



**DEPUTY PRIME MINISTER
TREASURER**

PO BOX 6022
PARLIAMENT HOUSE
CANBERRA ACT 2600

Telephone: 02 6277 7340
Facsimile: 02 6273 3420

www.treasurer.gov.au



12 DEC 2011

The Hon John Murphy MP
Chair
Standing Committee on Petitions
Parliament House
PO Box 6021
CANBERRA ACT 2600

Dear Mr ~~Murphy~~

Thank you for your letter of 13 October 2011 alerting me to the petition regarding opposition to the carbon tax submitted for the consideration of the Standing Committee on Petitions.

Scientists advise that the world is warming and high levels of carbon pollution risk environmental and economic damage. No responsible government can ignore this advice. The Government is committed to acting on climate change because it wants to leave a better Australia for future generations.

The Clean Energy Legislative Package was passed by the Senate on 8 November 2011. It sets out the legislative framework through which Australia will introduce a carbon price to reduce our carbon pollution and move to a clean energy future.

A carbon price is not a tax on households – around 500 of the biggest polluters in Australia will be required to pay for their pollution, and every dollar raised will be used to support households, jobs, and to invest in clean energy and climate change programs.

Putting a price on carbon is the most environmentally effective and cheapest way to cut pollution. This is a fact that is well recognised by economists from around the world and respected institutions such as the OECD, the IMF and the Productivity Commission.

Currently, releasing carbon pollution is free despite the fact that it is harming our environment. A carbon price changes this. It puts a price on the carbon pollution that Australia's largest polluters produce. This creates a powerful incentive for businesses to cut their pollution by investing in clean technology or finding more efficient ways of operating.

I understand the concerns the petition has raised about the implementation of carbon pricing and the impact this will have on the cost of living. While carbon pricing will result in changes in the prices of a wide range of household goods and services, the overall increase in the cost of living for the average Australian family is expected to be modest. Treasury analysis predicts the introduction of carbon pricing will increase the consumer price index by 0.7 per cent in 2012-13 – that is less than a cent for every dollar spent. To assist households with price impacts, there will be tax cuts and increases in pensions, allowances and benefits. Nine in ten households will receive financial assistance to help deal with this. Almost six million Australian households will receive assistance that meets or exceeds their expected average additional costs.

Recent analysis by the National Centre for Social and Economic Modelling (NATSEM), an independent research centre with considerable expertise in this sort of modelling, supported the conclusions of the Treasury analysis. Indeed, it suggested the price impacts are likely to be somewhat smaller and the compensation slightly higher than the Treasury estimates.

The Government is also committed to supporting jobs and competitiveness as we make the transition to a clean energy economy. The Jobs and Competitiveness Program will provide around \$9 billion worth of assistance over the first three years of the carbon price to support industries and protect jobs, and will continue to support businesses on an ongoing basis. In addition, around \$1 billion will be provided for manufacturers to invest in energy efficiency projects and low-emissions technologies, processes and products and help reduce the carbon costs faced by manufacturers.

These measures will help ensure that Australia continues to experience strong jobs growth while at the same time providing incentives to cut pollution in our economy. By acting now, Australians can look forward to long term prosperity while protecting our environment for ourselves and for our future generations.

Importantly, the Australian economy will continue to grow strongly at the same time as we cut pollution to reduce the risks of dangerous climate change. By 2020 national employment is projected to increase by 1.6 million jobs. Under carbon pricing average incomes measured by gross national income (GNI) per person increase by around \$9,000 from today's level to 2020 and by more than \$30,000 to 2050.

Thank you for bringing this petition to my attention. I trust this information will be of assistance to you.

Yours sincerely

WAYNE SWAN