



Make Polluters Pay for the Damage they are doing

Party:

Australian Greens

Summary of proposal:

The proposal has two components that both commence from 1 July 2022.

Component 1: Carbon-dioxide (CO₂)-equivalent emissions levy

- Carbon emitting facilities would pay a levy of \$50 per tonne on direct¹ CO₂-equivalent emissions if they produce more than 25,000 tonnes of both direct and indirect² CO₂-equivalent emissions annually. The levy would increase by 4% each year and would be tax deductible.
 - Facilities in the agriculture or transport industries would be exempt from paying this levy.
 - 80% of emissions-intensive trade-exposed industry emissions would be exempt from the levy in the first year. This exemption would reduce to zero over the first 5 years of the proposal.

Component 2: Energy Supplement changes

- The base Energy Supplement payment rate would increase by 30% for all eligible payments.
- Eligibility for the Energy Supplement payment would be reinstated for the following payment recipients and cardholders:³
 - Family Tax Benefit – Part A
 - Family Tax Benefit – Part B
 - Commonwealth Seniors Health Card.
- The Energy Supplement payment would be indexed proportionate to changes in the headline consumer price index every 6 months from 1 January 2023.

Costing overview

This proposal would be expected to increase the fiscal balance by around \$31,816 million and the underlying cash balance by around \$28,516 million over the 2022-23 Budget forward estimates period. The fiscal balance impact reflects an increase in revenue of around \$35,106 million, partially offset by an increase in administered expenses of \$3,250 million and an increase in departmental expenses of \$40 million.

¹ Direct emissions are also known as Scope 1 emissions and refer to the emissions released to the atmosphere as a direct result of an activity, or series of activities at a facility level.

² Indirect emissions are also known as Scope 2 emissions and refer to the emissions released to the atmosphere from the indirect consumption of an energy commodity.

³ Recipients who became eligible for these payments and the Commonwealth Seniors Health Card on or after 20 September 2016 are not entitled to the Energy Supplement.

The proposal would have an ongoing impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2032-33 is provided at Attachment A.

The fiscal balance impact differs from the underlying cash balance impact due to the timing difference between when entities become liable for the levy and when levy payments are made.

The financial implications in this response are uncertain and sensitive to assumptions about the behavioural responses of affected entities. The Parliamentary Budget Office (PBO) has assumed that affected entities would continue to reduce CO2-equivalent emissions because the levy would continue to increase in real terms. However, it is also possible that some entities in both directly and indirectly-affected industries would cease operating as a result of the proposal. Furthermore, the costs of the proposal could also be affected by exogenous factors, such as economic growth and technological developments that decrease the costs of carbon abatement.

Table 1: Financial implications (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	Total to 2025-26
Fiscal balance	8,040.0	7,580.0	7,840.0	8,356.0	31,816.0
Underlying cash balance	5,040.0	7,580.0	7,740.0	8,156.0	28,516.0

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

Component 1

- The levy would reduce CO2-equivalent emissions by 3% each year.
- The levy liability would be calculated quarterly and paid in the following quarter.
- All manufacturing entities affected by the proposal would be considered emissions-intensive trade exposed entities.
- All entities subject to the levy would be taxable at an average tax rate of 29%.
- All entities subject to the levy would pay out 70% of their net profits as dividends.
- 40% of total dividends would be paid to domestic shareholders who have an average marginal tax rate of 32%.

Component 2

- The current proportion of Australians aged over 65 in receipt of the Commonwealth Senior Health Card would remain constant over the medium term.

Methodology

Component 1

The financial impact of the levy was estimated by multiplying the estimated volume of taxable CO2-equivalent emissions by the levy rate for each financial year.

The total number of taxable CO₂-equivalent emissions was calculated by summing direct emissions from affected entities. The exemption provided to emissions-intensive trade-exposed industries was phased out over the first 5 years of the proposal, as specified.

The company tax impact of the levy was estimated by multiplying the value of deductions claimed by affected entities by the company tax rate. As this proposal would lower company profits and in turn distributions of dividends, the estimates in this response take into account the imputation system flow through effect to personal income tax.

Component 2

The Policy Evaluation Model (PoEM) and a bespoke Commonwealth Seniors Health Card holder model were used to estimate the administered expenses under this proposal. As the Energy Supplement is non-taxable, there is no related impact on personal income tax as a result of this component.

PoEM is a micro-simulation model of administered transfer payments provided over the 2022-23 Budget forward estimates period. It is developed by the Department of Social Services and provided to the PBO for use in costing policy proposals.

Administered Commonwealth Seniors Health Card holder expenses were calculated by multiplying the estimated number of recipients by the change in supplement rate (for existing recipients) or the proposed supplement rate (for newly eligible recipients).

Departmental expenses

Departmental expenses to administer the proposal were based on previous measures with similar levels of administrative complexity.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.⁴

Data sources

The Treasury provided economic parameters as at the 2022-23 Budget.

The Department of Social Services provided expenditure and population forecasts for income support recipients as at the 2022-23 Budget.

Australian Government (2022) [2022-23 Budget](#), accessed 9 June 2022.

Department of Industry, Science, Energy and Resources (DISER) (2020) [Australia's emissions projections 2020](#), DISER, accessed 9 June 2022.

