



Policy costing request—during the caretaker period for a general election

Name of policy:	Putting a price back on pollution
Person requesting costing:	Senator Di Natale
Parliamentary party:	Australian Greens
Date of request to cost the policy:	1 July 2016
<i>Note: This policy costing request and the response to this request will be made publicly available.</i>	
Has a costing of this policy been requested under Section 29 of the Charter of Budget Honesty (ie from the Treasury or the Department of Finance)?	No
Details of the public release of this policy (Date, by whom and a reference to that release):	Senator Di Natale, National Press Club http://greens.org.au/npc http://greens.org.au/sites/greens.org.au/files/National%20Press%20Club%20-%20June%202016.pdf
Description of policy	
Summary of policy (as applicable, please attach copies of relevant policy documents):	Reinstating the previous carbon pricing mechanism exactly as it was but with the following adjustments: <ul style="list-style-type: none">• No financial compensation or free permits for the coal generation sector;• No free permits for fugitive emissions from mining;• 66% of free permits to cover energy intensive trade exposed industries with the rate reducing by 3% a year.• No international linkage with the EU or foreign credits permitted. All will be sourced from domestic abatement until the Climate Change Authority advises government that there is a rigorous market for Australia to sell permits into.• No need to include the charge on Fuel Tax Credits as the <i>Ending Fossil Fuel Use</i> policy assumes the removal already. The fixed price will start at the point it was scheduled to commence at before repeal, \$25.40 per tonne and index each year at CPI, as previous.
What is the purpose or intention of the policy?	To encourage innovation and shift investment towards cleaner and more efficient forms of energy use and to ensure our economy stays competitive and prosperous while transitioning smoothly to a zero pollution economy.
What are the key assumptions that have been made in the policy, including:	

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<p>Is the policy part of a package? If yes, list the components and interactions with proposed or existing policies.</p>	<p>No, but it does intersect with removing the Fuel Tax Credits regime under the <i>Ending Subsidies for Fossil Fuel use and extraction</i>. Please do not include the revenue from reinstating the previous charge against fuel tax credits.</p>
<p>Where relevant, is funding for the policy to be demand driven or a capped amount? If a capped amount, are the costs of administering the policy to be included within the capped amount or additional to the capped amount?</p>	<p>N/A</p>
<p>Will third parties (for instance the States/Territories) have a role in funding or delivering the policy? If yes, is the Australian Government contribution capped, with additional costs to be met by third parties, or is another funding formula envisaged?</p>	<p>No</p>
<p>Are there associated savings, offsets or expenses? If yes, please provide details.</p>	<p>Yes, Reinstating household compensation payments at the level that they would have reached had indexation been ongoing since 20 September 2014, plus an additional 30 per cent and resume indexation from this time.</p> <p>For clarification compensation would involve the following:</p> <ul style="list-style-type: none"> • providing a payment equivalent to the first Clean Energy Advance on 1 July 2017, at an amount equal to the indexed original amount • re-indexing the Clean Energy Supplement to the Consumer Price Index (CPI) • continuing the Low Income Supplement/Low Income Family Supplement payments from 1 July 2017 • maintaining the Essential Medical Equipment Payment • maintaining the Single Income Family Supplement.
<p>Does the policy relate to a previous budget measure? If yes, which measure?</p>	<p>Yes, many associated measures embodied in the <i>Clean Energy Legislation Act 2011</i>; True-up Shortfall Levy (General) Act 2011; True-up Shortfall Levy (Excise) Act 2011; Customs Tariff Amendment (Carbon Tax Repeal) Act 2011; Excise Tariff Amendment Act 2011; Ozone Protection and Synthetic Greenhouse Gas (Import Levy); Amendment Act 2011; Ozone Protection and Synthetic Greenhouse Gas (Manufacture Levy); Amendment Act 2011.</p>

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<p>If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program?</p>	<p>N/A</p>			
<p>Will the funding/program cost require indexation? If yes, list factors to be used.</p>	<p>Yes, see above</p>			
<p>Expected impacts of the proposal</p>				
<p>If applicable, what are the estimated costs each year? If available, please provide details in the table below. Are these provided on an underlying cash balance or fiscal balance basis?</p>				
<p>Estimated financial implications (outturn prices)^(a)</p>				
	<p>2016–17</p>	<p>2017–18</p>	<p>2018–19</p>	<p>2019–20</p>
<p>Underlying cash balance (\$m)</p>	<p>-</p>	<p>3490</p>	<p>5178</p>	<p>5298</p>
<p>Fiscal balance (\$m)</p>	<p>-</p>	<p>5398</p>	<p>5498</p>	<p>5278</p>
<p>(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number in the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.</p>				
<p>What assumptions have been made in deriving the expected financial impact in the party costing (please provide information on the data sources used to develop the policy)?</p>	<p>Based on information from the previous existing scheme</p>			
<p>Has the policy been costed by a third party? If yes, can you provide a copy of this costing and its assumptions?</p>	<p>No</p>			
<p>What is the expected community impact of the policy? How many people will be affected by the policy? What is the likely take up? What is the basis for these impact assessments/assumptions?</p>	<p>Investment decisions will favour cleaner and more efficient use of energy. Cleaner energy generation will have a cost advantage over more polluting sources in Australia’s electricity markets. Energy consumption will decline through less use and more efficient use of energy.</p> <p>Household compensation will cover the increased costs for lower income households as the previous scheme provided.</p>			

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Administration of policy:	
Who will administer the policy (for example, Australian Government entity, the States, non-government organisation, etc)?	Australian Tax Office, Clean Energy Regulator, Department of Human Services, Department of Environment.
Please specify whether any special administrative arrangements are proposed for the policy and whether these are expected to involve additional transactions/processing (by service delivery agencies).	N/A
Intended date of implementation:	1 July 2017
Intended duration of policy:	Ongoing
Are there transitional arrangements associated with policy implementation?	No
List major data sources utilised to develop policy (for example, ABS catalogue number 3201.0).	
Are there any other assumptions that need to be considered?	Assume a carbon reduction target of 60-80% below 2000 levels by 2030 with a linear trajectory to get there.
<p>NOTE:</p> <p><i>Please note that:</i></p> <p><i>The costing will be on the basis of information provided in this costing request.</i></p> <p><i>The PBO is not bound to accept the assumptions provided by the requestor. If there is a material difference in the assumptions used by the PBO, the PBO will consult with the requestor in advance of the costing being completed.</i></p>	