

## Scrutiny of New Taxes Committee

Inquiry into a Carbon Tax  
Response to Question on Notice

10 August 2011

### Question No: 1

**Topic:** Publication of data

### Question:

**CHAIR:** How do you end up being a company that gets published as opposed to a company that does not published? What is the criteria there?

**Mr Comley:** The issue is that we publish the controlling corporation. What people are often interested is below a controlling corporation—a range of separate operational facilities. The legislation allows us to produce the controlling corporation but not the subcorporations under that. For example, when you look at a list that we have published, where the controlling corporation effectively only has one corporate within it you can have a one-to-one correlation between the number published and what you know that facility is emitting. But where you have separate facilities under the one controlling corporation you do not have access to that, because the legislation does not allow the publication of facility level data.

**CHAIR:** That is publication in the public domain. Are you in a position to provide that information in camera to a parliamentary committee?

**Mr Comley:** I do not believe that I am.

**CHAIR:** Please take that on notice and assess that.

**Mr Comley:** Just to be clear, I will take that on notice and seek legal advice as to whether that is possible.

### Answer:

The Department of Climate Change and Energy Efficiency understands that facility-level data, reported under the *National Greenhouse and Energy Reporting Act 2007* could be made available, in camera, to a parliamentary committee. This is due to the fact that parliamentary privilege is not affected by general secrecy provisions in statutes, and committee proceedings are covered by parliamentary privilege.

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### **Question No: 2**

**Topic:** Carbon Pricing scheme

**Mr Comley:** The intended consequence of the pricing scheme is to reduce emissions at the lowest possible cost. Where it is cheaper to source that abatement internationally, then the intention of this scheme is to source it internationally. In circumstances where projects have been approved under the Clean Development Mechanism and meet the standards of the Clean Development Mechanism board, then that indicates there has been reduction emissions internationally. The question of what emissions otherwise would have been is a question what would have been in place other than for those generation facilities. As to the specific projects, I would have to take that on notice, but the intention is to source the lowest cost abatement, whether it is in Australia or internationally.

**Answer:** Yes. The Executive Board of the Clean Development Mechanism (CDM) has registered four CDM projects in India involving investment in coal-fired supercritical generation technology (which has been assessed as having higher efficiency than India's prevailing coal fired sub-critical technology) and one CDM project in China involving investment in ultra-supercritical coal-fired generation technology (which has been assessed as having a higher efficiency than China's prevailing supercritical technology).

The five projects have been registered under approved methodologies for grid connected fossil fuel fired power plants (which require investment in a less GHG intensive technology than a business as usual investment would usually involve).

Details of the five projects appear in the table below.

<b>Project ID and Title</b>	<b>Date registered</b>	<b>Proponent</b>
2716: Grid connected energy efficient power generation	16/12/09	Adani Power Ltd
3690: Greenhouse Gas Emission Reductions Through Super-Critical Technology - Sasan Power Ltd	21/10/10	Sasan Power Ltd
3225: Energy efficient power generation in Tirora, India	30/11/10	Adani Power Maharashtra Ltd
3288: Shanghai Waigaoqiao coal-fired power project using a less GHG intensive technology	24/12/10	Shenergy Co. Ltd
4533: Greenhouse Gas Emission Reductions Through Super Critical Technology - Coastal Andhra Power Ltd	11/04/11	Coastal Andhra Power Ltd

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### **Question No: 3**

**Topic:** Cancun agreement – establishment of bodies

### **Question:**

**Senator MADIGAN:** In the documents that I read, they spoke about an establishment of about 1,000 new bureaucracies which was agreed to in Cancun by the current government.

**Mr Comley:** I am sorry, Senator, but I just do not think that is right. I was in Cancun. The bodies I can bring to mind were the establishment of green fund, that was one body. There was the establishment of a technology committee. I am happy to take this on notice, but they are the two bodies that I have in mind having been created in Cancun. In terms of the green fund, that is not a directly elected body at this stage. What is happening through this year is a transitional committee has been set up which has got a mandate to determine the appropriate governance structure of the fund. In terms of the technology committee, that is a committee that is designed to share information about technology between members of the UNFCCC. It is not directly elected, but it is a technical body so that is not a very unusual practice. I genuinely cannot think of what bodies you might be referring to.

### **Answer:**

Under the Cancun Agreement (Decision 1/CP.16), Parties agreed to establish the following five bodies:

- The Green Climate Fund (the Conference of the Parties appointed a Transitional Committee to design the Green Climate Fund);
- The Standing Committee on Finance;
- The Adaptation Committee;
- The Technology Executive Committee (TEC); and
- The Climate Technology Centre and Network (CTCN).

