification. We also found 12 per cent of the homes had non-HISP related issues.

Senator ABETZ: And I assume the nine is not part of the 12?

Mr Bowles: No. The nine is not part of the 12. So 79 per cent passed on the first go, nine per cent passed after the rectification and 12 per cent had issues that did not relate to HISP. So they passed effectively for HISP but they did not pass in relation to other issues in the house.

Senator ABETZ: Thank you. As a percentage, how does that relate to other states?

Mr Bowles: It performed quite well in comparison.

Senator ABETZ: I can believe that there are fewer shysters in Tasmania.

Mr Bowles: I will take your word for that.

Senator ABETZ: And, you know what, we are going to desist. Chair, I know you are going to desist now.

CHAIR: I just happen to be the chair, so I have to behave myself.

Senator ABETZ: Exactly, for once. We could make you President of the Senate. You have given us a thought there. But do not tell Senator Hogg. If somebody has their home inspected, is that paid for by the Commonwealth if they apply for it under the scheme?

Mr Bowles: If they had insulation under the scheme and it is inspected and found to be a problem—like those nine per cent—

Senator ABETZ: Yes. But that is the inspection.

Mr Bowles: The inspection we pay for.

Senator ABETZ: And then the rectification?

Mr Bowles: We pay for.

Senator ABETZ: Also—

Mr Bowles: Unless, of course, it is part of the 12 per cent of non-HISP related.

Senator ABETZ: Yes. Understood. So if a household gets a private contractor not paid for by the government, can they get that reimbursed if they have a certificate to say that they were concerned and they got on to a local contractor to inspect it?

Mr Bowles: It would really depend on the circumstances, because we do not encourage householders to play around with the issue. We actually have a program. We had advised householders to ring the safety hotline if they thought they had any concerns at all. Overwhelmingly the majority of people have done that. I am aware of some cases where some people went out and did some things off their own bat.

Senator ABETZ: I like that—off their own bat. Very good.

Mr Bowles: Maybe I will choose that word a little more carefully. If we were to prove some of the issues around that, we would consider it on a case-by-case basis. But, as you can imagine, we would need to be convinced that any work that was done was appropriate.

Senator ABETZ: I am not talking about the work, just the inspection.

Mr Bowles: Again, we have encouraged people to have it inspected under our program.

Senator ABETZ: I know that. I can assume with a government scheme you would want them to go through it. But there may be, and indeed there are, people who say, ‘Well, this is the same government or department in a different formation that delivered this program, which we’re not very happy about. Why would we go back to the same people for an inspection? I would prefer an independent person who’s been in the home insulation business for decades to come along and do it for me.’ Now is there any way that they can get reimbursed?

Mr Bowles: It is not something that we would necessarily at first blush take on. There would be some occasions that we may look at on a case-by-case basis, but we have an effective program that has been demonstrated to work across these sorts of issues. We have encouraged people to use the safety hotline to take advantage of that program.

Senator ABETZ: You said that there were 1,500 inspections in Tasmania. But we do not know of how many.

Mr Bowles: I think it must have been 10,000, or one per cent of the total installs, roughly.

Senator ABETZ: One per cent of total—

Mr Bowles: Total installs.

Senator ABETZ: Does that mean 100,000?

Mr Bowles: No. About 10,000. 100,000 is 10 per cent. So about 10,000.

Senator ABETZ: So there were 1,500 inspections?

Mr Bowles: Yes.

Senator ABETZ: And did you say one per cent?

Mr Bowles: No. One per cent of the total installs across the country were done in Tasmania.

Senator ABETZ: Now I understand. Thank you very much. Thank you to my colleagues.

Senator FISHER: Can you provide on notice a list of the companies that were deregistered under the home insulation program and the states in which they operated or laid insulation?

Mr Bowles: I think I referred to this in previous estimates hearings and have actually provided you with web links and provided this in the past.

Senator Wong: If there is any update to the information we previously provided on previous occasions, we will provide it on notice, Senator.

Senator FISHER: I would appreciate a list of the companies who have been deregistered.

Senator Wong: I think the evidence is you have asked that. It has been answered I think at least on two previous occasions. If there is a change to the answer you have previously been given, we will provide it on notice.

Senator FISHER: Not with names. I have not been provided with names in the past. Will you be providing names?

Senator Wong: We will provide the information that we can.

Senator FISHER: Why would you not be able to provide the names?

Senator Wong: We will take it on notice. I do not want an argument, Senator.

Senator FISHER: I am asking.

Senator Wong: I have taken the question on notice. You seem to be extraordinarily repetitive, Senator. You have had multiple estimates hearings. You have had a HISP inquiry. We are answering the same questions that we have been answering for some time. I have taken that question on notice.

Senator FISHER: Can you provide the name of one company or individual who has been deregistered?

Senator Wong: I have taken the question on notice.

Senator FISHER: I have only just asked that question, Minister.

Senator Wong: It is the same question, all or one. We could take two, three, four or five or whatever; the answer will be the same.

Senator FISHER: What were the reasons for companies being deregistered?

Mr Bowles: There could be a range of issues, Senator, from suspected fraud, batt dumping, fire incidents, early claiming—so people who did not actually do an install—

noncompliant work and, in some cases, obviously, the death of installers. We have actually gone down that pathway.

Senator FISHER: Or if the company concerned did not want to be registered any more?

Mr Bowles: If you are looking at the broader group of people who were deregistered, that is exactly correct, Senator. But there were a large number; I think I have provided this in a previous estimates. Around 2,900 or 3,000 installers chose not to participate after the change in terms and conditions of the program of about 1 December, I think, 2009, from memory.

Senator FISHER: Yes. You have provided numbers in the past. So did the department keep records in relation to every firm or individual who was registered and was subsequently deregistered? Did the department keep records as to the reason for deregistration, be it ranging from not wishing to be involved any longer through the range of other reasons that you started to outline earlier?

Mr Bowles: Yes, Senator.

Senator FISHER: You did keep those records?

Mr Bowles: Yes, Senator. But in the overwhelming majority of those cases, as we have just identified, most of them just did not wish to continue with the program because they did not want to participate after the change in the terms and conditions.

Senator FISHER: Of those 2,000 or so?

Mr Bowles: Yes.

Senator FISHER: So, therefore, if the department were to provide a list of firms and/or individuals who were deregistered, you would also be able to provide the information as to the reason for deregistration or, alternatively, not include on that list those firms or individuals who were deregistered because they chose not to continue with the program?

Senator Wong: Sorry, what is the question? It was very long.

Senator FISHER: You should have been listening, Minister.

Senator Wong: Well, I was actually listening and I sometimes have difficulty discerning what you are asking.

Senator FISHER: Mr Bowles? Mr Bowles understood the question, Minister.

Mr Bowles: I am sorry, Senator. I really did not understand it. I think there were a couple of themes there. If you can just repeat it, I might be able to answer it.

Senator FISHER: I will try it a different way. If the department were to provide a list of firms or individuals who were deregistered, the department would also be able to indicate on that list alongside each name the reason for deregistration, because you have that information.

Mr Bowles: I would find it extremely difficult to provide names of companies, particularly those who just chose not to continue with the program after certain changes in the terms and conditions, because that would, in one sense, seem to prejudice them. So I would not be keen to do that. We have provided this information on the website in the past and we have taken that on notice.

Senator FISHER: I am not sure what you mean by prejudice in respect of those who might have chosen to deregister for reasons of discontinuing. No. 1: I am not sure what you mean by prejudice. No. 2: Will the department consider providing a list of those who were

deregistered, excising from that list the 2,000 or so who chose to no longer continue with the program?

Senator Wong: I have already taken questions about—

Senator FISHER: Well, that is a different question, Minister.

Senator Wong: Let me finish. I have taken the question—

Senator FISHER: You do not want to do this, do you?

CHAIR: Senator Fisher.

Senator Wong: I have taken the question on notice. If you want to add an aspect to that, which, as I understand it, is to say, in the context of the question on notice, could we refine it so as to only focus on those who were deregistered for reasons other than that they sought it, we can take that on notice too.

Senator FISHER: All right. Thank you. With the inspections that are being carried out, there was a story in the *Sun Herald*, you will be pleased to know, Chair, on 24 April suggesting that corporate middlemen are pocketing \$1,200 for doing little more than assigning inspectors to conduct safety checks. Are you familiar with the story?

Senator Wong: Sorry. I was speaking to Mr Bowles. Could you repeat the question?

Senator FISHER: The *Sun Herald* of 24 April has a story suggesting that corporate middlemen are pocketing \$1,200 for doing little more than assigning inspectors to conduct safety checks on homes. The allegation is that certain companies are contracted by the department to do the inspections. They are pocketing \$1,600 per inspection but paying inspectors in turn \$400 per inspection. Are you aware of the story? What is your comment?

Mr Bowles: I am not specifically aware of that particular story. But that does not ring true in any of the contractual arrangements we have in place, Senator. I am not privy to what contractors pay their subcontractors in that particular relationship, but in phase 1 of the HISP, we had a contract, as we have talked about before, with PricewaterhouseCoopers, who in turn contracted UGL and CSR Bradford.

Senator FISHER: And what about Transfield Services?

Mr Bowles: That is phase 2 of the HISP contract. We not long ago announced Transfield Services. They have only just started operating in the last month or so.

Senator FISHER: And what does that mean about Pricewaterhouse's management of inspections by UGL and CSR?

Mr Bowles: It means nothing about it, Senator. We have a contract process.

Senator FISHER: So those continue?

Mr Bowles: No. Phase 1 finishes. So with the PricewaterhouseCoopers contract, that finished at a point in time. As they were continuing, we went to the market for phase 2. Transfield were appointed. Basically we have now transitioned from the PwC process into the Transfield process to complete the work. Transfield are also doing any of our complex cases that we might have.