Australian Government (2013) [Climate Change Mitigation Scenarios – Modelling report provided to the Climate Change Authority in support of its Caps and Targets Review](#), Australian Government, accessed 9 June 2022.

⁴ https://www.apb.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costing_and_budget_information

Attachment A – Make Polluters Pay for the Damage they are doing – financial implications

Table A1: Make Polluters Pay for the Damage they are doing – Fiscal balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Revenue													
Tax revenue													
<i>Carbon levy</i>	11,900.0	11,900.0	12,400.0	13,200.0	14,200.0	14,100.0	14,100.0	14,100.0	14,100.0	14,100.0	14,100.0	49,400.0	148,200.0
<i>Company tax</i>	-3,160.0	-3,440.0	-3,590.0	-3,800.0	-4,100.0	-4,100.0	-4,100.0	-4,090.0	-4,090.0	-4,100.0	-4,100.0	-13,990.0	-42,670.0
<i>Personal income tax</i>	-	-100.0	-100.0	-104.0	-111.0	-119.0	-119.0	-119.0	-118.0	-119.0	-119.0	-304.0	-1,128.0
Total – revenue	8,740.0	8,360.0	8,710.0	9,296.0	9,989.0	9,881.0	9,881.0	9,891.0	9,892.0	9,881.0	9,881.0	35,106.0	104,402.0
Expenses													
Administered													
<i>Energy supplement</i>	-690.0	-770.0	-860.0	-930.0	-1,010.0	-1,080.0	-1,150.0	-1,240.0	-1,320.0	-1,410.0	-1,500.0	-3,250.0	-11,960.0
Total – administered	-690.0	-770.0	-860.0	-930.0	-1,010.0	-1,080.0	-1,150.0	-1,240.0	-1,320.0	-1,410.0	-1,500.0	-3,250.0	-11,960.0
Departmental													
<i>Australian Taxation Office</i>	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-40.0	-110.0
<i>Services Australia</i>	..	..	..	..	..	..	..	..	..	..	..	..	..
Total – departmental	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-40.0	-110.0
Total – expenses	-700.0	-780.0	-870.0	-940.0	-1,020.0	-1,090.0	-1,160.0	-1,250.0	-1,330.0	-1,420.0	-1,510.0	-3,290.0	-12,070.0
Total (excluding PDI)	8,040.0	7,580.0	7,840.0	8,356.0	8,969.0	8,791.0	8,721.0	8,641.0	8,562.0	8,461.0	8,371.0	31,816.0	92,332.0

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

- Indicates nil.

.. Not zero but rounded to zero.

Table A2: Make Polluters Pay for the Damage they are doing – Underlying cash balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Receipts													
Tax receipts													
<i>Carbon levy</i>	8,900.0	11,900.0	12,300.0	13,000.0	14,000.0	14,200.0	14,100.0	14,100.0	14,100.0	14,100.0	14,100.0	46,100.0	144,800.0
<i>Company tax</i>	-3,160.0	-3,440.0	-3,590.0	-3,800.0	-4,100.0	-4,100.0	-4,100.0	-4,090.0	-4,090.0	-4,100.0	-4,100.0	-13,990.0	-42,670.0
<i>Personal income tax</i>	-	-100.0	-100.0	-104.0	-111.0	-119.0	-119.0	-119.0	-118.0	-119.0	-119.0	-304.0	-1,128.0
Total – receipts	5,740.0	8,360.0	8,610.0	9,096.0	9,789.0	9,981.0	9,881.0	9,891.0	9,892.0	9,881.0	9,881.0	31,806.0	101,002.0
Payments													
Administered													
<i>Energy supplement</i>	-690.0	-770.0	-860.0	-930.0	-1,010.0	-1,080.0	-1,150.0	-1,240.0	-1,320.0	-1,410.0	-1,500.0	-3,250.0	-11,960.0
Total – administered	-690.0	-770.0	-860.0	-930.0	-1,010.0	-1,080.0	-1,150.0	-1,240.0	-1,320.0	-1,410.0	-1,500.0	-3,250.0	-11,960.0
Departmental													
<i>Australian Taxation Office</i>	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-40.0	-110.0
<i>Services Australia</i>	..	..	..	..	..	..	..	..	..	..	..	..	..
Total – departmental	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-40.0	-110.0
Total – payments	-700.0	-780.0	-870.0	-940.0	-1,020.0	-1,090.0	-1,160.0	-1,250.0	-1,330.0	-1,420.0	-1,510.0	-3,290.0	-12,070.0
Total (excluding PDI)	5,040.0	7,580.0	7,740.0	8,156.0	8,769.0	8,891.0	8,721.0	8,641.0	8,562.0	8,461.0	8,371.0	28,516.0	88,932.0

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

.. Not zero but rounded to zero.

Table A3: Make Polluters Pay for the Damage they are doing – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<i>Fiscal balance</i>	60.0	200.0	380.0	570.0	780.0	1,030.0	1,300.0	1,600.0	1,920.0	2,270.0	2,690.0	1,210.0	12,800.0
<i>Underlying cash balance</i>	50.0	180.0	360.0	550.0	760.0	1,000.0	1,270.0	1,560.0	1,880.0	2,230.0	2,640.0	1,140.0	12,480.0

- (a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the tables above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary⁵.
- (b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

⁵ [Online budget glossary – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)