



Carbon Pollution Reduction Scheme Amendment (Household Assistance) Bill 2009

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Carbon Pollution Reduction Scheme Amendment (Household Assistance) Bill 2009

Date introduced: 28 May 2009

House: House of Representatives

Portfolio: Families, Housing, Community Services and Indigenous Affairs

Commencement: Sections 1 to 3 on Royal Assent. Schedules 1, 2, 3 (Part 2, Division 1 and Part 2, Division 2), 4 and 5 (Part 1) commence on 1 July 2011. Schedule 5, Part 2 commences on 1 July 2012.¹

Links: The [relevant links](#) to the Bill, Explanatory Memorandum and second reading speech can be accessed via BillsNet, which is at <http://www.aph.gov.au/bills/>. When Bills have been passed they can be found at ComLaw, which is at <http://www.comlaw.gov.au/>.

Purpose

The purpose of the Bill is to provide financial assistance to low and middle-income households from the expected increases in the cost of living arising from the introduction of the Carbon Pollution Reduction Scheme (CPRS). The Bill is part of a package comprising 11 Bills, the principal one being the Carbon Pollution Reduction Scheme Bill 2009.

Background

The Carbon Pollution Reduction Scheme Green Paper² outlined, in Chapter 8, the proposed household assistance measures and the impacts of the CPRS on households. The commitments outlined in the Green Paper of the Government are to:

- increase payments, above automatic indexation, to people in receipt of pensioner, carer, senior and allowance benefits and provide other assistance to meet the overall increase in the cost of living flowing from the scheme
- increase assistance to other low-income households through the tax and payment system to meet the overall increase in the cost of living flowing from the scheme

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1. However, none of the provisions will commence if section 3 of the *Carbon Pollution Reduction Scheme Act 2009* does not commence on or before 1 July 2011.
 2. Department of Climate Change, *Carbon Pollution Reduction Scheme Green Paper*, Department of Climate Change, Canberra, July 2008, p. 277.

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- provide assistance to middle-income households to help them meet any overall increase in the cost of living flowing from the scheme
- review annually in the Budget context the adequacy of payments to beneficiaries and recipients of family assistance to assist households with the overall impacts of the scheme, noting that these payments are automatically indexed to reflect changes in the cost of living, and
- provide additional support through the introduction of energy efficiency measures and consumer information to help households take practical action to reduce energy use and save on energy bills so that all can make a contribution.

The Government has also indicated in the terms of reference for Australia's Future Tax System Review that it is to consider the interrelationships between the tax and transfer payment systems and the scheme.

According to the outline in the Explanatory Memorandum:

It is anticipated that the Carbon Pollution Reduction Scheme will result in increases in the cost of living of 0.4 per cent in 2011–12 and 0.8 per cent in 2012–13, resulting from an initial \$10 per tonne fixed carbon price in 2011–12 and a flexible carbon price in 2012–13.³

In this Bill the Government is proposing to provide assistance with upfront support to low and middle-income households through a package of direct cash assistance and tax offsets to help these households adjust. It will do this by amending the *Social Security Act 1991*, the *A New Tax System (Family Assistance) Act 1999*, the *Veterans' Entitlements Act 1986*, the *Military Rehabilitation and Compensation Act 2004*, the *Income Tax Assessment Act 1936*, the *Medicare Levy Act 1986*, and some related administration Acts.

Committee consideration

The Bills in the package were referred to the [Senate Economics Committee](#)⁴ for inquiry and report by 15 June 2009.

Position of significant interest groups/press commentary

The reader is referred to the [principal Bills Digest](#) for full commentary on the CPRS generally.⁵ There has been some feedback as a consequence of the Green Paper on the

3. Explanatory Memorandum, Carbon Pollution Reduction Scheme Amendment (Household Assistance) Bill 2009, p. i.

4. Senate Economics Committee, *Inquiry into the carbon pollution reduction scheme bill 2009 and related bills*, Parliament of Australia website, viewed 19 June 2009, http://www.aph.gov.au/Senate/committee/economics_ctte/cprs_2_09/index.htm.

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impact of the CPRS on low income earners. For example, the Combined Pensioners and Superannuants Association of New South Wales Inc. in its submission welcomed the Government's recognition that the CPRS is forecast to increase household costs by 0.9 per cent and pensioner household costs by 1.1 per cent (on average), and noted it 'is imperative that these costs are covered by the Australian Government to ensure that financial hardship is not felt by low income households'.⁶

Similarly, the St Vincent de Paul Society in its [submission](#) on the Green Paper stated:

The cost allocation of both the carbon trading arrangements and the interval meter rollout on household bills are likely to be apportioned in the first block of consumption for the carbon trading arrangements, as this component of household consumption will be dominated by base load energy generation and hence the bulk of carbon emissions. While the interval meter rollout cost will most likely be apportioned to changes in the fixed energy charge.

