

Senate Standing Committee on Environment and Communications
Legislation Committee
Answers to questions on notice
Environment portfolio

Question No: 148
Hearing: Additional Estimates
Outcome: Outcome 2.1
Programme: Climate Change and Renewable Energy (CCARE)
Topic: Regulatory Burden Measurement Framework
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Question Date: 11 May 2015
Question Type: Spoken

Senator Singh asked:

Senator SINGH: Have you done some kind of monitoring or modelling of how you came to a saving of \$85 million? **Ms Jensen:** We would be happy to provide you more information on notice. Every costing that we do conforms with the regulatory burden measurement framework, which is enforced through the Office of Best Practice Regulation. There is a lot of care and attention given to ensuring that it is through consistent methodology. Based on that methodology and the assessments made in determining what the compliance reduction would be, and knowing that the tax has been repealed, we have confidence that those full compliance reductions at a minimum have been achieved. **Senator Birmingham:** The regulatory burden framework methodology provides a scintillating read, **Senator SINGH:** I think I would like to read it, Minister. I would like to take that on notice, if that is all right. If you could provide the methodology and the assessments that were reached by the department in reaching that savings figure that would be beneficial for the committee. Thank you.

Answer:

The Regulation Impact Statement (RIS) developed as a part of the carbon tax repeal legislation package estimated that repealing the carbon tax will save businesses \$85.3 million per year in compliance costs. These cost savings fall into two broad compliance categories:

1. Administrative costs, including consultation with government on legislative amendments; understanding legislative requirements; monitoring and measuring emissions; reporting those emissions; and record keeping.
2. Substantive costs, being audit costs for large emitters.

Administrative cost savings were estimated in the RIS to be \$67.1 million per year. This estimated figure includes a labour rate of 1.7 times average earnings to reflect higher than average skills required to comply with legislative requirements.

Administrative cost savings were estimated by using information provided by the Clean Energy Regulator, which was informed by feedback from liable entities and other assumptions from the Office of Best Practice Regulation's online business cost calculator.

Large emitters incurred substantive costs under the carbon tax legislation for having their emissions data verified by an independent auditor. To estimate these costs the RIS considered information provided by the Regulator on the average cost of an audit of this scope multiplied by the number of entities (154) that were required to submit an audit. The average audit cost saving for large emitters was estimated at approximately \$133,000 per entity per year, which equates to an ongoing total cost saving of around \$20.5 million per year.

As well as estimating these savings from repeal of the carbon tax, the RIS also estimated some new compliance costs associated with the Australian Competition and Consumer Commission's (ACCC) temporary enforcement powers for the year following repeal. These additional compliance costs, based on estimates from the Treasury of compliance costs associated with other ACCC activities, were estimated to be \$2.3 million per year. This estimate assumed that only some entities in regulated sectors would incur administrative costs as a result of being subject to an ACCC price monitoring notice.

In summary, the \$67.1 million in administrative cost savings plus \$20.5 million in substantive audit cost savings, less \$2.3 million in additional administrative cost burden, equals a net result of \$85.3 million of ongoing savings per year.

Information about the Australian Government's regulatory burden framework methodology is available here: <https://rbm.obpr.gov.au/home.aspx>