

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates

20-21 November 2013

**Question:**                **SBT 1091-1096**

**Topic:**                    **Repeal of carbon price**

**Transferred:**        **Department of Environment, 3 December 2013**

**Senator URQUHART asked:**

1091. What is the financial impact of the repeal of the carbon price likely to be on Hydro Tasmania and Snowy Hydro?
1092. Is there evidence that the impact of the carbon price on consumer prices was less than originally modelled?
1093. The Australian Energy Market Commission estimated in March this year that the carbon price would only be 7.3% of 13/14 prices (2.2 cents out of 30 cents nationally per kWh), is their work robust? This percentage was set to go down to 7 per cent in 2014/15 (2.2 cents out of 31.4 cents). How would repeal contribute to a 9 per cent reduction in electricity prices if the carbon price makes up less than 9 per cent?
1094. IPART's estimates the current carbon price impact on residential natural gas supply at around 5 per cent or less than \$1 per week. How does the Government estimate gas prices will reduce by 7 per cent with the repeal if the carbon prices makes up less than 7 per cent?
1095. Does the Department stand by the claim by the current Government that the carbon price costs families \$3000 to 2020?
1096. The Australian Industry Group released analysis in 2012 that energy costs were generally 2 per cent or less of sales revenue, making a carbon price impact generally less than 0.3 per cent. Does this according with your understanding?

**Answer:**

1091. Treasury is unable to comment on the impact of the repeal of the carbon tax on individual businesses.
1092. In April 2013, the former Government's Department of Families, Housing, Community Services and Indigenous Affairs and the Treasury published a review of the adequacy of the Household Assistance Package (HAP) for 2012-13. Please refer to that review in answer to your question.
- 1093-1094. Treasury estimates of the impact on households of removing the carbon tax were produced using the same methodology as used in 2011 to estimate the household impacts of introducing the carbon tax in 2012-13, and in mid-2013 to estimate the impacts of bringing forward the Emissions Trading Scheme (ETS) to 2014-15.

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The current estimates were, however, derived using more recent data, not available in 2011, and have benefited from ongoing minor model enhancements by Treasury.

The Treasury estimates:

- are for the 2014-15 fiscal year;
- indicate the impact on households relative to the position if a \$25.40 carbon price had been in place; and
- indicate the average impact across all households in Australia.

As outlined in their respective reports, the New South Wales Independent Pricing and Regulatory Tribunal (IPART)<sup>1</sup> and the Australian Energy Market Commission (AEMC)<sup>2</sup> use different methodologies to Treasury for modelling the impact of the carbon tax on residential electricity and gas bills.

In particular:

- the IPART and AEMC reports produce estimates for typical or representative residential households, whereas the Treasury estimates indicate the average impact across all households;
- the IPART report provides estimates for 2013-14 (with a \$24.15 carbon tax), whereas Treasury estimates are for 2014-15 (with a \$25.40 carbon tax); and
- Treasury modelling covers all households in Australia, whereas the IPART report covers regulated residential and small business customers in New South Wales.

It is also noted that the AEMC released its final report on 2013 Residential Electricity Market Trends on 13 December 2013. This report found that, consistent with Treasury modelling, that in 2014-15 the cost of the carbon tax represents 9 per cent of the national average representative residential electricity price.

1095. The \$3000 per household figure is arrived at by estimating the cumulative average impact on household cost of living from the carbon tax remaining in place until 2020, based on a carbon tax of \$38 per tonne by 2019-20 and other assumptions.

1096.

Treasury is unable to comment on the impact of the carbon tax on these 319 businesses mentioned in the AiG report. .

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<sup>1</sup> *Review of regulated retail prices and charges for gas from 1 July 2013 to 30 June 2016*, Independent Pricing and Regulatory Tribunal, June 2013.

<sup>2</sup> *2013 Residential Electricity Market Trends*, Australian Electricity Market Commission, 13 December 2013.

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However, it is noted that the carbon price would impact businesses directly via energy costs, and indirectly via higher prices for other business inputs whose prices are impacted by the carbon price.