Senator BIRMINGHAM: What was the final value of the phase 1 process?

Mr Bowles: Approximately I think \$133 million was the contract value. That is from right the way through the entire process.

Senator FISHER: So what was the price paid per inspection?

Mr Bowles: It varies quite a bit depending on what we might do. But if you have a look at roughly around the number of inspections that we would have done under that particular contract, it would be roughly \$1,000, Senator. But they will vary from less than that to more than that depending on what we might have done in a particular case.

Senator FISHER: So is it possible that the allegations made in the story are correct—namely, that the inspectors doing the inspection were paid some \$400, leaving a difference of up to \$1,200, if in some cases the remuneration per inspection was \$1,600?

Mr Bowles: Again, if the average is \$1,000, if you pick one case out, you might find that to be the case. But I really could not speculate. We have a contract with PricewaterhouseCoopers, who subsequently contracted UGL and CSR. But if over the entire contract we are actually seeing an average price of about \$1,000—I think it is actually a bit less than that—I would find it hard to believe that someone could be getting \$1,600, I think you said, in one particular case.

Senator FISHER: That is the allegation.

Senator Wong: It will be responded to, Senator.

Senator FISHER: In terms of the phase 2 Transfield contract, what is the amount that Transfield will receive per inspection? What are the government's expectations in terms of each inspection?

Mr Bowles: Well, at this stage, Senator, it is hard to say what it costs per inspection. We have a contract value of \$26 million at this stage for Transfield, who will do inspections to the balance of the 150,000 plus they will also do the householder initiated inspections and any of the complex work that we might have. So the contract value, which is all we can really talk about at this stage, is \$26 million.

Senator FISHER: So if you compare that with \$133 million from phase 1, you would have to say unless you can tell us any more, that you are expecting about one-fifth of the inspections to be done, in crude terms, of the—

Mr Bowles: It is a much smaller number of inspections to be done, yes.

Senator FISHER: So you have taken on notice a number of householder initiated inspections you have budgeted on being done?

Mr Bowles: Yes.

Senator FISHER: You have taken that on notice. But you would have to say, on crude arithmetic, it is going to be about one-fifth of that done for \$133 million, which was 150,000 plus about 22,000 householder initiated, right? So you would have inspected no more than 200,000 homes and you are now budgeting about 200,000 homes for \$133 million. So X homes for \$26 million, you would have to say you are budgeting on about one-fifth of that. So is that fair? So you are budgeting on about 40,000 homes. Is that right?

Mr Bowles: Senator, that is quite a complex way of describing it. What I have said is PwC did phase 1. We probably did a bit over 130,000 in that contract. The Transfield people will do the number out to 150,000 and they will do the householder initiated inspections and any complex work. They have been contracted to do inspection, rectification and specialist

services for \$26 million. So it will be a significantly smaller number than phase 1 because that is where we are in the program, basically.

Senator FISHER: If Transfield sees a problem—for example, no downlight covers—are they required to rectify the problem?

Mr Bowles: As I said, inspection, rectification and any specialist services that are required for the program.

Senator FISHER: So if they see, they are required to fix?

Mr Bowles: Yes, Senator. That is the whole nature of the inspection and rectification program. We go into the house. If it is okay, they come back out. If there is a problem and it can be rectified by the team, they will rectify it. If they cannot rectify it for a complex reason—whatever that might be; they have to lift a roof or they have to do something a bit different—it will come back to the department for specialist services. Transfield Services are also contracted to do that work.

Senator FISHER: Okay. So they go into a house. What do they do then? Climb a ladder and have a look from the top of the ladder?

Mr Bowles: Senator, the inspection process is a professional activity undertaken in the first instance by PwC through their contracting arrangements. It is now—

Senator FISHER: I am talking about phase 2 and Transfield.

Mr Bowles: It is now the same professional service with the same quality standards by Transfield Services.

Senator FISHER: So any suggestions that 15-minute so-called ladder inspections are being done and that is it would be rejected by the department?

Mr Bowles: If I had evidence that someone did that—and someone needs to tell me about that—I would take that up. In some cases, someone might get up a ladder and make an assessment that it is a complex inspection so it comes back to the department and we put it into the complex inspection regime, and it will be done through that process. So that would be the only way it would be acceptable for someone to climb up a ladder and actually make that assessment. And that could happen. I am not saying it could not. But if there was evidence that said that, I need to know about it because I would act on that immediately.

Senator FISHER: In that scenario, for a complex inspection, Transfield would, after consultation with the department, revisit, would it?

Mr Bowles: Yes. Because it is likely to be a separate team, Senator.

Senator FISHER: This is my final question, Chair.

Proceedings suspended from 21:01 pm to 21:17 pm

CHAIR: Mr Bowles, there have been lots of discussions about the insulation scheme. Could you just take us through them in a chronological way. There have been the CSIRO and Booz and Company reports. Can you just take us to how we came to where we are now?

Mr Bowles: Sorry, just choking there.

CHAIR: Because of the question?

Mr Bowles: No. I just swallowed a mint, but I will survive. Senator, as you know, we started this program back in March 2010. We progressively developed a safety program. As

we moved through those safety programs and started to get quite a bit of experience under our belt as far as numbers and types of inspections and the like, we saw the need to get more analysis around those inspection results and see if we could improve targeting and things like that. So late last year we engaged CSIRO. CSIRO has worked with us quite a bit over that time looking at the data, looking at a whole range of both our targeted and a series of random inspections to try to determine the key attributes for targeting. That is what we have been using for the last, I suppose, nearly four or five months.

Late last year to this committee I said that I was also looking at engaging an internationally renowned consultancy firm. That ended up being Booz and Company. They have worked with us and the CSIRO around the analysis and around the program more broadly. Booz's role was really to have a look at all of that analysis, making sure that we were on the right track with that work. They delivered their report not long ago. On 20 April, we released both the CSIRO and the Booz report. As I have mentioned in this forum on previous occasions, and the minister also said on a number of occasions, Minister Combet would release that once the analysis was done. That was done on 20 April this year, which is just a couple of weeks ago, or about a month ago now. CSIRO have confirmed the approach that they believe we should be taking, and that is the approach that was announced by Minister Combet on 20 April. So that is sort of how we have actually tracked over the last probably six months in particular around the contracting of CSIRO and Booz and Company.

CHAIR: What have been the outcomes and actions arising from the Booz and Company report?

Mr Bowles: I will go specifically to what Booz recommended. Their recommendations to us were to continue to use the risk profiling that CSIRO had developed to target the government initiated inspections. They also said that we should cease the government initiated HISP inspections on the basis that inspections beyond the current 110,000, which was at that point in time, are not likely to have a material impact on the reduction of risk. They also said to cease proactive FISP inspections subject to the completion of the remaining outstanding inspections and to undertake further work to establish levels of safety risk in households where the householder could not be contacted, refused inspection or refused rectification activities. They also recommended that we ensure the householder initiated inspections continue for 12 months after the cessation of the government initiated inspections. So that in essence was the announcement the minister made on the 20th. Basically they worked with CSIRO and us. That was their independent assessment of where we were with the program.

CHAIR: So the Booz and Company consultants were risk analysis experts, were they?

Mr Bowles: They are. They are a broad consulting firm, but they do have quite specific services around risk assessments and the like.

CHAIR: What efforts have been undertaken to release information to the public in relation to the safety schemes?

Mr Bowles: We have maintained a website with a whole lot of pertinent information around the program itself—around what we were doing, how we were operating and around the fire data. Both the Booz and the CSIRO reports are now in the public domain. I know I have in this forum talked about the risk of pre-emptively doing that because of the targeting

arrangements. We are in a position now to make that public. That is what was done with the CSIRO and the Booz reports. But we constantly update the website around any of those activities as well. If you go to our website, you can get a copy of the Booz report, the CSIRO report and the whole series of fact sheets on key statistics—fire and the reports themselves.

CHAIR: So has the safety program met its objectives?

Mr Bowles: I believe so, Senator. I think the recommendations of Booz would also say that the program has met the objectives it was set around both foil and non-foil homes. We still have work to do, obviously. That is why we are going to do the householder initiated work from July to 30 June 2012. We will do some further work and tidy up the end of the foil program as well.

CHAIR: Thanks.

Senator FISHER: Who mans, or womans, the home insulator hotline?

Mr Bowles: We have an inquiries team ourselves, and the Salmat contract at the moment is where a lot of that work goes through. But we have an inquiries team. We have a whole series of people who operate our inquiries hotlines and those activities. It has been through a number of places over time. Centrelink did some work at some time. When we actually did the proactive calls to people to book inspections, that was done through the UGL and CSR call. They had call centre operations where they actually used to ring people to book all their work. Transfield currently has one that actually rings people. So this is not just a call-in thing. This is a proactive process where we ring people and book inspections and keep them up to date and the like through the program. That is managed through multiple different ways, if you like. So in the phase 2 arrangement, Transfield will ring to make an appointment. They turn up. If someone then wants to ring us, they ring the safety hotline or they ring the general inquiries number. That comes through there. You know, we used Centrelink for the emergency call centre for a period of time. We have gone to that centralised contract now that we talked about with Salmat.

Senator FISHER: Earlier you were talking about five to 10 phone calls a day. How many staff—

Mr Bowles: No. I think I said 10 to 50 depending on the day. That matter is in relation to the safety hotline, yes.

Senator FISHER: Okay. So how many people would be attending to 10 to 50 calls a day?

Mr Bowles: In the Salmat call centre, that is their business. We contract on the basis of activities that go through the call centre.

Senator FISHER: What about in Transfield's case? What can you tell us about Transfield's hotline?