In both cases this will see the cost of both disproportionately impacting upon lower energy consuming households, that is, low income and the environmentally conscious. Obviously an unintended, but perverse, policy outcome.⁷

The [White Paper Fact Sheet](#) on the impact of the scheme on the cost of living said: Energy is emission-intensive. At a carbon permit price of \$25, households will face increased energy costs of, on average, \$4 per week for electricity and \$2 per week for gas and other household fuels.

For an average household, these estimates are the upper bound of the estimated increase in energy costs. They assume that permit costs are immediately and fully passed through to consumers, that firms do not change their production processes, and that households do not change their consumption behaviour in response to the Scheme (for example, by conserving energy).

- Assistance to low-income households will fully meet the expected overall increase in their cost of living.

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5. L Nielson, J Styles, A Talberg and J Tomaras, 'Carbon Pollution Reduction Scheme Bill 2009', Bills digest, no. 165, 2008–09, Parliamentary Library, Canberra, 2009, viewed on 19 June 2009, <http://www.aph.gov.au/Library/pubs/bd/2008-09/09bd165.pdf>
 6. Combined Pensioners and Superannuants Association of New South Wales Inc., *Submission*, Carbon Pollution Reduction Scheme Green Paper, 10 September, 2009 (sic), to be found at: www.cpsa.org.au.
 7. St Vincent de Paul Society, Submission to the Department of Climate Change, *Carbon Pollution Reduction Scheme*, September 2008, viewed 19 June 2009, <http://www.climatechange.gov.au/greenpaper/consultation/pubs/0785-st-vincent-de-paul-society.pdf>

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- Assistance to middle-income households will help meet the expected overall increase in their cost of living.
- All households will benefit from fuel tax reductions and support to take practical action to reduce energy bills.⁸

However, the Australia Institute argues that it is important that there are 'complementary measures' to translate household energy savings into real financial and environmental benefits. It argues that price increases will not make consumers change their behaviour. In fact, the only option to individuals who wish to reduce emissions below the level set by the government is to purchase emissions permits and then 'rip them up'.⁹

The Opposition spokesperson, Andrew Robb MP, indicated that the Opposition will also oppose this particular Bill. He stated in his second reading speech in the House of Representatives:

If this scheme were working in tandem with the schemes of other countries around the world, the impact would not be anywhere as severe and the requirement for compensation would not be anywhere near as severe. The issue of churn and recycling in the community and the cost of administration associated with that all amounts to poor policy and for that reason we are opposed to this bill.¹⁰

The Opposition position is to oppose the emissions trading scheme until after the convention in Copenhagen¹¹, and according to another report:

The Greens believe the scheme is too soft, the Nationals don't believe we need a scheme, and Nick Xenophon thinks it needs more work.¹²

Family First Senator Fielding at the time of writing was still considering his position.

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8. Australian Government, Scheme Impact on the Cost of Living, *Fact Sheet*, Canberra, December 2008, viewed 19 June 2009, <http://www.climatechange.gov.au/whitepaper/factsheets/pubs/026-scheme-impact-on-the-cost%20of-living.pdf>
 9. R Denniss, Fixing the Floor in the ETS, The role of energy efficiency in reducing Australia's emissions, Research Paper No. 59, November 2008.
 10. A Robb, Shadow Minister for Infrastructure and COAG and Shadow Minister Assisting the Leader on Emissions Trading Design, House of Representatives, *Debates*, 4 June 2009, p. 49.
 11. L Dodson, 'The heat is on to reach a deal on emissions trading', *Australian financial review*, 15 June 2009, p. 5.
 12. P Coorey, Opinion, 'No rush now for that dignity fix', *Sydney morning herald*, 15 June 2009, p. 9.

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Financial implications

The Senate Economics Committee provides a table on the fiscal impact of CPRS package sourced to the Explanatory Memorandum of this Bill.¹³

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Table 1.1: Fiscal impact of CPRS package
(\$ billion)

	2009-10	2010-11	2011-12	2012-13
Potential revenue from permit sales	0	0	4.5	13.0
Assistance for households	0	0	-1.5	-5.1
Fuel tax offsets	0	0	-0.9	-2.2
EITEs assistance (free permits)	0	0	-1.2	-3.6
Other payments to industry	0	0	-1.5	-4.3
Climate change action fund	-0.2	-0.3	-0.7	-0.6
Total impact on budget	-0.2	-0.3	-0.1	0.8

Source: CPRS Amendment (Household Assistance) Bill 2009 Explanatory Memorandum, p. ii.