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### Question No: 4

**Topic:** Carbon Pricing

### Question:

**Senator HUMPHRIES:** In light of the time I will put these questions on notice and if you cannot answer them you can direct them to the department that can. Is the government's cross-party working group that put together the carbon tax proposal still on foot, and if so what is its work agenda from this point onwards? I understand that, three years after the carbon price is introduced, there will be a shift into carbon trading and trading offshore. Is it necessary for the Australian parliament to (a) enact legislation to facilitate specifically that trading, and (b) is it necessary for Australia to sign international agreements or treaties to facilitate that carbon trading and if so can I have the details? Thirdly, can you comment on Senator Hanson-Young's claim that the carbon price will need to rise to \$100 a tonne in order to make renewable energy competitive? Do you agree or disagree with that statement, and can you give me reasons for your answer?

### Answer:

1. The work of the Multi-Party Climate Change Committee (MPCCC) has been completed and no further meetings are planned at this time.
2. a) The exposure draft of the Clean Energy Bill provides for an automatic transition to a flexible price from the beginning of 2015-16, without the need for legislative amendments. The Bill provides for subordinate legislation to facilitate operation of the mechanism during the flexible price phase, such as a legislative instrument setting out detailed rules for auctioning flexible-charge carbon units, and regulations to prescribe any additional international emissions units that may be recognised in the future.

Trading of emissions units will be available from the commencement of the carbon price mechanism. For example, from 1 July 2012, holders of accounts in the Australian National Registry of Emissions Units will be able to trade Australian carbon credit units issued under the Carbon Farming Initiative, free permits issued under the Jobs and Competitiveness Program and Energy Security Fund, flexible-charge carbon units issued as a result of auctions held in advance of the flexible price phase, and recognised international emissions units.

b) There are a range of different international carbon markets and mechanisms that could generate units for Australia's carbon price reduction, including:

- the Clean Development Mechanism (CDM) established under the Kyoto Protocol;
- joint implementation established under the Kyoto Protocol;
- new market mechanisms being negotiated in the United Framework Convention on Climate Change (UNFCCC) – including new sectoral mechanisms and a REDD+ mechanism (a mechanism to provide economic incentives to avoid deforestation in developing countries);
- future bilateral and plurilateral offset mechanisms; and
- units from other emissions trading schemes.

Further, international units could be updated for compliance with the CPM without necessarily entering any new multilateral agreements (for example, through the UNFCCC).

- The UN framework does not dictate the domestic policies and measures countries may take to reduce emissions, nor the type of international units that can be imported for compliance with a domestic scheme.
  - Broad and liquid carbon markets that provide a range of credible units will help Australia meet its international mitigation commitments at least cost.
    - The Government's position is that any rules developed regarding how we may meet our international 2020 target range must allow us to count imported units.
  - The Government may wish to enter into arrangements with other countries to facilitate the importation of units from other trading schemes or new bilateral or plurilateral mechanisms.
    - There is a range of legal options for these arrangements – the Government will consider which options are best in consultation with relevant international partners.
3. The level of support required for viability for new large-scale renewable energy projects, in terms of dollars per unit of generation, depends on a range of factors such as the capital cost of the particular renewable energy technology, the quality of the renewable energy resource and its location in relation to the electricity grid and the price able to be obtained through the wholesale electricity market for its output. A carbon price will improve the viability of renewable energy projects. Renewable energy projects will also be supported through the Renewable Energy Target (RET).

The Treasury's recently-released carbon price modelling indicates that under the core policy scenario which includes a carbon price and the RET scheme, the share of renewable energy generation rises from around 10 per cent of Australia's electricity mix in 2012 to between 20 per cent and 35 per cent in 2030 (depending on modelling assumptions and methodology) while the carbon price rises from around \$20 to around \$50 per tonne CO<sub>2</sub>-e in real terms.

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**Question No: 5**

**Topic:** Clean Energy Future website

**Question:**

**Senator BOSWELL:** How does your department justify the following statement on the Clean Energy Future website?

According to the International Energy Agency, in the last 20 years China has reduced its amount of carbon pollution faster than any other major economy and, as a developing country, its efforts to limit emissions have been substantial.

That is on your website.

**Mr Comley:** Yes, and I heard a bit of the conversation—not all of it—you had with the Treasury team. Let me go back a step; there are different—

**Senator BOSWELL:** But that is misleading whichever way you look at it.

....

