

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

Question: BET 82

**Topic: Budget Paper 1 – Statement 3: Fiscal Strategy and Outlook –
‘Effect of the Carbon Price on the Budget’**

Hansard Page: Wednesday 30 May 2012, page 13-14

Senator CORMANN asked:

Senator CORMANN: If I can go to the last sentence in that shaded table where it says ‘Box 1: Effect of the carbon price on the budget.’ It is on page 3-14. You say:

In 2015-16, the budget would be firmly in surplus even if the price floor of \$15 were to bind.

So I assume that you have run the model and the revenue estimates and all of that on the basis of a \$15 per tonne price?

Ms McCulloch: The sentence that you are referring to is not a modelling exercise. The modelling relates to the economics and the price. As part of putting the budget together we would normally do some scenario analysis.

Senator CORMANN: So what would be the revenue impact if the price floor of \$15 were to bind, given that you have modelled it?

Ms McCulloch: The government has not made that number public, and it is a matter for the government.

Senator CORMANN: You say in here:

In 2015-16, the budget would be firmly in surplus even if the price floor of \$15 were to bind.

So you have modelled it. You have the number.

Ms McCulloch: We ran a number of scenarios. We did not actually do any modelling of the prices.

Senator CORMANN: I am not asking you for random modelling. For you to be able to make the assertion that the budget will ‘be firmly in surplus even if the price floor of \$15 were to bind’, you must have estimated what the revenue impact of that would be. We are not going to go through this discussion again that we can only ask you questions about things that are already published in the budget paper. Because if it was for that, we would not have to sit here and ask you questions. I would like to know what the impact on revenue would be if the price was \$15 instead of the \$29 that is assumed in the budget papers. [Question one]

Mr Ray: We are happy to take it on notice.

Senator CORMANN: So you do not know the figure?

Mr Ray: No, not off the top of my head. But we will take it on notice.

Senator CORMANN: What is the assumption regarding the fraction of permits being bought from offshore, which underlines the calculation of the carbon tax related revenue for 2015-16? [Question two]

Ms McCulloch: I do not know that number. I would have to take that on notice.

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Senator CORMANN: Do you know anything about what will happen to the carbon tax revenue in 2015-16?

Ms McCulloch: Not in detail. We ran a number of scenarios and projections, but we do not forecast out that far.

Senator CORMANN: What do you mean by 'not in detail'? We are here to go through the detail, I would have thought.

Mr Ray: Ms McCulloch has taken the questions on notice, Senator.

Answer:

Question one

The fiscal impact of alternative carbon prices has not been published.

Question two

In 2015-16, Treasury modelling suggests that around 42 million tonnes of abatement will be purchased from offshore (the difference between domestic emissions (601.8mt) and the national trajectory (560mt)). This equates to 7 per cent of Australia's total domestic emissions in that year. The amount of imported abatement each year can be derived from the published data on the Strong Growth, Low Pollution website (Chart 5.2) -

http://archive.treasury.gov.au/carbonpricemodelling/content/chart_table_data/chapter5.asp

Liable entities will be responsible for purchasing international permits and this will not have a budget impact. Carbon price revenue is related to the quantity of emissions under the scheme cap.