Main provisions

Schedule 1 Part 1 inserts **new Division 8** – Increases related to Carbon Pollution Reduction Scheme – into the *Social Security Act 1991*. **Proposed section 1206GF** sets out the objects of the new Division which are to increase the amounts of social security payments to persons receiving the:

- age pension
- Austudy payment
- bereavement allowance
- carer payment

13. Economics Legislation Committee, Carbon Pollution Reduction Scheme Bill 2009 and related bills [Provisions], *Report*, 15 June 2009.

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- disability support pension
- Newstart allowance
- parenting payment
- partner allowance
- sickness allowance
- widow allowance
- widow B pension
- wife pension
- youth allowance, and
- payments that the Minister has specified by legislative instrument under **proposed section 1206GM**

Another object is to adjust indexation of those amounts after they are increased (**proposed subsection 1206GF(2)**). The Explanatory Memorandum states the adjustment is to avoid duplicating assistance.¹⁴

The increases will be by 2.8 per cent over two years. There will be a 1 per cent increase on 1 July 2011 (**proposed section 1206GH**) and another of 1.8 per cent on 1 July 2012 (**proposed section 1206GI**). As indicated in the Second reading speech, this is additional support, above indexation, to fully meet the expected overall increase in the cost of living flowing from the scheme.

Subdivision C, proposed sections 1206GJ and 1206GK provide for adjusted CPI indexation of the increased amounts.¹⁵

Proposed subdivision D allows other provision for increases and adjustments. According to the Explanatory Memorandum:

The need for this section arises as a result of forthcoming amendments to the Social Security Act flowing from the Government's Secure and Sustainable Pension Reform package. Those forthcoming amendments have not been finalised at the time of introduction of this bill, and therefore, capacity has been built into this bill to address these aspects by way of a legislative instrument.¹⁶

14. Explanatory Memorandum, Carbon Pollution Reduction Scheme Amendment (Household Assistance) Bill 2009, p. 3.

15. Explanatory Memorandum, pp. 5–7.

16. Explanatory Memorandum, p. 7.

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Proposed section 1206GL therefore allows the Minister to provide for increases in rates by way of legislative instrument. Any such instruments made will be disallowable by Parliament. There will be amendments necessary to this subdivision when the pension reforms bill is produced.¹⁷

Under **Schedule 1, Part 2 – Transitional payments**, two payments will be made to qualifying individuals. These transitional payments are to be made to adults in low-income households who do not receive sufficient assistance from other measures in the Bill. According to the Explanatory Memorandum¹⁸ summary on this Part of the Bill, two payments will be made to qualifying individuals. The first payment from 1 July 2012 will be a flat \$200 per claimant. The second payment from 1 July 2013 will be a flat \$550 per claimant (**proposed paragraphs 1061XAAZC (a) and (b)** respectively). To qualify the claimant has to satisfy the income requirements set out in **proposed section 1061ZAAZ** of \$30 000 (single no children), \$45 000 (couple no children) or \$60 000 (singles, and/or couples with a dependent child). Note in the case of couples, because of the operation of clause 3 of Schedule 3 to the *A New Tax System (Family Assistance) Act 1999*, it is a couples combined income is to be taken into account when determining whether a person meets the income requirement. There are also additional conditions before a person qualifies for the payment – these are set out in **proposed sections 1061ZAAZA and 1061ZAAZB**.

Schedule 2 - Assistance to Families, amends the *A New Tax System (Family Assistance) Act 1999* to insert **proposed Part 6 – FTB combined supplement-** into that Act, and consequential amendments to the *A New Tax System (Family Assistance) (Administration) Act 1999*. According to the Explanatory Memorandum¹⁹, the Schedule provides for an increase in certain family tax benefit rates on 1 July 2011 and again on 1 July 2012, in addition to usual indexation on those dates.

Schedules 3 and 4 make amendments to the *Veterans' Entitlements Act 1986* and the *Military Rehabilitation and Compensation Act 2004*.

Schedule 5 amends the *Income Tax Assessment Act 1936* to increase the low income tax offset to \$1 650 for the 2011–12 income year and to \$1 930 for the 2012–13 income year and later income years. For senior eligible Australians:

From 1 July 2011, eligible senior Australians will have no tax liability until their income reaches \$41 272 for singles and \$27 680 for each member of a couple. From 1 July 2012, eligible senior Australians will have no tax liability until their income reaches \$32 948 for singles and \$29 547 for each member of a couple.

17. Explanatory Memorandum, p. 7.

18. Explanatory Memorandum, p. 11. Further details on Part 2 can be found at pp. 11–16 of the Explanatory Memorandum.

19. Explanatory Memorandum, p. 17.

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Adjustments will also be made to the Medicare levy thresholds for senior Australians.²⁰

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20. J Macklin (Minister for Families, Housing, Community Services and Indigenous Affairs), 'Second Reading Speech: Carbon Pollution Reduction Scheme Amendment (Household Assistance) Bill 2009', House of Representatives, *Debates*, 28 May 2009, p. 12.

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