**Senator THISTLETHWAITE:** You were asked some questions earlier by Senator Boswell about China reducing its carbon pollution. I had that checked and, as far as I am aware, the facts on your website are correct, and perhaps you can comment on this. The website says:

Further, in the past 20 years, China has reduced the amount of carbon pollution per unit of GDP faster than any other major economy.

**Mr Comley:** I would have to check on that but that sounds right. We are always happy to look at the website to make sure it is factually accurate, but we do spend a fair bit of time to make sure it is factual.

**Senator THISTLETHWAITE:** That is factually accurate.

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**CHAIR:** The committee welcomes Professor Ergas. Firstly, I will give the call to Senator Boswell to raise an issue that came up in evidence with the Department of Climate Change and Energy Efficiency.

**Senator BOSWELL:** Today I read out a statement which I believe was on the website of the Department of Climate Change and Energy Efficiency. That statement read:

According to the International Energy Agency, in the last 20 years China has reduced its amount of carbon pollution faster than any other major economy and, as a developing country, its efforts to limit emissions have been substantial.

When Senator Thistlethwaite presented this change—and I acknowledge the change is on the website—

**CHAIR:** It is on the website now?

**Senator BOSWELL:** The change is on the website now. When I did this question, when I went to the website a couple of days ago, that was the statement there. The statement has been changed. What I want to point out to the committee and what I want to go in *Hansard* is that I read out a correct statement as of a couple of days ago. That statement has changed. On the bottom of the website is the date of 10 August 2011. That means that statement was there today, 10 August 2011. So someone has changed the website.

**CHAIR:** I might just conclude this here. You quoted something from the department's website and then Senator Thistlethwaite provided a correction, seeking to correct what you related as being the quote from the website. We will now on notice ask the Department of Climate Change and Energy Efficiency to provide us with clarification on when that website was changed to add the additional qualifications that Senator Thistlethwaite presented to the committee and whether that was done as a result of the questions that were raised by Senator Boswell earlier today.

**Senator THISTLETHWAITE:** Can I just say that I do not think it is correct to imply that the change was made as a result of the questioning today. The information that I was supplied with and that I relayed to the committee is that that was what appeared on the website, and I sought to correct what Senator Boswell had said because he had misrepresented what was on the website. We can ask them when it was put up, but I do not think it is fair to characterise it as a correction of a misrepresentation.

**CHAIR:** Senator Thistlethwaite, I did not imply anything. I said we were going to ask the question as to whether it was changed as a result of the questions asked. Clearly the quote that Senator Boswell read out—and I asked him to table a copy of the website extract that he has with him, which is dated 10 August 2011—and the quote that you read out were different. You sought to present what you read out as a correction of Senator Boswell's quote. I want to assess and understand when that was changed by the department—at what time and for what reason and whether it was as a result of those questions—and once we have got the information we can draw our own conclusions.

**Answer:**

The [www.cleanenergyfuture.gov.au](http://www.cleanenergyfuture.gov.au) website has sought to consistently present the facts in relation to international emissions performance, including of rapidly emerging economies, such as China.

The article on the website regarding China's emissions profile (accessible at: [www.cleanenergyfuture.gov.au/what-others-are-doing-china](http://www.cleanenergyfuture.gov.au/what-others-are-doing-china)) was based on 'Fact Sheet 24- China's action on climate change' (accessible at: [www.cleanenergyfuture.gov.au/wp-content/uploads/2011/07/Fact-sheet-24-Chinas-action-on-climate-change.pdf](http://www.cleanenergyfuture.gov.au/wp-content/uploads/2011/07/Fact-sheet-24-Chinas-action-on-climate-change.pdf)). The fact sheet states that:

*"... in the past 20 years, China has reduced the amount of carbon pollution per unit of GDP faster than any other major economy" [Footnote: CO2 Emissions from Fuel Combustion (2010 Edition), International Energy Agency.]*

Regrettably, because of the journalistic treatment of the article and the need to be concise, the statement in the news article regarding China's emissions reduction failed to fully present the evidence from the IEA work, in that it omitted reference to reduction per unit of GDP. The news article makes the following statement:

*“According to the International Energy Agency, in the last 20 years China has reduced its amount of carbon pollution faster than any other major economy and, as a developing country, its efforts to limit emissions have been substantial”*

In light of this having been brought to our attention, we have now included the full reference in the article.

In relation to the issue of the statement being published and subsequently removed from the website, I am advised that the fact sheet was published on the website on 27 July 2011 and the accompanying news story on 28 July 2011.

Neither item was intentionally removed from the website. However, technical problems with back-end web servers meant that at times the fact sheet and news story did not consistently appear on the website. This technical problem also affected other content and was not restricted to this particular fact sheet or news story. The technical problem has since been resolved.