Mr Bowles: Again, I do not get into understanding the detail of how Transfield operate their business. We have gone to open tender to get a contract in place for the delivery of phase 2. Transfield have won that. They have to meet a whole series of obligations and outcomes for the program. One of them is call centres. It is up to them how they staff it. But if they do not meet our requirements, we will definitely have a conversation with them in a normal contract management sense.

Senator FISHER: So does the contract, for example, with Transfield go to the detail of a householder help line in any way?

Mr Bowles: They call out to householders to book appointments. That is what their role is.

Senator FISHER: So the contract requires them to do that, does it?

Mr Bowles: Yes. It is the only way they can actually book appointments. They have to go out and do that.

Senator FISHER: Does the contract nominate a value for that part of the service?

Mr Bowles: It obviously would, Senator. I do not know what that is.

Senator FISHER: The suggestion in the press is that it is \$40,000 a month. Could that be possible?

Mr Bowles: Are we talking about the Salmat contract?

Senator FISHER: Transfield.

Mr Bowles: The Transfield contract?

Senator FISHER: Yes.

Mr Bowles: I would have to check with them.

Senator FISHER: Can you?

Mr Bowles: Yes. We can check.

Senator FISHER: Thank you.

Senator BIRMINGHAM: I will try to quickly get through some of these. I know some Senator Fisher will have touched on. With regards to the safety inspection programs and work that is done, once an inspection has been completed on a site, what is the department's understanding of the safety of the site from there?

Mr Bowles: If an inspector goes into a household and they complete work, they leave it in a safe condition. We must remember roofs are a point in time issue. The inspectors will leave the house safe or they will report that it needs further work. But they will not leave it if it is unsafe.

Senator BIRMINGHAM: So if it is unsafe, the need for further work will be reported. What is the process from there in terms of an assessment of how quickly that work needs to be done?

Mr Bowles: Well, if it is urgent and it is a priority, it will be done as soon as we can get someone out there effectively. Not everything fits into that case, obviously. There are some things that are assessed as complex and need further work but do not need to be done now. But if someone has things happening that are so urgent, they will get someone out there immediately.

Senator BIRMINGHAM: So with regard to these further work situations you operate, say, a triage process within the department. A call comes in and somebody makes an assessment as to how urgent it is, or the person on the ground makes that assessment and says, 'You guys really need to get somebody out here straight away?'

Mr Bowles: That could be the case. It depends on whether they come through the call centre or, as you say, someone on the ground. But if we have the inspectors going through the place and they say someone needs to be there straightaway and we need someone different than that inspector, they will be there. That is how it works. Now, obviously, not everyone fits into that category, as I said. It is a gradation of issues that we deal with.

Senator BIRMINGHAM: In a sense, to what level of safety are we talking about here? When we look at the type of material that has gone into the roof, is it purely a case of whether the material itself is safe and the fitting of that material is safe or are there further structural issues that are considered? What is the standard, in a sense, of safety that home owners are left with?

Mr Bowles: When we actually go into a house, what we are actually inspecting and comparing against, if you like, is through the guidelines out in the program, which is based on the building standards. So that is what they are being assessed upon. But I refer to what I said earlier about what CSIRO has identified and around that 24 per cent figure. Very, very few issues that are identified there actually turn into a fire risk. That is the work that CSIRO actually put a lot of time into—understanding the pre home insulation program fire risk versus the fire risk under the program. We have obviously asked them to have a look at that even since they have actually delivered their report.

Senator BIRMINGHAM: Are the risks you are checking for just limited to electrical risk or fire risk or are there broader risks that you check for and that would involve rectification work?

Mr Bowles: Largely the risks we are identifying are generally fire related risks. So it is generally insulation and other things like downlights, for instance. If there are non-HIP related problems, we will tell the householder what those non-HIP related problems are and obviously then advise the householder they need to do something about that. That is all made very clear.

CHAIR: Just on that point, somebody could go up and find faulty wiring that has nothing to do with the insulation?

Mr Bowles: We will advise the householder. Generally speaking, if it were absolutely faulty and, you know, it was about to do something, we would advise them they need to do something urgently. But mostly it will be degraded wiring that needs some attention and we will advise the householder accordingly.

CHAIR: Thanks. Sorry, Senator Birmingham.

Senator BIRMINGHAM: That is okay. If the installation of insulation has led to some structural issue of some sort, that would still be considered a safety concern too?

Mr Bowles: I am not sure what sort of structural issue the installation of insulation would cause. Maybe if an installer did some serious damage. But it would have to be some serious damage to do structural damage to a property.

Senator BIRMINGHAM: Or has put more insulation and weight in the ceiling than would be wise?

Mr Bowles: Well, that would be a fail under the program. If it were considered to be a safety issue, it would be rectified.

CHAIR: Mr Bowles, is there any insulation so heavy it would cause structural problems in the roof of a house?

Senator FISHER: Once it gets wet, yes.

Mr Bowles: Only if they put multiple layers in. It probably would have to get wet to actually soak up the moisture. You can do it that way.

Senator BIRMINGHAM: Although not all of it comes in batts form either, of course.

Mr Bowles: No. Some of it is in that blow-in, pulp type cellulose stuff.

Senator BIRMINGHAM: Indeed, I think there were examples, were there not, of some cases where entire packets of batts were sort of thrown up in the roof and never laid out.

Mr Bowles: There were examples of that, yes.

Senator BIRMINGHAM: There are some interesting examples.

Mr Bowles: That is not likely to be a weighty problem, though, that would make the roof fall in. It was an inappropriate activity by that particular installer, definitely.

Senator BIRMINGHAM: Where a problem is found, what assistance is given to the home owner to get that problem rectified and fixed?

Mr Bowles: Again, it depends on what it is. In a large proportion of the cases, we will actually do the rectification work either on the spot or, in some cases, we will get them on the triage list we talked about and that work will be done. If it is work that is unrelated to the home insulation program, they will have to go and get their own rectification work done, obviously. If there are issues—let us say there was some problem that was caused—we would talk to them about going to their installer's insurance company or their home insurance as well. I mentioned earlier in some very rare cases we will also assist them through. We have had Comcover talk to some of the householders to give them more information around how to deal with insurance companies and how to deal with installers' insurances. We also would advise them to take it up with Fair Trading in their particular state or territory.

Senator BIRMINGHAM: So if assistance is required in helping with the insurance company, there is a means that you have used in exceptional cases for that?

Mr Bowles: Yes, Senator.

Senator BIRMINGHAM: For older people who may find it all a bit overwhelming?

Mr Bowles: What we have found mostly is families look after families and they actually manage the issues very, very well. In some cases, if we have some concerns, we will assist them to try to talk to the installer or the installer's insurer or their own home insurer. As I said, in some cases, depending on what might happen, we would have asked Comcover to talk to them.

Senator BIRMINGHAM: Is that an organised part of the program in terms of Comcover, in a sense, providing some sort of case management or case worker situation, or is that just very much a one or two occasion instance situation?

Mr Bowles: We have done it on a number of occasions. I would not say it is a large number of occasions. But it is something about which we have had a relationship with Comcover from the start, and I think it has worked quite well. It is quite structured now. If we have a problem, they have been only too happy to assist home owners in those circumstances.

Senator BIRMINGHAM: Are you aware—I suspect you are—of the specific case of Mr Horvath in Victoria?

Mr Bowles: Yes. I am, Senator.

Senator BIRMINGHAM: Has the department received a report from inspectors in relation to the issues of Mr Horvath's situation?

Mr Bowles: I am advised that we have not received a report yet, but I do know we have actually spoken to Mr Horvath about options around trying to assist him with the installer's insurer and their home insurance issues.

Senator BIRMINGHAM: If you are encouraging someone to work through the installer's insurer, presumably, then, there is an acceptance by the department that the installation of the insulation was to some degree at fault in damage that occurred?

Mr Bowles: It will depend, Senator. A lot of these issues are not necessarily even relating to the home insulation program all the time. But if we find things and we can help, we will help. Mr Horvath had a safety inspection in late April. It basically was declared safe from an electrical perspective. He has some issues and we have been talking with him. We have actually written directly to him. We are going to provide him a full copy of the report.

Senator BIRMINGHAM: But Mr Horvath did have a situation where part of his bedroom ceiling collapsed, as I understand it.

Mr Bowles: That is as I understand it, yes.

Senator BIRMINGHAM: Yes. Has the department looked as to whether there are structural issues related to the insulation in that regard?

Mr Bowles: As I said, a safety inspection was done on 29 April. It has been declared safe from that electrical perspective. But we have actually noted some quality issues in relation to the inspection. That is why we are helping him to talk to the insurers.

Senator BIRMINGHAM: The electrical perspective is at least one part of a piece of mind for Mr Horvath. But I think when the ceiling collapsed on him, he was probably worried about some other broader issues.

Mr Bowles: Again, Senator, that is why we sent the inspector out there on 29 April.

Senator BIRMINGHAM: But, Mr Bowles, all you have told me is that it was declared safe from an electrical perspective.

Mr Bowles: And noted only quality issues in relation to the installation. We have not received the full report, as I am aware. We have actually provided him a copy of the report now, so we have only just got that in in recent times.

Senator BIRMINGHAM: So he has a full copy of the report?

Mr Bowles: He should have by now. I do not know. It depends on when we sent it. From 29 April to now is not that long ago. It does take some time to get the reports together.

Senator BIRMINGHAM: Has the department found any structural issues with the remainder of his house and insulation in the remainder of his house?

Mr Bowles: Not that I am aware of, Senator.

Senator BIRMINGHAM: In terms of the assistance you are providing for him dealing with his insurers, is that direct assistance, such as what you spoke of previously or with Comcover involved or otherwise?

Mr Bowles: I am not aware of Comcover's involvement on this one at this stage, Senator. We have actually had a conversation with him about what options might be available.

