

Introduction

Referral of the bills

- 1.1 On 13 September 2011 the Prime Minister, the Hon Julia Gillard, MP, introduced into the House of Representatives the Clean Energy Bill 2011. This was followed by 17 related bills and the Steel Transformation Plan Bill 2011. The bills were read a second time and the debate on the second reading commenced on 14 September 2011. The bills are described individually in Chapter 2.
- 1.2 On 13 September 2011 the House agreed to establish the Joint Select Committee on Australia's Clean Energy Future Legislation to inquire into and report on the clean energy bills and the Steel Transformation Plan Bill 2011. On 14 September 2011 the Senate concurred with the resolution of appointment.¹
- 1.3 The committee's resolution of appointment calls upon it to report on or before 7 October 2011.

Origins and purpose of the bills

Climate change and the need for action

- 1.4 Climate change and its potential to cause environmental and economic damage have been debated for decades. The level and intensity of public

1 House of Representatives, *Votes and Proceedings*, No. 65, Tuesday, 13 September 2011, p. 881; Senate, *Journals of the Senate*, No. 51, Wednesday, 14 September 2011, p. 1453.

debate is almost unprecedented. What is clear is that there is overwhelming scientific evidence that human action is contributing to global warming. The Explanatory Memorandum (EM) to the climate change bill states:

The evidence that the world is getting warmer is unequivocal. In Australia and around the globe, 2001 to 2010 was the warmest decade on record. In Australia, each decade since the 1940s has been warmer than the last.²

- 1.5 The risks of not addressing climate change are significant. In 2007, the Prime Ministerial Task Group on Emissions Trading described climate change as ‘a global risk management issue.’³ The Task Group noted that ‘while there are costs in acting now, the cost of inaction are potentially large for many countries.’⁴ In relation to the potential risks of climate change, the EM states:

If we do not reduce carbon pollution, the world risks serious effects from climate change. Global average temperatures could increase by up to 6.4 degrees Celsius above 1990 temperatures by 2100. Sea levels are estimated to rise by between 0.5 and 1 metre by 2100 from 2000 levels and the acidity of the world’s oceans to increase significantly. Cyclones, storms, floods and other extreme weather events are likely to increase in severity or frequency and rainfall patterns around the world to change, making some places drier and other places wetter.⁵

- 1.6 The then Prime Minister the Hon John Howard, MP, stated:

There can be no argument that greenhouse gases are having an impact on the earth’s environment.⁶

Pricing carbon to reduce emissions

- 1.7 In recent times there has been a significant public policy debate about the best way to reduce carbon emissions. The Prime Minister, the Hon Julia Gillard, MP, in her second reading speech introducing the Clean Energy

2 Clean Energy Bill 2011 - Explanatory Memorandum, p. 9.

3 Prime Ministerial Task Group on Emissions Trading, *Report of the Task Group on Emissions Trading, 2007*, p. 15.

4 Prime Ministerial Task Group on Emissions Trading, *Report of the Task Group on Emissions Trading, 2007*, p. 15.

5 Clean Energy Bill 2011 - Explanatory Memorandum, p. 9.

6 Prime Ministerial Task Group on Emissions Trading, *Report of the Task Group on Emissions Trading, 2007*, p. 15.

Bill 2011 commented that in addressing climate change, 'most economists and experts also now agree that the best way is to make polluters pay by putting a price on carbon.'⁷ The EM states that 'a broad-based carbon price is the most environmentally effective and cheapest way to reduce pollution.'⁸

- 1.8 The adoption of a carbon pricing mechanism has been the subject of thorough and repeated examination. In the late 1990s the Australian Greenhouse Office released papers outlining how a carbon price would work. The EM notes that in 2006 the states and territories released a paper on setting out a proposed design of an Australian emissions trading scheme. Then in 2007 the then Prime Minister the Hon John Howard established the Prime Ministerial Task Group on Emissions Trading. The preferred approach of the Task Group was an emissions trading scheme. The Task Group stated:

The key benefit of emissions trading is its focus on the ultimate environmental objective – namely, reducing emissions to a point that mitigates the effects of climate change. As such, emissions trading may provide greater long-term policy credibility, as the community can see the direct link between the policy instrument and the desired environmental objective.

