

Senate Standing Committee on Environment and Communications
Legislation Committee
Answers to questions on notice
Environment portfolio

Question No: 80

Hearing: Supplementary Budget Estimates

Outcome: Outcome 7

Programme: Renewables Projections & Governance Division

Topic: OECD Study

Hansard Page: N/A

Question Date: 27 November 2013

Question Type: Written

Senator Urquhart asked:

Are you aware of the recent OECD study on effective carbon prices? How did it build on the work done by the Productivity Commission? What did it find in relation to subsidy approaches to reducing emissions? Why did it find that “Carbon taxes and emission trading systems are the most cost-effective means of reducing CO₂ emissions, and should be at the centre of government efforts to tackle climate change”? Does this study confirm action is being taken internationally to reduce emissions?

Answer:

Are you aware of the recent OECD study on effective carbon prices?

- The Government is aware that the Organisation for Economic Co-operation and Development (OECD) published a report in 2013 titled ‘Effective Carbon Prices’ (the OECD Report).

How did it build on the work done by the Productivity Commission?

- The OECD Report states that it builds on a 2011 report by the Australian Productivity Commission, ‘Carbon Emission Policies in Key Economies’ (the PC Report), using a similar methodology and extending the range of sectors and countries covered by the PC Report.

What did it find in relation to subsidy approaches to reducing emissions?

- In its comparison of estimated effective carbon prices of instruments applied in the electricity generation sector, the OECD Report found that “feed in tariffs and various (other) subsidy schemes” had a higher cost per tonne of CO₂ equivalent abated compared with “trading schemes”.
- The OECD Report only considered abatement incentives facing electricity generation, road transport, the pulp, paper and cement sectors and household domestic energy use.

- The Government's Direct Action Plan is not a subsidy scheme. It is a market-based mechanism that uses reverse-auctions to source lowest-cost abatement from participants across the economy, carrying out emission reductions activities from revegetation, investing in soil carbon, cleaning up power stations, capturing gas from landfill and increased energy efficiency. Lowest-cost emissions abatement may well come from sectors outside those considered by the OECD.

Why did it find that “Carbon taxes and emission trading systems are the most cost-effective means of reducing CO₂ emissions, and should be at the centre of government efforts to tackle climate change”?

- The OECD Report's findings are based on the study's methodologies, assumptions and parameters.
- The authors of both the PC Report and the OECD Report emphasised several limitations and caveats regarding the kind of comparative policy study undertaken in these reports.

Does this study confirm action is being taken internationally to reduce emissions?

- Yes. This study confirms that various actions are being taken internationally to reduce emissions.
- More than 1,000 different emissions reduction measures were identified in the countries studied by the PC Report and the OECD Report.