Senator BIRMINGHAM: That was some time ago now, I am assuming?

Mr Bowles: It has been in the last couple of weeks, as far as I am aware.

Senator BIRMINGHAM: And does he have somebody in the department that he can contact and that he is working with to assist in resolving those issues?

Mr Bowles: I do not know specifically, but that is normally how we operate. We have sort of a case management system if there are particular people. It does not have to be one particular person in the department. But we have an arrangement in how we operate.

Senator BIRMINGHAM: Time is ticking away. You talked about some of the issues where somebody has an inspection and the inspection is identified as being complex or in some way unsafe to start with. So they do poke their head in the roof and say, 'No. We need to escalate this.' Do instances of spray insulation particularly, where beams and wires may not be visible, count as such a situation?

Mr Bowles: I cannot really speak about every particular incident. If any electrical appliances that are in the ceiling are covered by insulation, be it batts or the sprayed in variety, that is not acceptable and that will be rectified.

Senator BIRMINGHAM: Sure. But in terms of the skills of the day-to-day installer who first appears, if they look in the roof and it is spray insulation and it appears to have covered beams and wires and everything, it would be the norm for them to not go any further into the roof and to say, 'This probably requires the insulation to be removed or some other steps to be taken?'

Mr Bowles: That could be the case, Senator. It would just depend on the job and how much is in there and what the coverage issues are like. In some cases, that could be rectified at the time possibly. In other cases, if it were just so bad, yes, we would probably arrange that to be done through a complex inspection.

Senator BIRMINGHAM: And a complex inspection involves a skilled electrician, if that is the case, or whatever—

Mr Bowles: Or whoever is appropriate. In some cases, it is a roof plumber. There is a whole range of different trades. It depends on what the issue is.

CHAIR: Senator Birmingham, I have further questions. I am not sure how much you have got to go.

Senator BIRMINGHAM: I have got a little bit to go, Chair. What is my timeline here?

CHAIR: A few minutes.

Senator BIRMINGHAM: How quickly would you expect a subsequent inspection, then? If someone had the first look in January, would it be reasonable to think that it would be weeks or months before they got a second look if there was a problem requiring a second look identified?

Mr Bowles: It would depend on what we are actually talking about, Senator. If they were urgent cases, they would be done immediately. We do not have any outstanding urgent type cases. But there would be cases that will wait some time. Again, it is prioritised. But if they are assessed as urgent and in urgent need of something to happen, it happens relatively quickly.

Senator BIRMINGHAM: So if something needs to happen but it is not assessed as urgent, four or five months is not unusual?

Mr Bowles: It could potentially be that long, depending on where we are at with some of the complex inspections. With the Transfield Services tender that we have just let, that is specifically around complex inspections as well. So we are putting a lot more workers on to this particular issue.

Senator BIRMINGHAM: In the last few months, you have sent invoices out to certain insulation installers. Is that correct?

Mr Bowles: That is correct.

Senator BIRMINGHAM: How many invoices were sent out?

Mr Bowles: For invoices versus noncompliance, we have sent a large number of noncompliance letters out—around 2,000-odd, I think. As far as invoices, it would be somewhat less than that. So what the normal process would be—

Senator Wong: Take on notice the number.

Mr Bowles: We can take on notice the exact numbers. Basically, the process is we send out the noncompliance letter, which I talked about before. In a large number of cases, those issues get resolved.

Senator BIRMINGHAM: But you are not able to tell me today how many invoices were sent, which I assume are sent to people who either are proven to have failed to comply or are unable to demonstrate to you that they complied or just simply did not respond to the noncompliance letter?

Mr Bowles: I can take that on notice. I do not know the specific number of invoices. I just know there has been a large number of noncompliance letters sent out. But we can take that on notice, Senator.

Senator BIRMINGHAM: The circumstances in which an invoice is sent out, though?

Mr Bowles: An invoice would be sent out when we are trying to recover what we consider to be a debt.

Senator BIRMINGHAM: But it could be that they failed to respond to a noncompliance letter and the noncompliance letter, as I understand it, details here the 10, 20 or 100 jobs that we have concerns about?

Mr Bowles: Yes.

Senator BIRMINGHAM: It says, 'You need to alleviate our concerns in relation to these jobs?'

Mr Bowles: Yes.

Senator BIRMINGHAM: If they fail to respond to that, they then get an invoice for—

Mr Bowles: We do not just go straight from one thing to the other. We have made multiple contacts with many of these installers over the time. But ultimately at some point we have to actually pursue the debt.

Senator BIRMINGHAM: Sure. I appreciate that. Can you tell me not only the number of invoices that have been issued but also the value of those invoices? Have any of those invoices subsequently been withdrawn? If so, what is the number and value of those that have subsequently been withdrawn or modified?

Mr Bowles: I can take that on notice, Senator. But it would not be an unusual process to find some that get withdrawn over time because of additional information provided.

Senator BIRMINGHAM: Sure. Thank you for that.

CHAIR: Last question, Senator Birmingham.

Senator BIRMINGHAM: In the budget papers, we have an allocation of additional funding for energy efficiency functions to the department of some \$28.1 million over five years. It is described as being as part of the machinery of government changes stemming from March 2010 for additional funding required flowing from that. Mr Comley, can you or someone explain to me why, when most of those programs that shifted over are in a wind-down function, and we have been told previously that all the funds associated with those programs and staff were transferred, this additional funding, which more than offsets the efficiency dividend the department faces, has been provided?

Mr Comley: Yes, I can, Senator.

Senator Wong: I hope he has a good answer. Otherwise, he has one over me. I am listening with interest.

Mr Comley: When machinery of government changes are done, there is a process which is effectively a negotiation between departments where you try and trace back the line of sight to an appropriation funding for a particular function. And then there is sometimes a discussion between departments, which is about the appropriation versus the number of staff actually required to do that function at a point in time. In the case of many of the functions that we got from DEWHA, as it was then, at the time of the model change, there were a range of HISP and functions of that type. But there were also a range of other energy efficiency functions that came at the time of the machinery of government change. The number of staff working in those areas was significantly higher than the appropriation that had been based on. That was essentially because, for a number of cases, DEWHA had been asked to do tasks by government. It had been asked to absorb those from within its current allocations within that department, so it reallocated effectively funding to manage that to happen. So when the machinery of government change occurs, the Department of Climate Change and Energy Efficiency effectively inherited more staff than it had funding to perform those functions. So those functions are things like what we were talking about earlier with Senator Cameron and Senator Ludlam in terms of the national strategy on energy efficiency—a range of things on building codes, appliance standards et cetera. So the funding in the budget is to partially recognise that underfunding that occurred at the establishment of the department through the machinery of government change.

Senator BIRMINGHAM: So tomorrow I should ask SEWPaC why they dudged you in the negotiations or why they have still got the \$28 million?

Mr Comley: You should certainly ask that question.

Senator BIRMINGHAM: Why they have still got to keep the \$28 million, because it seems to be new money for you guys that has not come off them.

CHAIR: Thanks, Senator Birmingham. Mr Comley, I am not sure who deals with the minimum energy performance standards.

Mr Comley: That would be Mr Bailey.

CHAIR: Thanks, Mr Bailey. I note that these standards are the responsibility of the state.

Mr Bailey: Yes.

CHAIR: Does that cause any problems in trying to get national standards implemented?

Mr Bailey: A variation in those product standards from state to state has been a significant concern. In response to that, a COAG initiative is to pass what is called the GEMS legislation, which will harmonise the efficiency standards across all the states. I think a consultation document was completed in late 2010. Some further consultation is happening this year. I think my recollection is that implementation planning and the new legislation will be ready for consideration in the first half of 2012.

CHAIR: So the legislation will harmonise in the future, but at the moment there is no harmonisation. Is that correct?

Mr Bailey: I cannot be definitive about all products, but as a generalisation, yes, there is a lack of harmonisation. There is no mechanism to have all the states come in at the same level on individual products.

CHAIR: So if a refrigerator is imported, that refrigerator has got different standards in terms of compliance across the country?

Mr Bailey: As I say, I cannot be definitive about any particular product. I think refrigerators are one of those products that are largely fully imported. So the international standards for that particular product very strongly influence the standards on products that are available in Australia. So it may be that the state standards are very similar. There are other products which have been not regulated as to minimum efficiency standards. They have been not regulated for nearly so long as refrigerators, which may have more variable standards.

CHAIR: What about electric motors, which are imported quite significantly into this country? Are there issues there in terms of meeting the standards?

Mr Bailey: I would have to say I do not know the situation for those products.

CHAIR: What is the process, then, for a federal government overview of a product that comes in to make sure it meets the standard? Is that simply left to the states?

Mr Bailey: No. There are a range of processes now whereby there is consultation between the Commonwealth and industry stakeholders and state government stakeholders as well. Those are not harmonised across all products. So that is really the objective of the GEMS legislation—that we will get a collective setting of standards that then will be adhered to at both the Commonwealth and at the state level. Indeed, I should note that New Zealand may well participate in some product areas where they wish to. Typically, the standards that are set are the result of a consultation with stakeholders as to what the standard in Australia should be, what the products are available internationally and whether the setting of a particular

standard on energy efficiency performance unduly restricts the range of products that are available to Australian consumers.

CHAIR: Who does the testing to make sure these products meet the various standards?

Mr Bailey: There are a number of testing laboratories. We, the Commonwealth, have our own sort of compliance testing process, where we check up on compliance. My recollection is that the compliance levels that we find on a range of products are in the high 80s to early 90 per cent; that is in terms of compliance with the standards.

CHAIR: Thanks for that. Is the annual report on energy efficiency in government operations you again, Mr Bailey? Where is that program up to?