An emissions trading scheme also possesses more options to link with global developments in a carbon-constrained environment. It can provide the capacity to access abatement opportunities at least cost internationally.⁹

- 1.9 The task group noted that a further benefit of moving to an emissions trading scheme was that 'the primary policy instrument being used by other countries for carbon pricing is the development of emissions trading schemes.'¹⁰

International commitments

- 1.10 Australia has ratified a number of international climate change agreements. On 30 December 1992 Australia ratified the United Nations Framework Convention on Climate Change. The aim of the Convention is

7 Clean Energy Bill 2011 - Explanatory Memorandum, p. 11.

8 Clean Energy Bill 2011 - Explanatory Memorandum, p. 11.

9 Prime Ministerial Task Group on Emissions Trading, *Report of the Task Group on Emissions Trading*, 2007, p. 48.

10 Prime Ministerial Task Group on Emissions Trading, *Report of the Task Group on Emissions Trading*, 2007, p. 48.

to stabilise greenhouse gas concentrations in the atmosphere 'at a level that would prevent dangerous anthropogenic interference with the climate system.'¹¹ In particular, Article 4.2(a) of the Convention obligates Australia to 'adopt national policies and take corresponding measures on the mitigation of climate change, by limiting anthropogenic emissions of greenhouse gases and protecting and enhancing its greenhouse gas sinks and reservoirs.'

- 1.11 On 3 December 2007 Australia ratified the Kyoto Protocol to the United Nations Framework Convention on Climate Change. Under the Kyoto Protocol, 'Australia is committed to restraining its national emissions to an average of 108 per cent of 1990 levels over the first commitment period (2008 to 2012).'
- 1.12 The 2010 Cancun Agreements specify the mitigation pledges made by developed and developing countries in the Copenhagen Accord. The agreements recognise the need to hold any increase in global temperature to below 2 degrees Celsius. The EM states:

Over 85 countries, including both developed and developing economies, have already made pledges to limit their emissions. Together, these countries represent more than 90 per cent of the global economy and are responsible for more than 80 per cent of global emissions.¹³

The Garnaut Review and Update

- 1.13 Professor Ross Garnaut, one of Australia's most eminent economists, has released a number of reports into the science of climate change and climate change mitigation policy. On 30 September 2008 the Government published *The Garnaut Climate Change Review: Final Report*. In November 2010, Professor Garnaut provided an update to the 2008 Review. In February and March 2011 Professor Garnaut released 8 update papers covering the costs and benefits of climate change action, global emissions trends, transforming rural land use, low emissions technology, transforming the electricity sector and carbon pricing and reducing Australia's emissions.¹⁴ The final report was delivered to government on 31 May 2011. Professor Garnaut stated:

11 Clean Energy Bill 2011 - Explanatory Memorandum, p. 18.

12 Clean Energy Bill 2011 - Explanatory Memorandum, p. 19.

13 Clean Energy Bill 2011 - Explanatory Memorandum, p. 19.

14 Updates available on <http://www.garnautreview.org.au/update-2011/update-papers.html>

Since the 2008 Review, the science of climate change has been subjected to intense scrutiny and has come through with its credibility intact. Unfortunately, new data and analysis generally are confirming the likelihood that outcomes will be near the midpoints or closer to the bad end of what had earlier been identified as the range of possibilities for human-induced climate change.¹⁵

- 1.14 Professor Garnaut examined the merits of various climate mitigation policies, specifically a market based mechanism versus regulatory or direct action. Professor Garnaut advised that a market mechanism was clearly favourable and more effective than direct action. In particular, the market mechanism is cheaper and provides for the market to respond with innovative approaches to reducing energy use. Professor Garnaut commented that 'once we put the carbon pricing incentives in place, millions of Australians will set to work finding cheaper ways of meeting their requirements and servicing markets.'¹⁶ In relation to direct action policies, Professor Garnaut stated:

We would be damaged in other ways, too, if we sought to do our fair share through direct action. We would rely on the ideas of a small number of politicians and their advisers and confidants. While some of these ideas might be brilliant, in sum they would not be as creative or productive as millions of Australian minds responding to the incentives provided by carbon pricing and a competitive marketplace.

That would not be the end of the costs.

