

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Estimates 22-23 October 2008

Question: sbt 61

Topic: Emissions Trading Scheme – Canadian Scheme

Hansard Page: E75-E76

Senator XENOPHON asked:

Senator XENOPHON —I will go to the ETS models that were looked at. The Canadian system, which some would say is a form of cap and trade, was not really considered in the green paper to any degree, was it? Given that Canada has a similar resource-rich economy to ours and is roughly of a comparable size, can you explain why the Canadian model was not considered in the process? I am addressing this question to you or to anyone else.

Ms Quinn —This is not one for me. I have been involved in doing the economic analysis and economic modelling and not the policy decisions of the government.

Mr French —I think that question might be best put to the Department of Climate Change.

Senator XENOPHON —They referred us to this particular committee today, and Senator Heffernan can confirm that. We were told that it was best to put that to you.

Senator Sherry —I was not privy to that, but we will sort that out for you, Senator.

Mr Ray —Perhaps we could take the question on notice and see what we can find out for you.

Senator XENOPHON —Sure. Does anyone know anything about the Canadian scheme being considered with respect to the Australian model?

Dr Henry —No.

Senator XENOPHON —It is disappointing that we were referred to this particular committee. Senator Wong, in her committee, said that the Canadian scheme might control the quantity of emissions. Can anyone comment on that? Is that fair to say, Dr Henry?

Dr Henry —No, I am sorry; I am not familiar with the Canadian scheme. I do not know.

Senator XENOPHON —Perhaps I can put on notice: was the Canadian scheme considered? Assertions were made the other night that Canada will not meet their greenhouse gas targets, but apparently they are looking at different bases. I do not think that was a complete answer when you scratched below the surface. I will put a general question to you: what happens if other nations do not adopt an ETS? What impact will that have on the trajectory of the ETS that is being planned? I suppose a seminal question there is: can you indicate what the trajectory of the ETS scheme will

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be, or do we have to wait until the end of October? What impact will it have on how we approach this issue?

Dr Henry —I think those questions go to matters of policy design. As I indicated earlier, the modelling that we are doing within the Treasury is one input into the policy decisions that the government will take. But the precise trajectory that the government will decide upon is still a matter for government consideration. We cannot talk in this committee about either the nature of advice we would provide to government on those matters or the decisions the government might take. It is really a matter for the government.

Senator XENOPHON —With the government's green paper on the ETS, I am trying to understand why one approach was considered and perhaps other schemes were not. I think there are the baseline and credit approach and the Canadian cap and trade approach. Perhaps you can take this on notice. I am trying to understand why there was a particular emphasis on certain schemes. From my dim memory of what was in green papers in years gone past, I understand that there was very robust discussion of various options, and there is a concern that the various options were not as robustly considered as they could have been, particularly in relation to the Canadian scheme.

Dr Henry —As Mr Ray indicated earlier, we are happy to take that question on notice and see what we can find out for you.

Answer:

The Carbon Pollution Reduction Scheme Green Paper draws on work undertaken by a number of sources, including the Garnaut Climate Change Review, the former Government's Task Group on Emissions Trading (TGET), and the states and territories' National Emissions Trading Taskforce (NETT).

In particular, the Garnaut Climate Change Review Final Report (2008) considered four market-based approaches to reducing Australia's greenhouse gas emissions, including the baseline and credit model which was adopted by the Canadian Government.

The Garnaut Climate Change Review, TGET and NETT all favoured a cap and trade model for emissions trading.