Mr Bailey: The government's energy efficiency and government operations policy has two targets: firstly, for lighting and power in offices; and, secondly, for central services, which is the air-conditioning and so on for an office building. The most recent data that I have seen says that the government is close to meeting the target in terms of tenant light and power and is a little bit adrift in the target related to offices and central services. It is worth commenting that in the last 10 years power per government employee has gone down by a substantial margin—by 30 per cent over the last years. So the government's own efficiency standards for itself are having a significant impact.

CHAIR: How has that come about? Is that through better building insulation and more efficient air-conditioners?

Mr Bailey: Yes. And tenant lighting.

Senator FISHER: You said federal government.

Mr Bailey: With the efficiency of a building, there is a significant difference between efficiency and its measurement for central services versus the floor-by-floor arrangements of lighting and power.

[21:59]

CHAIR: Thanks very much, Mr Bailey. That finishes program 1.2. I now call officers from the department in relation to program 1.3, adapting to climate change.

Senator ABETZ: In assisting us to adapt to climate change, I understand the government has appointed—what do we call them?—ambassadors, spruikers, people such as Professor Flannery.

Mr Comley: Are you referring to the Climate Commission, Senator?

Senator ABETZ: Yes. Sorry?

Mr Comley: Just checking that you are referring to the Climate Commission.

Senator ABETZ: If that is its correct term, thank you. The Climate Commission—is that its—

Mr Comley: It is, yes.

Senator ABETZ: That is its term. All right. And Professor Flannery is on that. And who else?

Senator Wong: Mr Comley has gone through the list. This will be the third or fourth time, Senator. Do you want us to read it out again?

Senator ABETZ: No.

Senator Wong: We are happy to do that. We did it at the last estimates. We have done it on notice, I think, and we have done it again tonight. But we can waste everybody's time again.

Senator ABETZ: Are you finished?

Senator Wong: I am just making the point.

Senator ABETZ: Have you finished?

Senator Wong: It is on the website. You can also look at that.

Senator ABETZ: Have you finished?

CHAIR: Senator Abetz.

Senator ABETZ: Thank you. On what basis was Professor Flannery appointed to this position?

Mr Comley: Professor Flannery was appointed to this position because he is one of Australia's leading writers on climate change. He is an internationally acclaimed scientist exploring conservation. He was the Australian of the Year in 2007. He has had a number of academic positions, including professor at the University of Adelaide, director of the South Australian Museum in Adelaide, principal research scientist of the Australian Museum and visiting chair on Australian studies at Harvard University. He has also got quite a lot of experience as a communicator, and that was one of the reasons that he was selected as the chief commissioner of the Climate Commission.

Senator ABETZ: So it was his communication skills which were seen as being important for this position?

Mr Comley: Coupled with his academic background as a scientist.

Senator ABETZ: When was the date of his official appointment? It was just a little while ago.

Mr Comley: It was 10 February 2011.

Senator ABETZ: In determining that he would be appointed, did the government or the department have any regard to any previous predictions by Professor Flannery?

Mr Comley: The government and the department took account of Professor Flannery's full background.

Senator ABETZ: Which included saying that Adelaide's water problem is so severe that it may run out of water by early 2009?

Senator Wong: A number of people were concerned about Adelaide's water supply. There was, in fact, bipartisan concern. There were different policies in response to it. But that was not an unusual concern for people.

Senator ABETZ: I accept that it may have been a generally shared concern, but we are relying on this gentleman for his scientific expertise and capacity to predict for the future in part of this role, I would imagine.

Senator Wong: Relying on him to predict for the future?

Senator ABETZ: He is making assertions as to what may happen in the future in relation to human induced climate change. That is correct, is it not?

Mr Comley: Senator, while the Climate Commission is to communicate the state of climate science, international action and relevant climate change economics, some of that may include statements about the future. Many of them, though, are not statements of certainty. They are statements of the likely events. In the case of a range of those things, whether something comes to pass is not necessarily an indication of whether it was a reasonable statement of the risks at the time the statement was made.

Senator ABETZ: But we are using the Climate Commission and Professor Flannery to communicate with the Australian people.

Mr Comley: And to communicate the state of the science, including uncertainties where they exist, about that science.

Senator ABETZ: And there are uncertainties about the science?

Mr Comley: Yes. If we look at the publication today by the Climate Commission, Will Steffen makes it very clear that there are some things where there are very established positions and other things where there is greater uncertainty and that more research is required to finetune the understanding. We did have this conversation a little earlier. I used an analogy that someone from my science team pointed out to me, which is that there are debates in science around the edges of the theory of gravity but there are pretty strong agreements that, for operational purposes, you can drop an object and be pretty confident it will accelerate in a vacuum at a certain rate of acceleration. What the Climate Commission points out in the most recent contribution to the debate in the report authored by Will Steffen is that there are certain things that are very clear, including, for example, that the earth is warming and that there is a very strong likelihood it is due to human induced human emissions. But when you get down to processes such as sea level rise and the effect on water resources, these are less well understood and the subject of intense scientific research and debate. So I think the Climate Commission is communicating both what we know and the uncertainties where there are gaps in the knowledge.

Senator ABETZ: Especially in the area of water, which, not unreasonably, most Australians are very concerned about, the science is uncertain?

Mr Comley: I would ask Mr Swirepik to comment on this. The more one goes to regional impacts, the more one moves away from global averages and typically the less confidence there is in a particular prediction. I think at estimates last time—

Senator ABETZ: I personally agree with that. That is why when Professor Flannery predicted in 2005 that Sydney's dams could be dry in just two years it was a prediction that could be either right or wrong. But you have a look at that prediction now and the chances are that most Australians are scratching their heads saying, 'Interesting prediction.' It clearly did not come true. Therefore, they may be questioning some of the vigour with which those statements were asserted back in 2005. Would you agree with that?

Senator Wong: That is an assertion.

Senator ABETZ: Well, Professor Flannery made an assertion which has now not come to pass. That leads people to quite rightly question the robustness of the science and the

robustness of the information being provided to the Australian people via the Climate Commission.

Senator Wong: I invite you to consider the document that has been put out by the commission today. I know that you would not have had an opportunity to read the document.

Senator ABETZ: No. I have not.

Senator Wong: There is a chapter on the risks associated with a changing climate. A specific component of that chapter deals with water availability.

Senator ABETZ: But I am sure there is not a chapter on previous predictions.

Senator Wong: Well, you might wish to just dismiss all of the science with that kind of political banter.

Senator ABETZ: I do not.

Senator Wong: You do. But that is a matter for you.

Senator ABETZ: No.

Senator Wong: What this chapter goes through is that there are variable impacts and there are also variations in the extent to which climate change can be seen to be connected or not connected with different changes in water variability. It talks about different parts of Australia where you might have different hypotheses about what is occurring. That was my layperson's answer. Mr Swirepik might want to add to that. But my point is I do not believe that the Climate Commission in this is making bold assertions. What it is saying through this synthesis of the existing science is that in some areas we can track changes in water availability and we can track some evidence of a connection with climate change. That is less true in other areas. It is quite clear in this chapter that the state of the scientific evidence is different in different areas. Mr Swirepik, did you want to add anything to that?

Mr Swirepik: That is fair and reasonable.

Senator ABETZ: I would not expect you to say that the minister was being unfair and unreasonable, but, fine.

Senator Wong: Well, you never know.

Mr Swirepik: Unpacking a bit of the uncertainty around rainfall projections is important and more salient for the country. We have invested significant research dollars into the question over the years. If you have a look regionally around the country, you see that there are different things going on and they are as a result of different regional phenomena which drive climate. So if we look at south-west Western Australia, where the drought continues unabated, where there has been a three-decade-long drying trend, we have been able to attribute since about 2006 that that drying trend has within it an element of climate change. You do not get the changes in atmospheric circulation without greenhouse gases driving a part of that equation. Of course, there is still a climate variability signal built in there as well, but there is a definite link to greenhouse gases in that story in south-west Western Australia. If you move across to the south-east of the country, you find some work was done through the south-east Australian climate initiative to look at the Murray-Darling Basin. That research found in a report issued early last year or late the year before—I cannot quite recall now—that, again, prolonged and unprecedented drought in the southern basin particularly had an element of climate change signal within it as well.

Senator ABETZ: Did you say it was unprecedented?

Mr Swirepik: In terms of its severity and duration, yes. That sort of hinges on a couple of subtle bits of detail. It was a very long drought, being 13 years long. Within that period, compared to other droughts, such as the Federation drought or the World War II drought—the 1940s drought—there was a complete absence of a wet year or wet seasons in that period. It was a very, very dry period and so inflows were at record lows. It was also exacerbated by increases in average temperature during that time. That increase in average temperature, then, of course, has been linked back to greenhouse gases. So there are a couple of bits that are quite important where a lot of people live in Australia, where we can see that climate change is having an impact upon the rainfall patterns and it provides us with real cause for concern.

Senator ABETZ: Of course, we have had huge rainfalls in Brisbane and Queensland in recent times, which were not predicted. In fact, the exact opposite was predicted, was it not?

Mr Swirepik: I do not think that is quite true. It is important not to mix up projections of climate with predictions of weather or even seasonal forecasts.

Senator ABETZ: And even decade forecasts?

Mr Swirepik: The level of skill in decadal forecasting globally is pretty low. Multi-decadal, that skill is quite high. It is when you get back into the decade or two in front of us that it becomes quite difficult. It is because you need to be initialising climate models to make that happen. It is effectively like running a long weather forecast but it goes out past a season and into years and decades—the first couple of decades.

Senator ABETZ: We have had the earliest ski season on record.

Mr Swirepik: Yes.

Senator ABETZ: People are skiing already, the earliest ever, I understand.

Mr Swirepik: Yes. I heard the weatherman on 666 in Canberra this morning joking that the ski season was now over because of the rain that had fallen last night and washed the snow away. These are short-term variations in climate. We cannot go and read too much into that. They are weather events; they are not about long-term trends.

