



Policy costing

Abolish the Climate Solutions Fund	
Party:	Australian Labor Party
Summary of proposal: This proposal would abolish the Climate Solutions Fund (the Fund) and return any uncommitted funds to the budget. The proposal would have effect from 1 July 2019.	

Costing overview

The proposal would be expected to increase both the fiscal and underlying cash balances by \$446 million over the 2019-20 Budget forward estimates period. This impact results from decreases in administered expenses of \$419 million and departmental expenses of \$27 million.

A breakdown of the financial implications of the proposal over the 2019-20 Budget forward estimates period is included at [Attachment A](#). The proposal would be expected to have an impact beyond the 2019-20 Budget forward estimates period.

Both the total cumulative financial implications and their profile over time are subject to uncertainty. As there will be no further auctions before the commencement of this proposal, the total cumulative savings from abolishing the Fund are subject to less uncertainty than their time profile. The total administered funds available for return to the budget could increase relative to the estimate presented here if not all currently contracted emissions reductions are delivered. The time profile of the financial implications in this costing is highly sensitive to assumptions about the estimated baseline profile of administered and committed funding. The baseline funding profile will be subject to change over time as abatement activity schedules under current and future contracts are finalised, which would affect the estimated baseline profile of the administered and committed funding over the costing period.

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

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	84	94	90	180	446
Underlying cash balance	84	94	90	180	446

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

(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- All uncontracted funding as at 3 April 2019 would be returned to the budget at the commencement of the proposal on 1 July 2019.
 - Under the baseline, the next auction will be held on 24 to 25 July 2019, so no additional contractual commitments would be made by the proposal's start date.
- Total expenditure for the Fund would be distributed so that, in any one year, there would be sufficient funding to meet expected commitments.
- Departmental expenses for the Fund provided in the 2019-20 Budget would be returned to the budget.

Methodology

The financial implications for this costing are the sum of administered and departmental savings from abolishing the Fund.

Administered savings were based on the administered funding profile for the Fund provided by the Department of the Environment and Energy, less contractual commitments.

Departmental savings were based on the departmental expenses for the Fund provided by the Department of the Environment and Energy in the 2019-20 Budget.

Figures are rounded to \$1 million.

Data sources

The Department of the Environment and Energy provided information on the Emissions Reduction Fund and the Climate Solutions Fund as at 3 April 2019.

Clean Energy Regulator, 2019. *Guidelines for the ninth Emissions Reduction Fund auction on 24 to 25 July 2019*, Canberra: Clean Energy Regulator.

Attachment A – Abolish the Climate Solutions Fund – financial implications

Table A1: Abolish the Climate Solutions Fund – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
<i>Administered expenses</i>	82	82	82	174	419
<i>Departmental expenses</i>	2	12	8	6	27
Total – expenses	84	94	90	180	446

(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. 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.

(b) Figures may not sum to totals due to rounding.