The really big cost would be the entrenchment of the old political culture that has again asserted itself after the late 20th century period of reform. The big rewards in low-emissions investments would go to those who had persuaded the minister or the bureaucrat that their idea was worthy of inclusion in the direct action plan – if not under the government that introduced the direct action policies, then under the governments that followed. That would entrench the return of the influence of the old Australian political culture in other areas of economic policy.¹⁷

15 Garnaut Climate Change Review Update 2011, *Australia in the Global Response to Climate Change, Summary*, 31 May 2011, p. 2.

16 Garnaut Climate Change Review Update 2011, *Australia in the Global Response to Climate Change, Summary*, 31 May 2011, p. 12.

17 Garnaut Climate Change Review Update 2011, *Australia in the Global Response to Climate Change, Summary*, 31 May 2011, p. 12.

Previous parliamentary inquiries

- 1.15 As previously noted, the science of climate change and climate change mitigation policy have been subject to extensive review and inquiry. The level of review is unprecedented. The Prime Minister the Hon Julia Gillard, MP, noted that 'the carbon-pricing mechanism which begins its course through our parliament today is the product of years of public policy discussion and development.'¹⁸
- 1.16 Since 1992 the Commonwealth Parliament has conducted 35 committee inquiries (excluding this one) into climate change related issues. These inquiries are listed below.
- House of Representatives Standing Committee on Environment, Recreation and the Arts: A review of Audit Report No. 32 1992-93 – an efficiency audit of the Implementation of an Interim Greenhouse Response (May 1994).
http://www.aph.gov.au/house/committee/reports/1994/1994_PP92.pdf
 - House of Representatives Standing Committee on Environment, Recreation and the Arts: Inquiry into the regulatory arrangements for trading in greenhouse gas emissions (25 August 1998).
<http://www.aph.gov.au/house/committee/envIRON/greenhse/gasrpt/contents.htm>
 - Senate Environment, Communications, Information Technology and the Arts References Committee: Renewable Energy (Electricity) Bill 2000; Renewable Energy (Electricity) (Charge) Bill 2000 (August 2000).
http://www.aph.gov.au/Senate/committee/ecita_ctte/completed_inquiries/1999-02/reb2000/report/index.htm
 - Joint Standing Committee on Treaties: Report 38 The Kyoto Protocol – Discussion Paper (April 2001).
<http://www.aph.gov.au/house/committee/jsct/kyoto/kyoto.htm>
 - Senate Environment, Communications, Information Technology and the Arts Legislation Committee: Provisions of Inquiry into the Renewable Energy (Electricity) Amendment Bill 2002 (2 December 2002).
http://www.aph.gov.au/Senate/committee/ecita_ctte/completed_inquiries/2002-04/renewable_energy/index.htm

18 The Hon Julia Gillard, MP, Prime Minister, *House of Representatives Hansard*, 13 September 2011, p. 1.

- Senate Environment, Communications, Information Technology and the Arts Legislation Committee: Kyoto Protocol Ratification Bill 2003 [No.2] (25 March 2004).
http://www.aph.gov.au/Senate/committee/ecita_ctte/completed_inquiries/2002-04/kyoto/index.htm
- Senate Environment, Communications, Information Technology and the Arts Legislation Committee: Provisions of the Renewable Energy (Electricity) Amendment Bill 2006 (9 May 2006).
http://www.aph.gov.au/Senate/committee/ecita_ctte/completed_inquiries/2004-07/renewableenergy/report/index.htm
- Senate Environment, Communications, Information Technology and the Arts References Committee: Budgetary and environmental implications of the Government's Energy White Paper (16 May 2005).
http://www.aph.gov.au/Senate/committee/ecita_ctte/completed_inquiries/2004-07/energy_white_paper/report/index.htm
- House Standing Committee on Environment and Heritage: Inquiry into sustainable cities (12 September 2005).
<http://www.aph.gov.au/house/committee/envIRON/cities/report.htm>
- Senate Economics Legislation Committee: Inquiry into the provisions of the Energy Efficiency Opportunities Bill 2005 (10 November 2005):
http://www.aph.gov.au/senate/committee/economics_ctte/completed_inquiries/2004-07/energy/report/index.htm
- House Standing Committee on Environment and Heritage: Inquiry into a Sustainability Charter, 'Sustainability for survival: creating a climate for change' (5 September 2007).
<http://www.aph.gov.au/house/committee/envIRON/charter/report.htm>
- Senate Standing Committee on Environment, Communications, Information Technology and the Arts: National Greenhouse and Energy Reporting Bill 2007 [Provisions] (6 September 2007).
http://www.aph.gov.au/Senate/committee/ecita_ctte/completed_inquiries/2004-07/greenhouse/report/index.htm
- Senate Standing Committee on Economics: Inquiry into the National Market Driven Energy Efficiency Target Bill 2007 [2008] and Renewable Energy Legislation Amendment (Renewable Power Percentage) Bill 2008 (30 May 2008).
http://www.aph.gov.au/senate/committee/economics_ctte/nmdeet_08/report/index.htm