Senator ABETZ: Yes. But what we have seen in recent times is the referral to short-term weather events as being examples of climate change. The former Prime Minister Mr Rudd did that with the heatwave that was in Adelaide. He tried to claim that as being indicative of climate change whereas I think most scientists, in fact, came out to debunk that, to say that you cannot link the two together.

Mr Swirepik: There is a very important subtlety there. You cannot attribute any single event to climate change. The projections for temperature are a lot more robust and skilful than the projections for rainfall. The projections for future temperature indicate that there will be increases in heatwaves across southern Australia.

Senator Wong: And in the report just released, it reminds us that in the last 50 years the number of record hot days in Australia has doubled.

Mr Comley: In fact, in the report, when you have a look at it, on page 39 there is a general point that comes out of the scientific literature, which is that if you have a distribution of outcomes, particularly a distribution here in the case of temperature outcomes, if you have a relatively small shift in the mean of the distribution to the right, to hotter, you have a

disproportionate increase in the number of record hot days and more hot weather as that tail is at higher temperature rates.

Senator ABETZ: Does that document accept that the world has not warmed over the last decade?

Mr Swirepik: That is not really the case. The world meteorological—

Senator ABETZ: In other words, it does not accept it?

Mr Swirepik: No. It is not the case.

Senator Wong: Because it is not true.

Senator ABETZ: I am just asking whether it accepts it or not. The answer is no.

Senator Wong: Yes. From 2001 to 2010 is the warmest decade on record.

Mr Swirepik: That is right. In a statement issued by the World Meteorological Organisation.

Senator ABETZ: I beg your pardon?

Mr Swirepik: That was in a statement issued by the World Meteorological Organisation: the decade of 2001 to 2010 was the warmest on record. It is also important that short-term fluctuations in air and surface temperature do not necessarily match with the long-term warming trend that goes on in the oceans. We have been measuring the oceans and have found that they have continued to warm without abate over the past 15 years.

Senator ABETZ: We could go to the Great Barrier Reef, but time does not permit, where we were told that 30 to 40 per cent of it could die within a month. That was a prediction made in 2006 by a world renowned scientist. Later on he said he was astounded at its recovery and admitted that the bleaching had a minimal impact.

Senator Wong: Senator, you can sit there saying everything is fine. You can.

Senator ABETZ: No, I am not.

Senator Wong: It does not matter. We have sat here for years. Scientists advised you when you were in government. You have continued to assert the position since you have been in opposition and no amount of evidence is going to change your mind. You do not believe it is real. You do not believe.

Senator ABETZ: No.

Senator Wong: I am sorry. You do not believe human beings are contributing to it.

Senator ABETZ: No.

Senator Wong: Nothing we say—

Senator ABETZ: For the record, that is false, Chair. That is simply false.

Senator Wong: Well, you are on record as saying weeds are a more risky, a more dangerous threat to the environment than climate change.

Senator ABETZ: No, more immediate.

Senator Wong: You continue to assert that the world is cooling. You do not want to listen to the evidence.

Senator ABETZ: No, I have not done that either.

Senator Wong: You want to talk about the snow season.

Senator ABETZ: I have not done that either.

Senator Wong: And the rains in Brisbane.

Senator ABETZ: It is this offensive attitude towards anybody who wants to raise questions—

Senator Wong: I do not intend to be offensive.

Senator ABETZ: that unfortunately undermines what might otherwise be a very reasonable proposition.

Senator Wong: There is no intention—

Senator ABETZ: What the minister cannot accept is people who might question and scientists who do not necessarily agree with the opinion.

Senator Wong: I can accept people—

CHAIR: Senator Abetz, do you have other questions? There are other senators with questions.

Senator ABETZ: No, but Senator Birmingham does.

CHAIR: Senator Birmingham may have to wait a minute. I have some questions.

Senator Wong: I have just been verbaled. I accept questioning, Senator Abetz, but you do not question. You assert something that is not correct. That is not questioning. That is just blindly denying facts which are before you.

Senator ABETZ: What have I asserted?

CHAIR: We are not going into that, Senator Abetz. I have some questions of Mr Swirepik. Mr Swirepik, it is not only the Climate Commission that has done the analysis on a scientific basis about the concerns facing Australia with global warming, is it?

Mr Swirepik: No.

CHAIR: Are you aware of the CSIRO document *Climate change: Science and solutions for Australia*?

Mr Swirepik: I am.

CHAIR: Are you aware that that document says unequivocally that almost all of Australia has warmed over the 50 years since 1960?

Mr Swirepik: Yes.

CHAIR: Do you agree with that proposition?

Mr Swirepik: That is the data from the Bureau of Meteorology, as I understand it. Yes.

CHAIR: It goes on to say that some regions have experienced temperature increases of up to two degrees Celsius over this time.

Mr Swirepik: That is as I understand it to be the case.

CHAIR: And it says that the long-term trend, which is the important issue, shows that the Australia-wide average is clear and distinct and that it is warming.

Mr Swirepik: That is the case.

CHAIR: So there is the climate change report from CSIRO. We have got that e-climate document. Are you aware of the Pontifical Academy of Sciences?

Mr Swirepik: I have had an opportunity to scan the document.

CHAIR: Good. Someone has actually had a look at it. Do you know the scientists involved in this?

Mr Swirepik: Not personally. There are a number of them with global reputations. There are a number of fairly big names in amongst them. I do not have the report in front of me to refer to their names, but there are well-known people there.

CHAIR: So the pontifical academy has world recognised scientists involved in it. They have coined the phrase 'Anthropocene'. I have not seen that generally used. What is that?

Mr Swirepik: In terms of geologic history, we are in the Holocene period of the earth's history. It is a term that earth systems scientists and now, to some degree, climate scientists are using to describe the period in which human, or 'anthro', activity is actually starting to influence the climate. Previous climatic episodes and change within the earth's climate system have been due to natural changes such as solar variation, the tilt of the earth and those sorts of things. They are highlighting that the Anthropocene is an era that is dominated by human activity and causing climate change.

CHAIR: The Pontifical Academy of Sciences says that the earth is warming and the impacts of climate change are increasing. They say—this is their scientific analysis—that some of the current and anticipated impacts of climate change include losses of coral reefs, forests, wetlands and other ecosystems; a rate of species extinction; water and food shortages; an increase in sea level rises; stronger storm surges especially; and threats to vulnerable ecosystems, including low-lying islands and a loss of mountain glaciers. Would this be the climate apologists talking, or is this the science that is around the world?

Mr Swirepik: I think that is a fair reflection of the impacts of science that has gone on around the world in recent decades.

CHAIR: Thanks. Senator McEwen has a question.

Senator McEWEN: Senator Cameron has mentioned the CSIRO report, the pontifical academy and the Australian Bureau of Meteorology. Are there any other international organisations that have said that the world is warming and that humans are contributing to that warming?

Mr Swirepik: I think it is really important to note that, in addition to the Intergovernmental Panel on Climate Change, the big national academies around the world have come out with quite strong statements. For example, the Australian Academy of Science has come out with a very strong statement that highlights the fact that climate change is real and man is the dominant driver of it. They deal with uncertainty issues as well. The uncertainty is all buried in the detail of when and by how much, rather than if.

Senator McEWEN: Are there any other international organisations?

Mr Swirepik: The American Academy of Science and the UK Academy of Science have all made very strong statements which back up the key IPCC findings.

Senator McEWEN: I understand NASA has made some statements along this line.

Mr Swirepik: NASA and NOAA, the National Oceans and Atmospheric Administration, have made similar statements.

Senator ABETZ: Are there any with a contrary view?

Mr Swirepik: Not that have the academic standing and peer reviewed publications to back them up.

Senator ABETZ: But can you name any?

Mr Swirepik: The Heartland Institute make statements about climate change. It has a very contrary view.

Senator ABETZ: Is that the only one you can think of?

Senator Wong: Senator Minchin has made lots of statements about climate change!

Senator McEWEN: What does Mr Hunt say, though?

Senator ABETZ: What about the Royal Netherlands Meteorological Institute—ever heard of them?

Mr Swirepik: No. I am not aware of their work at the moment.

Senator Wong: Chair, if Senator Abetz is interested in the science, he might like to attend the Climate Commission forum tomorrow, which is in the Parliament House theatre from 10.00 am to 12.30 pm. It is obviously an opportunity for senators and members who want to engage on this issue to hear the commission speak.

CHAIR: Mr Swirepik, I just want to go back to the CSIRO because they are acknowledged experts in Australia. In relation to Tasmania, they are saying that 21 per cent of the Tasmanian coast is at risk of erosion and recession from sea level rise. Is that a consistent finding across the various work that has been done?

Mr Swirepik: That sounds consistent with my understanding in broad terms. Coastal vulnerability is really a function of a couple of things. The sea level rise is part of that equation, and also whether the shore is hard or soft plays into that level of vulnerability.

CHAIR: It also says the strengthening of the east Australian current may result in subtropical marine species moving into temperate waters, altering the habitat of many species.

Mr Swirepik: Yes. There are examples of that starting to happen. There are things like kelp forests changing distribution.

CHAIR: That is the bad news for Tasmania. The good news for some is that changes in climate will favour a shift of warm season grape varieties. I am not sure what that means. We are losing the coastline but we are getting warm season grape varieties. There are other examples in the CSIRO report that are exactly consistent with the Climate Commission. So the Climate Commission is, in your view, basing its arguments on strong scientific knowledge?

Mr Swirepik: Yes. That is very much my view.

CHAIR: Senator Abetz said that we are relying on the gentleman who is the chair, Mr Flannery. But we are not relying simply on Mr Flannery. We are relying on the commission—they are the acknowledged experts—and the scientific panel that underpins the Climate Commission. Is that correct?

