Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

31 May – 2 June 2011

Question No: BET 247

Topic: Emissions

Hansard Page: Written

Senator Birmingham asked:

To achieve actual reduction of greenhouse gas emissions in Australia of 5 per cent against 2000 levels, what carbon price does the Treasury believe would be necessary?

Answer:

The 2011 Government report *Strong growth, low pollution: modelling a carbon price* provides details of modelling of the effect of a carbon price on the economy.

The government's carbon pricing mechanism involves a price that will be fixed for the first three years, starting at $23 per tonne in July 2012 and rising by 5 per cent per year in real terms. In July 2015, the carbon price will then transition to a fully flexible price under an emissions trading scheme, with the price determined by the market.

This mechanism will not require all abatement to be sourced domestically and it is likely that a higher carbon price would be required to achieve all abatement domestically. In the high price scenario considered *in Strong growth, low pollution*, with a world carbon price of $62/t CO_2-e in 2020 ($2010), domestic emissions fall by around 4 per cent by 2020 compared to 2000 levels. Achieving the target of a 5 per cent cut in emissions by 2020 compared to 2000 levels through domestic abatement alone would require a slightly higher domestic carbon price than this scenario, or more expensive direct action.