

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

**Budget Estimates**

29 May – 31 May 2012

**Question: BET 85**

**Topic: Energy Economics and Management Group -  
Carbon Price Household Analysis**

**Hansard Page: Wednesday 30 May 2012, page 21**

**Senator CAMERON asked:**

Senator CAMERON: Yesterday Senator Ryan was asking questions on the carbon price and he quoted a figure of a one per cent effect on GDP for the introduction of the carbon price. I had a bit of a disagreement with him. I said the modelling was 0.7 per cent. What was the price?

Mr Campbell: There are two elements. There is the household impact or the consumer price effect, which is the 0.7 per cent in 2012-13. Then there is the broader question about the impact on the economy, which was outlined in another separate box, I understand, in the budget papers, which talked about the GDP effects being around 0.25 per cent, or a little under that, I think.

Senator CAMERON: We had a fair bit of debate yesterday about the actual impact of the price on consumers. Has the Treasury looked at the work that is being done by the University of Queensland? I am looking at it here. It is called the Global Change Institute at the University of Queensland. Has anyone from Treasury seen that work?

Mr Campbell: This is a household analysis?

Senator CAMERON: Yes, the household analysis. It is from the Energy Economics and Management Group at the University of Queensland's School of Economics. They claim this is the most detailed analysis that has been done of the price effect. Has anyone looked at that?

Dr Gruen: Senator, it may depend on exactly what you are after. If you are after the aggregate price effect, we can talk about that. But, if you are after the disaggregated effects on households, it might make sense to—

Senator CAMERON: No, it is the aggregated effect. Just so you understand, the analysis is at \$23 a tonne. It is very complex; I gave up trying to read it because of the logs and stuff that is in it. It is a complex document. They say Queensland is 2.15c per kilowatt hour. That means that price rises will be 10.4 per cent in Queensland. In New South Wales, it is 1.99c per kilowatt hour, up 8.7 per cent. In South Australia, it is 2.05c per kilowatt hour, up 8.6 per cent. In Victoria, it is 1.94c per kilowatt hour, up 8.5 per cent. In Tasmania, it is 0.79c per kilowatt hour, up 3.8 per cent. Is that consistent?

Dr Gruen: Senator, the people who have that expertise are in Revenue Group and they will be up, I think, later today.

Mr Campbell: Some of the electricity price impacts that you are talking about, in the broad, are coming in around the estimated 10 per cent from the modelling. Some of the state pricing tribunals in recent months have come up with some numbers in those orders of magnitude as well. I am not familiar with this report you are referring to.

Senator CAMERON: Do you have those figures or should I take that to Revenue Group?

Ms McCulloch: Maybe we could take it on notice.

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Senator CAMERON: He might have them, Ms McCulloch.

Mr Campbell: I might take it on notice. I have some figures here, but I think they may be in draft form. For New South Wales, we are talking around nine per cent. In Western Australia, it is 9.5 per cent. But I can come back to you with further detail.

Senator CAMERON: So I should raise this specific issue with Revenue Group?

Mr Campbell: Not so much the specific electricity price rises, no. If you are after the actual household impacts by various cohorts, that could probably be addressed to Revenue Group.

Senator CAMERON: I am not asking for a detailed analysis of this modelling. But could you take it on notice to have a look at the modelling for this and tell me whether you think it is a robust analysis.

Dr Gruen: We can certainly do that. But it does sound like those numbers are pretty similar to the numbers that we have got, which is an aggregate effect over the whole of Australia of 10 per cent on electricity prices, with small variations between states.

Senator CAMERON: Thank you.

**Answer:**

The Department has not undertaken any detailed analysis of the Global Change Institute modelling.

Treasury modelling projected that the carbon price will result in an average increase in household electricity prices of around 10 per cent in 2012-13. The price increases outlined for each State in the Global Change Institute modelling are broadly consistent with Treasury modelling.

The retail electricity price determinations that have been released by State Governments and regulators are also broadly consistent with the Treasury modelling.