Mr Swirepik: That is right.

Mr Comley: There are five other commissioners and a nine-person scientific advisory panel. For example, in the report that was put out today, an acknowledgement on the front page says:

This report has been extensively reviewed by 15 to 20 colleagues from CSIRO, the Bureau of Meteorology and the university sector. They are all widely recognised experts in their fields of climate science.

And it says the commission is grateful for all the care and attention with which they looked at the drafts. They also thank the colleagues on the science advisory panel of the Climate Commission. Effectively the document that has been presented has had over 20 experts' eyes over it to ensure that it is consistent with the current state of the science.

Senator FISHER: You've got to love that.

Senator BIRMINGHAM: Is this program 1.3, Chair?

CHAIR: Yes, that is where we are, Adapting to climate change.

Senator BIRMINGHAM: I do not want to get halfway through a question and find we are 30 seconds past the closure.

CHAIR: We will take a couple of questions on that and then we will move on.

Senator BIRMINGHAM: We may be able to have this answered quickly anyway. Of the three grant funding activities—provided under the International Climate Change Adaptation Initiative, the Australian Centre for Climate Change Adaptation Program or the influencing international climate change budget measure—which are the relevant program classes to ask questions about?

Mr Comley: I think some of those would be under 1.3 and some would be under 1.4. Given the time, is it worth asking our colleagues from 1.4 to come to the table and take questions?

[22:31]

CHAIR: I am happy to call the officers from the department in relation to program 1.4, Helping to shape the global climate change solution.

Mr Comley: Then we can take them all together.

Senator BIRMINGHAM: Excellent. I will work through a few of them. I am plucking a few random ones out of each of these grants. There is \$164,273 for the UNFCCC trust fund for participation as part of the influencing international climate change program. What is that grant for and what are the expected outcomes from it?

Mr Comley: I believe that UNFCCC trust fund was set up to support developing country engagement in the UNFCCC. There is a pooled amount of funds that allow developing countries to access various UNFCCC negotiations and events.

Senator BIRMINGHAM: That is a summary of what that fund operates for. Does Australia make annual payments to that?

Mr Comley: That is my understanding, yes.

Senator BIRMINGHAM: Generally speaking, the program line that is described as 'influencing international climate change'—for which I see a grant to the OECD, the UNFCCC, the International Institute for Sustainable Development and the Delhi Sustainable

Development Summit—do all of those grants have similar objects? What is the grant money going out the door to these organisations for in relation to the influencing international climate change budget line?

Mr Comley: They would be similar. Many of these are setting up support. For example, the OECD one does fund developing country participation so that they can have discussions on issues. At the OECD they will deal with technical issues such as different approaches to monitoring and reporting verification and development of carbon markets. It is all the architectural building blocks for which developing countries often have limited resources to engage in those discussions.

Senator BIRMINGHAM: Are these grants that Australia has signed up to under Kyoto obligations or are these simply grants we are choosing to make? Are they shared by some formula between ourselves and other developed countries?

Mr Comley: My colleagues may have more detail, but they typically are shared on a formula basis across the various countries.

Senator Wong: Senator Birmingham, I missed where you started. Are you reading from the QON?

Senator BIRMINGHAM: No, I am reading from, I think—I do not have the cover sheet for it—a list of grants tabled in response to a continuing order in the Senate.

Ms Walsh: I can add a bit more to what the secretary said. Some of the line items that sit underneath that budget measure are paid on the basis of a contribution to the UNFCCC, but there are others that are based on applications made to the department or approaches made to the department. They are assessed on merit. They could be funding where only Australia contributes or Australia determines its own contribution independent of how other countries may contribute.

Senator BIRMINGHAM: How much has Australia spent or will Australia spend this year under that line item?

Ms Walsh: The line item itself in the budget is a \$3 million line item.

Senator BIRMINGHAM: Is that figure continuing into 2011-12 and beyond?

Ms Walsh: Yes, it does.

Senator BIRMINGHAM: Please provide a breakdown of it for me. Is it all grant provision or money that is given out in grant funding?

Ms Walsh: The actual line item in the budget is called Helping to shape the global climate change solution. Some of that money goes towards funding: for example, our contribution to the IPCC and some of it to the UNFCCC and others. I would be happy to give you a breakdown.

Senator BIRMINGHAM: It would be appreciated if you could provide a breakdown and within that details of whether they are annual formula based contributions or whether Australia is the sole funding party and what the particular outcome of those grants are. There is a range of grants to the Australian Climate Change Science Program which I suspect might fall more under 1.3 than 1.4. I will pick on one particularly large one, \$220,000 to the University of New South Wales. What is the intent of the program and, particularly for that example, what are the taxpayers getting for their \$220,000?

Mr Swirepik: Was that to the University of New South Wales, did you say?

Senator BIRMINGHAM: That is right.

Senator Wong: We will take that on notice.

Mr Swirepik: I think we will have to take that on notice. I am not convinced we have that investment in the current financial year.

Senator BIRMINGHAM: Okay. The date the funding agreement was signed, according to what was tabled in the Senate, was 25 March 2011, if that provides any assistance.

Mr Comley: We will take it on notice.

Senator BIRMINGHAM: I assume from its name, the program funds science based programs. It funds research that feeds into what the Climate Commission does or other work. What type of climate change science are we funding here?

Mr Swirepik: It funds the core national capability for climate science. It builds our national climate model known as ACCESS, the Australian Community Climate and Earth-System Simulator. It has a focus on processes that go on in the Southern Ocean and on the cryosphere, the ice in Antarctica. It studies atmospheric processes. It develops our basic understanding of how the climate system, in particular in the Southern Hemisphere and the Australian region, functions.

Senator BIRMINGHAM: I will put some similar questions on notice to provide a summary of grant recipients under that program for this financial year and the work that they will be undertaking and also, whether there is further funding in other years that is provided as part of that work and that type of basic summary. That would be appreciated. Under the International Climate Change Adaptation Initiative there is \$250,000 for the government of Kiribati. What are the outcomes for that?

Ms Sidhu: I do not have the \$250,000 line in front of me. Essentially what the department does is we administer parts of the overall initiative on behalf of AusAID. AusAID holds the bulk of the funds for the International Climate Change Adaptation Initiative and delivers most of them. The department's responsibility essentially revolves around \$20 million for the Pacific Climate Change Science Program and \$12 million for the Pacific Adaptation Strategy Assistance Program. One is about developing scientific knowledge and understanding, particularly working with local meteorological organisations so they can understand the influences on their countries, across the Pacific. The second is to draw on some of that data to build vulnerability assessments then to assist Pacific countries with developing adaptation strategies. I am not sure about the Kiribati one specifically. I do not have that in front of me. I can take that on notice.

Senator BIRMINGHAM: So we have a science based component and an adaption component. The adaptation component relates to strategies, not to actual deliverables, in how they might make particular changes whether it is to their own emissions base or, from an adaptation perspective, the building of a sea wall or something?

Ms Sidhu: Generally speaking, these are not high-emitting countries. Generally, their primary climate change concern is the impacts of climate change on their countries. In order to access international assistance, they often need to demonstrate they have a plan in place

and a strategy in place. They often do not have the expertise, data or information to develop those strategies. We assist them to do that.

Senator BIRMINGHAM: Once again the department may need to work with AusAID on this, but if you could provide the same sort of summary for this financial year as I asked—

Ms Sidhu: For the department's component of the funds?

Senator BIRMINGHAM: Yes. Let us be clear in the division of the funds between the department and AusAID.

Ms Sidhu: There is a total of more than \$200 million or \$300 million over a number of years that has been put towards the International Climate Change Adaptation Initiative. The department owns something like \$32 million of those funds, so it does draw out grants. I am very happy to provide you with the data on the department's component of those funds.

Senator BIRMINGHAM: Why is that split? Surely the funding is there for the same purpose—

Ms Sidhu: Exactly.

Senator BIRMINGHAM: whether it is administered by AusAID or the department. Why was the decision taken that one chunk of that would be administered by the department and another chunk would be administered by AusAID?

Ms Sidhu: It goes to where the relative expertise lies. By and large, the activity that we would be funding out of the International Climate Change Adaptation Initiative is development assistance type funding. It requires expertise on program management, project development and all those sorts of things where the expertise generally lies in AusAID. There are a couple of areas where the expertise lies in the Department of Climate Change and Energy Efficiency. Those relate to developing climate science and sharing climate science. That way we are able to leverage off the science program and, similarly, develop adaptation strategies.

Senator BIRMINGHAM: You are only able to answer the questions for me in relation to the ones administered by the department of climate change. I need to go and ask AusAID all the same questions for the other more than half of the program?

Ms Sidhu: Yes.

Senator BIRMINGHAM: It is always a picture of efficiency, government. Lastly, the Australian Centre for Climate Change Adaptation Program: here we have got \$635,800 paid to the Royal Melbourne Institute of Technology and \$352,000 to the Local Government Association of South Australia. Can somebody give me a break down as to what those funds are being used for?

Ms Sidhu: I believe those funds relate to the Local Adaptation Pathways program. It is a program of small grants to over 90 local government entities across Australia. They are generally small grants and they enable local governments to develop individual adaptation strategies. Largely these are local governments located in coastal areas. You will be aware that the department has been working with state and territory governments to put out more information about those. It is a grant program to allow local governments to develop strategies as to how they might deal with some of the issues that they might face.

Senator BIRMINGHAM: Two of the four listed on this table are universities. One is RMIT and the other is the University of New England. One is getting close to half a million dollars and the other is getting more than \$600,000. They are not local government areas.

Ms Sidhu: No, they are not. Sorry, I thought you said that these were the local government grants.

