Senate Standing Committee on Environment and Communications

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into the Climate Risk Assessment

2025 - 2026

Department: Department of the Treasury
Topic: Increase in Energy prices by 40 per cent since net zero
Reference: Spoken 16 September 2025
Senator: **Matthew Canavan**

Question:

Senator CANAVAN: This one is for the Treasury. Has anyone looked at, or been asked to look at, what's happened to energy prices in recent years and why they are not decreasing like we were promised they would when we signed up to net zero emissions?
Dr Heath: We haven't been asked that question in the context of the national climate risk assessment or the National Adaptation Plan.
Senator CANAVAN: Has Treasury been asked in any other context to do that work?
Dr Heath: Clearly, that's related to the conversation about mitigation and the 2035 target. I think that's a different conversation.
Senator CANAVAN: If it's about the 2035 target, wouldn't the potential change in energy prices be very relevant to the setting of that target?
Dr Heath: That's correct—
Senator CANAVAN: Right.
Dr Heath: But this is not a place to have that discussion. It's beyond the scope of what we're here to talk about today.
Senator CANAVAN: You've had a broad range of questions. If you need to take it on notice, you can take it on notice, but I'm asking Treasury a question which is clearly relevant. The government said yesterday that these reports would help inform its 2035 target. It's a very important public policy question. I'm simply asking—and you can take it on notice—if the Treasury has been asked to look at why energy prices have increased by 40 per cent since we signed up to net zero and what will happen to them in the future if we set various emission reduction targets.

Answer:

Treasury has undertaken work looking at the drivers of electricity prices in recent years as part of its regular macroeconomic monitoring.

Analysis presented in the 2023-24 Budget showed that Russia's invasion of Ukraine resulted in very high wholesale energy prices. This compounded temporary domestic electricity market disruptions associated with sustained under-investment in the energy transformation over the previous decade. Further information is available on Pg. 66-70 of Budget Paper 1, Budget 2023-24. Analysis of the impact of Energy Bill Relief Fund (EBRF) on electricity prices in the CPI was included at pg. 62-63 of Budget Paper 1, Budget 2024-25.

Treasury's modelling report *Australia's Net Zero Transformation: Treasury Modelling and Analysis* includes an assessment of wholesale electricity prices under the three scenarios (p 40).

"In the long-term, wholesale electricity price levels under the orderly scenarios are projected to be around 10 per cent below the 10-year real historical average wholesale electricity price, consistent with the Australian Energy Market Commission's (AEMC's) 10-year forecast. The decline in wholesale electricity prices is driven by greater use of firmed renewable electricity and reduced reliance on ageing coal-fired generation. Long-term price levels are consistent with the costs of firmed renewables in 2050 reported by CSIRO's GenCost 2024–25 Report (CSIRO 2025)."

"Under the Disorderly Transition Scenario, … (h)igher reliance on gas and ageing coal plants results in higher wholesale electricity prices, which are projected to be 17 per cent higher on average during the 2030s and up to 54 per cent higher in the 2040s, than under the Baseline Scenario."