

# Chapter 1

## Inquiry into a carbon tax

### Terms of reference

1.1 On Thursday, 30 September 2010, the Senate established the Select Committee on the Scrutiny of New Taxes to inquire into a broad range of matters relating to taxation, such as:

- (a) new taxes proposed for Australia, including:
  - (i) the minerals resource rent tax and expanded petroleum resource rent tax,
  - (ii) a carbon tax, or any other mechanism to put a price on carbon, and
  - (iii) any other new taxes proposed by Government, including significant changes to existing tax arrangements;
- (b) the short and long term impact of those new taxes on the economy, industry, trade, jobs, investment, the cost of living, electricity prices and the Federation;
- (c) estimated revenue from those new taxes and any related spending commitments;
- (d) the likely effectiveness of these taxes and related policies in achieving their stated policy objectives;
- (e) any administrative implementation issues at a Commonwealth, state and territory level;
- (f) an international comparison of relevant taxation arrangements;
- (g) alternatives to any proposed new taxes, including direct action alternatives; and
- (h) any other related matter.<sup>1</sup>

1.2 Given the extensive scope of the terms of reference the committee resolved to report to the Senate on a subject by subject basis as each matter referred had been inquired into.

1.3 This report sets out the committee's findings of its inquiry into a carbon tax.

### Conduct of the inquiry to date

1.4 Following its establishment and the resolution to inquire into the terms of reference on a subject by subject basis, the committee advertised its inquiry into a

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1 *Journals of the Senate*, 2010, pp 119-120.

carbon tax in the national press (*The Australian*) and invited written submissions by 29 April 2011. Details of the inquiry were published on the committee's website.<sup>2</sup> The committee also wrote to a large number of stakeholders inviting submissions. Given the strong interest in the inquiry, submissions continued to be lodged after the closing date.

1.5 To begin with, the committee received 61 submissions. After the release of the government's climate change plan, which included a carbon tax, on Sunday, 10 July 2010 a further 51 were received (including 10 supplementary submissions). The committee sought further submissions and sought them by 15 August 2011. In total 112 submissions were received. A total list of the submissions received can be found in Appendix 1.

1.6 Initially, five public hearings were held in Perth, Melbourne and Canberra between March and June 2011. Following the announcement of the Clean Energy Future Legislative Package on Sunday, 10 July 2011 a further series of public hearings were held in Sydney, Brisbane, Tamworth, Mackay, Canberra and Geelong.

1.7 The witnesses who appeared before the committee at its hearings are listed in Appendix 2.

### ***Acknowledgement***

1.8 The committee extends its sincere thanks to all parties who contributed to, and participated in, the inquiry process by making submissions and/or appearing before it.

### **Structure of the report**

1.9 This report into a carbon tax is comprised of 10 chapters.

- Chapter 2 provides an introduction and background into Australia's emissions profile, as well as a brief history of recent events in Australia's climate change policy. It charts the recent development of the Rudd and Gillard Labor governments' climate change policies.
- Chapter 3 contains an overview of the carbon tax.
- Chapter 4 looks at the impact of the carbon tax on Australia's emissions-intensive trade exposed sectors. These industries are the ones that contribute so much to Australia's economic prosperity and include the mining, steel, aluminium industries as well as manufacturing industries.
- Chapter 5 considers the needs of the electricity industry under the carbon tax. As a fundamental part of modern Australian life and key input into Australia's key industries, the ongoing effectiveness of the electricity industry is too important to be put at risk by the carbon tax.

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<sup>2</sup> [http://www.aph.gov.au/Senate/committee/scrutinynewtaxes\\_ctte/national\\_mining\\_taxes/index.htm](http://www.aph.gov.au/Senate/committee/scrutinynewtaxes_ctte/national_mining_taxes/index.htm).

- Chapter 6 provides an overview of the impact of the carbon tax on regional and rural Australia.
- Chapter 7 provides an overview of the impact of the carbon tax on households and the cost of living. This chapter highlights the risk to the budgets of everyday Australian's under a carbon tax.
- Chapter 8 looks at the impact of the carbon tax on Australia's economy and the Budget.
- Chapter 9 looks at the impact of the carbon tax on Australia's transport industry.
- Chapter 10 assesses the Treasury modelling.