- Joint Standing Committee on Treaties: Report 100: Review into treaties tabled on 25 June 2008 (2) – Kyoto Protocol to the United Nations Framework Convention on Climate Change (19 March 2009).
<http://www.aph.gov.au/house/committee/jsct/25june2008/report2.htm>
- House Standing Committee on Primary Industries and Resources Inquiry into the Draft Offshore Petroleum Amendment (Greenhouse Gas Storage) Bill, 'Down under: Greenhouse Gas Storage' (15 August 2008).
<http://www.aph.gov.au/house/committee/pir/exposedraft/report.htm>
- Senate Standing Committee on Environment, Communications and the Arts: Inquiry into Save Our Solar (Solar Rebate Protection) Bill 2008 (25 August 2008).
http://www.aph.gov.au/Senate/committee/eca_ctte/solar_rebate/report/index.htm
- Senate Standing Committee on Economics: Inquiry into the Offshore Petroleum Amendment (Greenhouse Gas Storage) Bill 2008 & 3 related bills (23 September 2008).
http://www.aph.gov.au/senate/committee/economics_ctte/offshore_petrol_08/report/index.htm
- Senate Standing Committee on Rural and Regional Affairs and Transport: Inquiry into the Implementation, Operation and Administration of the Legislation Underpinning Carbon Sink Forests (23 September 2008).
http://www.aph.gov.au/senate/committee/rrat_ctte/carbon_sink/report/index.htm
- Senate Standing Committee on Environment, Communications and the Arts: Inquiry into the Renewable Energy (Electricity) Amendment (Feed-in-Tariff) Bill 2008 (10 November 2008).
http://www.aph.gov.au/Senate/committee/eca_ctte/renewable_energy/report/index.htm
- Senate Standing Committee on Rural and Regional Affairs and Transport: Inquiry into Climate Change and the Australian Agricultural Sector (4 Dec 2008).
http://www.aph.gov.au/senate/committee/rrat_ctte/climate_change/report/index.htm

- Senate Select Committee on Fuel & Energy (30 August 2010).
http://www.aph.gov.au/Senate/committee/fuelenergy_ctte/final_report/index.htm
- Senate Standing Committee on Economics: Inquiry into the Exposure draft of the legislation to implement the Carbon Pollution Reduction Scheme (16 April 2009):
http://www.aph.gov.au/senate/committee/economics_ctte/cprs_09/report/index.htm
- Senate Finance and Public Administration: Inquiry into the National Greenhouse and Energy Amendment Bill 2009 (7 May 2009).
http://www.aph.gov.au/senate/committee/fapa_ctte/national_greenhouse_energy_reporting/report/index.htm
- Senate Economics Legislation Committee: Inquiry into the Carbon Pollution Reduction Scheme Bill and related bills (15 June 2009).
http://www.aph.gov.au/senate/committee/economics_ctte/cprs_2_09/report/index.htm
- Senate Select Committee on Climate Policy (15 June 2009).
http://www.aph.gov.au/Senate/committee/climate_ctte/report/index.htm
- Senate Economics Legislation Committee: Inquiry into the Renewable Energy (Electricity) Amendment Bill 2009 and a related bill (12 August 2009).
http://www.aph.gov.au/senate/committee/economics_ctte/renewable_energy_09/report/index.htm
- House Standing Committee on Climate Change, Water, Environment and the Arts: Inquiry into climate change and environmental impacts on coastal communities “Managing our coastal zone in a changing climate: the time to act is now” (26 October 2009).
<http://www.aph.gov.au/house/committee/ccwea/coastalzone/report.htm>
- Senate Education, Employment and Workplace relations Committee: Inquiry into the Effects of Climate Change on Training and Employment Needs (discharged 23 November 2009).
http://www.aph.gov.au/Senate/committee/eet_ctte/employ_climate/report/index.htm
- House Standing Committee on Primary Industries and Resources: Inquiry into the role of government in assisting Australian farmers to adapt to the impacts of climate change (15 March 2010).