Senator BIRMINGHAM: These are under the Australian Centre for Climate Change Adaptation Program. I cited RMIT and the Local Government Association of South Australia as two examples.

Ms Sidhu: I will have to take that one on notice. I do not have RMIT on my list.

Senator BIRMINGHAM: I understand the agreement was signed with them on 21 February 2011. If you could take that on notice and you could give me all the grants for this year and a breakdown of what they are seeking to achieve, that would be appreciated.

Senator ABETZ: I refer to program 1.4. Please indicate to us how many nations have declined to act on, rejected or deferred a carbon tax, carbon pricing or an ETS-type scheme in the past two years or so. Chances are you will have to take that on notice, I assume. Do we have a list of countries that have declined?

Ms Hand: No, we do not have that specific list, partly because it is not necessarily the nature of climate change action in a number of governments. One of the things that we have observed, and there is a document on the MPCCC website which has lists of action in the major emitting countries and our major trading partner countries, is that countries go for a range of different actions that resonate domestically or work with their national circumstances or in some ways help them get to the targets they have set. That can include quite a range of things.

Senator ABETZ: Or it could include a direct action plan, for example, as opposed to a carbon tax. Right?

Ms Hand: Or an emissions trading scheme or renewable energy.

CHAIR: They do not want to spend that much money.

Senator ABETZ: Let us not get into those aspects. What I do want to know is how many nations—because we are trying to develop a global climate change solution—have declined to act on, rejected or deferred a carbon tax, carbon pricing or an ETS.

Ms Hand: I am happy to take that on notice.

Senator ABETZ: Thank you. What is our obligation to fund the IPCC? Is there a particular amount that we have to pay to them?

Ms Sidhu: There is not. It is generally governments contributing what they consider to be a reasonable sum.

Senator ABETZ: What do we contribute?

Ms Sidhu: Generally about \$100,000 to \$120,000 a year.

Senator ABETZ: To the IPCC?

Ms Sidhu: That is right.

Senator ABETZ: I understand that we have been funding a little shindig in Trinidad and Tobago. Is that right?

CHAIR: These questions have been covered.

Senator ABETZ: Have they? I assume this event in Trinidad and Tobago is part of the global climate change solution, or not?

Ms Sidhu: If I could clarify, there is not any event going on in Trinidad and Tobago. What is in fact happening is a lessons learned program from the Pacific adaptation work that we have been doing. A workshop, which I believe is being held this week in Apia in Samoa, and given that Caribbean island countries face very much the same challenges as Pacific Island countries, the organisers—which include the Department of Climate Change and Energy Efficiency and SPREP, the South Pacific Regional Environment Program—have invited some Caribbean participants to attend.

Senator ABETZ: Is there nothing happening in Trinidad and Tobago?

Ms Sidhu: To the best of my knowledge, no.

Ms Walsh: There may be some confusion. There is a meeting in Trinidad and Tobago that is looking at early warning systems and helping that nation develop its early warning systems.

Senator ABETZ: Is that the one funded by us?

Ms Walsh: By AusAID but not DCCEE. That question would have to be directed to AusAID, not to us.

Senator ABETZ: Thank you. Have we made any predictions in relation to the global climate change solution whether the emissions from China are likely to increase over the decades?

CHAIR: Senator Abetz, that will have to be your last question as Senator Troeth and others have questions as well.

Mr Comley: The emissions in China are likely to increase for some time, but they have made emissions intensity commitments that mean that the emissions compared with their business as usual are projected to decline quite substantially over the next decade.

Senator ABETZ: But their total emissions will increase substantially. In fact, you could use the term 'soar'.

Mr Comley: Yes, but I think it is very important to note that, with developing countries, the nature of international agreement has always foreseen that there would be further growth in emissions before it declined and that, in seeking commitments from developing countries, the most important thing is to have a deviation from business as usual, which in fact is not different for developed countries. We have had a conversation today about whether the five per cent target is a challenging target for Australia and the answer is yes, not because it is five per cent in absolute terms but because it is coming off a 24 per cent increase in business as usual.

Senator ABETZ: I understand that. Time is very short, but what we have is a prediction that the total emissions from China will increase and increase dramatically despite any actions they might be taking to reduce what they otherwise might be. They are still going to increase substantially.

Mr Comley: In terms of deviation from business as usual, there are quite different estimates of this. Some of those estimates are in not dissimilar terms to Australia's reduction from business as usual. In other words, the reduction from business as usual for Australia on a

five per cent target is around 23 percentage points. There are people who have put estimates of the business as usual for China, including Professor Garnaut, of a similar order of magnitude for China's reduction on the basis of their current commitments and the international environment.

Senator ABETZ: We will see how that prediction pans out as well.

Senator TROETH: I would like to refer you to estimated expenditure on hotel rooms for bureaucrats and MPs to attend the climate change conference in South Africa in November. I understand that your department has submitted a request for \$245,104.60 for hotel rooms in Durban. Is that correct? I am taking information which, I gather, comes from portfolio budget statement page 31.

Ms Hand: That figure is correct.

Senator TROETH: I understand that is for accommodation only in the total expenses for the trip?

Ms Hand: We do not have a sense of the delegation size or who will be on it yet so we cannot work out what other additional food or travel costs there might be. We have to try and organise this accommodation reasonably early. A lot of people will be in Durban. The South African government estimates that the requirement for rooms will greatly exceed the rooms available in Durban.

Senator TROETH: I understand that when the 38 member delegation went to Cancun in Mexico last year it was \$360,000 but that was for the total trip.

Ms Hand: We would have to look at the detail of that. The difference in Cancun was that the food was rolled into the accommodation cost so it was a package deal. That cut the food allowances down quite significantly. The rest was airfares—

Senator TROETH: Airfares and hotels.

Ms Hand: Yes, exactly, and then the kinds of functional costs you need for delegation officers, IT meeting rooms and those sorts of things.

Senator TROETH: You had 38 people at Cancun, so would the delegation to Durban, without going into numbers, be smaller or larger?

Ms Hand: It is very hard to tell just yet. It will be partly driven by where we are in the negotiations at the time, how much ministerial interest there is globally and if the South Africans want to make a high-level segment. That is not clear yet. Cancun was significantly smaller than the Copenhagen delegation, partly because it was a different point in the negotiating cycle and so it is a bit hard to tell. It is likely to be more comparable to Cancun than Copenhagen.

Senator TROETH: On that table on page 31, which of those line items is the one that deals with the travel expenses? Is that in 'Ordinary annual services program support' or 'Expenses not requiring appropriation in the budget year'?

Mr Comley: This is the administered funding. The travel would just be part of normal departmental expenses.

Senator TROETH: So the travel is none of that that is listed on page 31?

Mr Comley: That is right, it would be in the general departmental expenses.

Senator TROETH: Right. Would you have any idea where that would be?

Mr Comley: Sorry, it is in program support in 1.4, which is part of departmental expenses.

Senator TROETH: So it is in that program list?

Mr Comley: Yes.

Senator TROETH: So which line item would it be? In which line?

Mr Comley: It would be in program support, so it would be the program support line on page 31.

Senator TROETH: And would that particular conference be the main overseas conference operation for this financial year?

Mr Comley: Yes. The sequence of negotiation meetings throughout the year is such that while it is one big chunk, there are a lot of other activities through the year.

Senator TROETH: Okay. Thank you for that. I expect, in my absence, that other people will continue with that next time.

CHAIR: Mr Comley, is it possible for us to meet our national interest by not travelling to any of these international conferences?

Mr Comley: Unfortunately not. The nature of climate change requiring a global solution will need global agreement. Much as I think many of the staff in the department would prefer not to travel as much as they do, there are few substitutes for face-to-face negotiations on a number of these matters that are required to try to move towards a global solution.

The other thing that is probably worth noting about things like delegation sizes is when you get to a conference such as Cancun or what will be the case in Durban, there are multiple negotiation streams happening at the same time. In Cancun, at one point we would have had some of our staff progressing the land sector negotiations, which are pretty important for Australia, because, for example, they would capture the question of whether natural variability can be built in and therefore land sector covered in a more convenient way. We would have had finance negotiations on how the UNFCCC could shepherd through the establishment of a finance fund. At the same time we had work on reduced emissions from deforestation. At the same time we had work on monitoring and reporting verification. At the same time we had work on adaptation funding and technology. There are a few other markets, but you have these parallel work streams, each of which is critically important to the national interest.

CHAIR: So it is a bit like the negotiations that take place at a WTO round. I was in Seattle. I attended some government meetings there and there was a significant number of public servants there supporting the then minister on these negotiations. Is that similar?

Mr Comley: Some of my colleagues have been to a lot more of these meetings than myself. The minister is obviously the most senior and important part of the negotiating team, but there is a whole range of parallel negotiations that occur at the same time. So typically what happens at one of these conferences is the delegation will get together in the morning to discuss the state of play across the disparate strands and then literally scatter to the four corners of the venue to parallel track all the negotiations. So the minister is obviously

supported in practise by the whole delegation, but there are subnegotiations happening at the same time where Australia's national interest is at risk.

Ms Hand: Australia is constantly looking for coalitions of like-minded interests that will help us take these things forward. That is a sort of meta negotiation as well. We chair the Umbrella Group, which is a group of market-based emitting countries, including the US and Norway and Canada and Japan and others. For us that is a very important way of a middle-sized country inserting itself into shaping this kind of global solution. So there is also this other range of negotiations happening simultaneously.

CHAIR: Thank you. That concludes the examination of the climate change and energy efficiency portfolio. I thank the minister and officers for their attendance. The committee will commence its examination of the sustainability, environment, water, population and communities portfolio tomorrow at 9 am. I remind senators that written questions on notice should be provided to the secretariat by Friday next week.

Committee adjourned at 23:00