

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Estimates 22-23 October 2008

Question: sbt 66

Topic: Emissions Trading Scheme - Revenue

Hansard Page: E86-E87

Senator JOYCE asked:

Senator JOYCE —Let us continue on ETS. Do you still stick by the evidence that you have given before that the ETS will be revenue positive?

Mr French —There will be a revenue stream associated with the auctioning of permits.

Senator JOYCE —Do you acknowledge that being revenue positive means that it will have a dampening effect on the economy and that it works ipso facto as a tax?

Mr French —The government has committed that the revenue stream would be used in assisting business and households to adjust to the scheme.

Senator JOYCE —At this point in time you will be collecting more revenue than you will be paying out, so ipso facto it will be acting as a tax.

Mr French —I am not sure that is the case.

Senator JOYCE —Can someone tell me that it is not going to be the case?

Senator Sherry —If the officer is not sure, we should take it on notice and we will get some clarification for you, unless there is anyone else who can help.

Mr Ray —That is a little like some of the questions that we were discussing earlier on; it goes to the details of the scheme design.

Senator JOYCE —It is very important. When will we see the details of that? Are you still holding to your date of 2010 as being when you want to roll this out?

Dr Gruen —These are decisions for government.

Senator JOYCE —Are you still planning for a 2010 rollout?

Mr Ray —As we discussed earlier, Senator Wong is on the public record about that.

Senator JOYCE —So you are planning that. Do you acknowledge that, if it does collect more revenue than it pays out in its initial instance, that will have a dampening effect on the economy?

Mr Ray —That is hypothetical. We do not know that that is the case.

Senator JOYCE —Do taxes work as a dampener or a stimulant in the economy?

Mr Ray —I will try to help you. In terms of the impact of the government's budget on the economy as a whole you would have to look at it in the aggregate rather than component by component.

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Senator JOYCE —It is a simple question. Are taxes a dampener or a stimulant on the economy?

Mr Ray —It depends.

Senator JOYCE —Can you nominate a tax that is a stimulant on the economy and that has a multiplier effect?

Dr Gruen —It depends on the design of the scheme. If you raise a tax and return the revenue, it is not clear that it is a dampener. This question goes to the question of the detailed nature of the scheme.

Senator JOYCE —I will be even more specific. If you raise a tax without returning it into the economy does it have a dampening effect on the economy?

Dr Gruen —As a general proposition that would be true.

Senator JOYCE —Then you would say that if this actually collects more money than it pays out in its initial stage then it will have a dampening effect on the economy?

Senator Sherry —That is hypothetical.

Mr Ray —You cannot separate this from the overall fiscal stance of the government.

Senator JOYCE —Did you investigate alternative models to the ETS, such as upfront capital expense deductions, as opposed to an emission trading scheme in its current form?

Mr Ray —I am happy to take it on notice, but again that goes to details of the policy advice that we might have given.

Senator JOYCE —Did you model any other schemes?

Senator Sherry —That is just another alternative add-on to the previous question.

Senator JOYCE —I just want to know: did you model any other schemes?

Mr Ray —I think the minister has answered the question.

Senator JOYCE —Was that a yes or a no?

Senator Sherry —We will take it on notice; that is what it means. It is not yes or no.

Senator JOYCE —You are going to take it on notice?

Senator Sherry —Yes.

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).

The general consensus from these and other studies is that market based mechanisms, such as emissions trading, provide a low cost approach to reducing greenhouse gas emissions.

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The Treasury modelling analysed an emissions trading scheme and did not specifically consider alternative mechanisms for reducing greenhouse gas emissions.

The Carbon Pollution Reduction Scheme will generate a new source of revenue for the Australian Government. Every cent raised for the Australian Government from the Carbon Pollution Reduction Scheme will be used to help households and businesses adjust to the Scheme and to invest in the low pollution economy of the future.