<http://www.aph.gov.au/house/committee/pir/australianfarmers/report.htm>

- Senate Economics Legislation Committee: Inquiry into the Safe Climate (Energy Efficient Non-Residential Buildings Scheme) Bill 2009 (17 March 2010).
http://www.aph.gov.au/senate/committee/economics_ctte/energy_efficient_buildings_09/report/index.htm
- Senate Finance and Public Administration Committee: Native Vegetation Laws, Greenhouse Gas Abatement and Climate Change Measures (30 April 2010).
http://www.aph.gov.au/senate/committee/fapa_ctte/climate_change/report/index.htm
- Senate Environment and Communications Legislation Committee: Carbon Credits (Carbon Farming Initiative) Bill 2011, Carbon Credits (Consequential Amendments) Bill 2011 and the Australian National Registry of Emissions Units Bill 2011 (27 May 2011).
http://www.aph.gov.au/senate/committee/ec_ctte/carbon_farming/report/index.htm
- House of Representatives Standing Committee on Climate Change, Environment and the Arts: Advisory Report on Bills Referred 24 March 2011 [CFI Bills] (23 May 2011).
<http://www.aph.gov.au/house/committee/ccea/24March2011/report.htm>
- House Standing Committee on Climate Change, Environment and the Arts Inquiry into Australia's biodiversity in a changing climate (ongoing).
<http://www.aph.gov.au/house/committee/ccea/ccbio/index.htm>
- Senate Select Committee on Scrutiny of New Taxes Inquiry into Carbon Tax Pricing Mechanisms (ongoing).
http://www.aph.gov.au/Senate/committee/scrutinynewtaxes_ctte/index.htm

Exposure draft legislation consultation

- 1.17 On 28 July 2011 the government released the clean energy bills and the Steel Transformation Plan Bill 2011 as exposure drafts for public comment. The Department of Climate Change and Energy Efficiency (DCCEE) received 326 submissions and has published 267 non confidential submissions. The committee took account of these submissions in the

course of its inquiry. As a result of exposure draft consultation, the bills were amended to take account of concerns raised with DCCEE about the content of the draft bills. Appendix D shows the amendments that were made as a result of the consultation.

Objectives and scope of the inquiry

- 1.18 The key objective of the inquiry is to examine the technical adequacy of the bills and their ability to deliver the policy intent. In addition, the committee sought to identify any unintended consequences, and where possible propose recommendations that could enhance the legislation or improve the implementation package.
- 1.19 The purpose of the committee is not to re-examine the validity or otherwise of climate science. The committee accepts that global warming is occurring because of human activity and there is a need for policy mitigation in line with Australia's international commitments to reduce its greenhouse gas emissions.
- 1.20 The committee scrutinised the 19 bills as a group. This is similar to the House debating the bills in cognate. Through the submission and hearing process, the committee scrutinised key feature of the legislative package and has reported on these matters in this report.

Conduct of the inquiry

- 1.21 On 13 September 2011 the House of Representatives established the committee and on 14 September the Senate concurred with the resolution of appointment.
- 1.22 On 15 September the committee met for the first time, electing the Chair and Deputy Chair and setting out its work program. On the same day, the Chair issued a media release outlining the inquiry and seeking submissions by 22 September.
- 1.23 The inquiry was advertised in the *Weekend Australian* on 17 September and in the *Australian Financial Review* on 19 September. In addition, information about the inquiry was posted on the committee's webpage at: <http://www.apfl.gov.au/house/committee/jscacefl/index.htm>

- 1.24 Evidence was taken at public hearings held in Canberra, Melbourne and Sydney. A list of witnesses appearing at the hearings can be found at Appendix B. As part of these hearings, the committee conducted telephone conferences with organisations in regional locations in Queensland and Western Australia.
- 1.25 Copies of the submissions and transcripts of evidence are available from the committee's website at:
<http://www.aph.gov.au/house/committee/jscacefl/index.htm>
- 1.26 Four exhibits were received which are listed at Appendix C.

