

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

Question: BET 84

Topic: Revenue/ Expenditure Impact of \$15 a Tonne Carbon Price

Hansard Page: Wednesday 30 May 2012, page 16-17

Senator CORMANN asked:

Senator CORMANN: In the interests of time, because I know that other colleagues will want to ask questions: have you relied on any analysis other than the modelling, which has a whole series of assumptions in it? Have you relied on any other analysis from experts on international carbon prices to come up with your decision? It is probably more a decision for Fiscal Group. In 2015-16, the international price is likely to be \$29 a tonne, according to your expectations.

Mr Ray: That is not quite an accurate representation. What we have said is that 2015-16 is a projection year. Consistent with the methodology that we use for projections across our estimates, we have used a view of the long-run drivers that are driving the world price. That is what we have said. It is not our expectation of what the price will be in 2015-16.

Senator CORMANN: So it is your expectation of what the price will be in 2015-16.

Mr Ray: It is not our expectation; we have no expectation of what the price will be. What we have got is a projection which is based upon a view that, over time, the world carbon price will be driven by the fundamental forces of demand and supply. That is what we have got. It is a view for a projection. It is based on long-term forces and trends. It is not a particular expectation we have for that year.

Senator CORMANN: It is an assumption that you have used to estimate your revenue projections.

Mr Ray: It is not just revenue.

Senator CORMANN: It is particular revenue.

Mr Ray: It is the carbon price that we have used to estimate the impact of the package on the budget. So that is both revenue and expenses.

Senator CORMANN: Sure. That is right. In terms of the revenue, what else other than the Treasury modelling have you relied on to satisfy yourself that the \$29 a tonne assumption is a realistic assumption in relation to the carbon price for 2015-16?

Mr Ray: I think it is quite explicit in the budget papers that that is based on the Treasury modelling.

Senator CORMANN: If the floor of \$15 were binding—you raise it in Budget Paper No. 1 at page 3-14, box 1—what would be the impact of that on expenditure?

Ms McCulloch: Similar to my previous answer, we have run a number of scenarios, including in relation to expenditure. We do not have the precise figures. We would have to take it on notice. It is a matter for the government.

Senator CORMANN: Can you give us the precise figures of the revenue impact and the expenditure impact so we can find what the net fiscal impact is going to be if the carbon price does in fact come up at \$15 a tonne rather than the \$29 a tonne based on assumptions? I might leave it here.

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Answer:

The fiscal impact of alternative carbon prices has not been published. As outlined on page 3-14 of the 2012-13 Budget Paper No. 1, the budget would be firmly in surplus in 2015-16, even if the price floor of \$15 were to bind.