Submissions and correspondence

- 1.27 Seventy submissions were received which are listed at Appendix A.
- 1.28 A large amount of correspondence was received by the committee. These items were not received as submissions to the inquiry because they did not address the actual legislation being considered. The correspondence was read and noted. The majority of the correspondence questioned the following issues:
- The legitimacy of the science behind climate change and whether it is due to human action;
 - The legitimacy of the government to introduce the legislation;
 - The impact of the carbon 'tax' on individuals and the economy; and
 - Why should Australia go it alone on introducing measures to reduce carbon pollution putting us at a claimed competitive disadvantage?
- 1.29 The committee and all major parties in Australia accept the science of global warming and that human activity is contributing to climate change. The real debate is how to respond to the impact of carbon pollution. The majority of witnesses at the hearing accepted the science and the need for action to reduce Australia's emission levels. The Chief Scientist for Australia was asked about the threat posed by rising carbon emissions. Mr Chubb stated:

The latest information I have seen shows that the CO₂ levels are high and that the rate of accumulation is accelerating. The scientists who study this would argue that it is getting to the point where something has to be done quickly in order to cap them at least and start to have them decrease over a sensible period of time. You could easily argue that it is urgent and that something needs to be done because of the high level presently and the

accelerating accumulation presently. We do need to do something.¹⁹

- 1.30 The committee did not explore the legitimacy of the introduction of the clean energy bills but all parties have committed to a 5% reduction target in carbon emissions and all accept that action is required to be taken. The Government's approach to dealing with climate change has been consistent. It has always sought to introduce an emission trading scheme. However, what has changed is the nature of the parliament and, as circumstances change, flexibility is required. The Government has tried to get an emissions trading scheme through the Senate on two separate occasions. The Prime Minister the Hon Julia Gillard, MP, made the following response regarding her decisions to proceed with the introduction of an emissions trading scheme:

Now, I did say during the last election campaign - I promised that there would be no carbon tax. That's true and I've walked away from that commitment and I'm not going to try and pretend anything else. I also said to the Australian people in the last election campaign that we needed to act on climate change. We needed to price carbon and I wanted to see an emissions trading scheme. Then we had the election and the 17 days that were and we formed this minority government. Now, if I'd been leading a majority government I would have been getting on with an emissions trading scheme. It's what I promised the Australian people. As it is, in this minority parliament, the only way I can act on climate change by pricing carbon is to work with others and so I had a really stark choice. Do I act or not act? Well, I've chosen to act and we will have a fixed price, like a carbon tax, for a period and then get to exactly what I promised the Australian people, an emissions trading scheme. Now, when I said during the election campaign there would be no carbon tax I didn't intend to mislead people. What I believed then is an emissions trading scheme is right for this country. I believe that now and we will get to that emissions trading scheme.²⁰

- 1.31 The Opposition has also acknowledged that when circumstances change then it is a responsible course of action to change their opinions as Mr Abbott conceded in an interview with Laurie Oakes in 2005:

19 Professor Ian Chubb, AC, Chief Scientist for Australia, *Committee Hansard*, Canberra, 26 September 2011, p. 11.

20 The Hon Julia Gillard, MP, *Transcript of Interview with Tony Jones Q&A*, 14 March 2011 <<http://www.pm.gov.au/press-office/transcript-interview-tony-jones-qa>>

TONY ABBOTT: Well, Laurie, when I made that statement, in the election campaign, I had not the slightest inkling that there would ever be any intention to change this. **But obviously when circumstances change, governments do change their opinions, and that is actually the responsible course of action.**²¹

- 1.32 The committee received evidence confirming that the carbon price will be met by companies and not individuals. Contrary to the majority of concern from submitters, older Australians on pensions will not bear the brunt of any tax but will be fully compensated for any flow through costs. The Council on the Ageing (COTA) commented that overall, it 'supports the initiatives outlined in the legislation.'²² COTA stated:

The compensation for pensioners through the Clean Energy Supplement should more than compensate them for the increases in costs as a result of the carbon pricing regime and the commitment to index it and review it regularly should ensure that it maintains its value. Designating it as a supplement rather than simply increasing the basic pension is important as this mean it should not be included in calculations for rent for public housing.²³

Electricity pricing and the carbon pricing mechanism

Australia's electricity prices have been rising in recent years. In the main, these cost increases have been caused by the rising costs of transmitting and distributing electricity, particularly through the cost of infrastructure construction and upgrades of electricity transmission and distribution networks.

Placing a price on greenhouse gas emissions will affect electricity prices only by affecting the costs of electricity generation. As the bulk of Australia's electricity is produced by burning fossil fuels, electricity generation will be exposed to a carbon price, and this is one of the important drivers of investment in new cleaner energy sources and in energy efficiency. However, the carbon price will be a relatively small impact on future electricity increases, when compared with increasing network costs.²⁴

21 The Hon Tony Abbott, MP, Interview with Mr Laurie Oakes, 17 April 2005, <http://sgp1.paddington.ninemsn.com.au/sunday/political_transcripts/article_1761.asp?s=1>

22 Council on the Ageing, *Submission 60*, p. 1.

23 Council on the Ageing, *Submission 60*, p. 2.

24 The Treasury, (2011) *Strong growth, low pollution – modelling a carbon price* pp.123-124. The Treasury, (2011) *Strong growth, low pollution – modelling a carbon price: Update* p.11.

Across Australia, the carbon price is expected to increase retail electricity prices by 10 per cent on average in 2012-13, or \$3.30 per week, which has been factored into the level of household assistance.²⁵

- 1.33 The impacts on business are projected to be minimal. Indeed, the Treasury noted that:

Pricing carbon will have much less of an impact on production patterns than we are currently experiencing from the mining boom, and much less than we'd expect from technological advancement and demographic change.²⁶

- 1.34 Many businesses will be able to pass on their costs to customers. While there will be an impact on some businesses who cannot pass on these costs, that impact will be offset by the numerous measures to protect jobs, fund research to create clean technologies and ensure Australia's long term economic growth, reflecting ongoing economic growth.²⁷

- 1.35 The committee received a considerable amount of evidence about the action currently being taken around the world to tackle climate change. More than 85 countries have renewable energy targets either legislated or planned. China is now the world's largest manufacturer of solar panels and wind turbines, and the US is moving to regulate carbon pollution, including from large industrial facilities.²⁸ The Australian Government's report, *Securing a clean energy future* stated:

Many countries have put a price on carbon pollution, including through emissions trading schemes that create economic incentives for industry to reduce pollution. Some policies have been in place for many years. Thirty-one European countries - including the United Kingdom, Germany and France - have a price on carbon pollution through emissions trading schemes. New Zealand started emissions trading in 2008. Carbon taxes are also in place in the United Kingdom, India, Switzerland, Denmark,

25 Australian Government, *Securing a clean energy future: The Australian Government's Climate Change Plan*, 2011, p. 47.

26 The Treasury, (2011) *Strong growth, low pollution – modelling a carbon price: Overview* p. 7.

27 Australian Government, *Securing a clean energy future: The Australian Government's Climate Change Plan*, 2011, p. 23; The Treasury, (2011) *Strong growth, low pollution – modelling a carbon price: Update* p. 7.

28 Australian Government, *Securing a clean energy future: The Australian Government's Climate Change Plan*, 2011, p. 16.

Finland, Norway, Sweden, the Netherlands, Costa Rica and Ireland.²⁹

- 1.36 The report, *Securing a clean energy future*, noted that the Productivity Commission has identified over 1000 climate change policies in eight key economies, including Australia. These countries 'comprise over half of the world economy and are among Australia's top trading partners.'³⁰

Report structure

- 1.37 Chapter 2 provides an overview of the 19 bills comprising the clean energy bills and the Steel Transformation Plan Bill 2011.
- 1.38 Chapter 3 provides further detail and review of the policy behind the bills and addresses some of the misconceptions that arose during the inquiry.
- 1.39 Chapter 4 examines specific matters in the bills which were key discussion topics during the hearings.

29 Australian Government, *Securing a clean energy future: The Australian Government's Climate Change Plan*, 2011, p. 16.

30 Australian Government, *Securing a clean energy future: The Australian Government's Climate Change Plan*, 2011, p. 16.