



**DEPUTY PRIME MINISTER
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Mr Mathias Cormann
Chair
Senate Select Committee on the Scrutiny of New Taxes
PO Box 6100
Parliament House
CANBERRA ACT 2600

5 SEP 2011

Dear Mr Cormann

Thank you for your letter of 22 August 2011 requesting the MMRF and GTEM models, and any other relevant models and assumptions used for the modelling of a \$23 per tonne carbon price.

The government released the modelling report *Strong Growth, Low Pollution: Modelling a Carbon Price* (SGLP) on 10 July 2011 to inform public discussions about carbon pricing. The modelling is built on the previous modelling undertaken in 2008, which has been extensively scrutinised and considered over the past three years. It provides important insights into the economic impact of carbon pricing at global, national, sectoral and household levels.

To ensure public transparency, the report provides detailed information about the assumptions and frameworks used and the range of scenarios modelled to explore different environmental targets and design features of a carbon price scheme. A large amount of data from the report has been made available on the Treasury website. Additional reports commissioned from external consultants have also been made available. These include: detailed reports on the electricity generation sector from SKM MMA and ROAM Consulting; a detailed report on the road transport sector from the Commonwealth Scientific and Industrial Research Organisation; and detailed reports on the Carbon Farming Initiative from the Australian Bureau of Agricultural and Resource Economics and Sciences and the Department of Climate Change and Energy Efficiency.

The Government has asked Treasury to update the macroeconomic modelling to reflect the final policy design of the carbon price package, including the \$23 per tonne starting price that you referred to in your letter. The results of updated modelling are expected to match closely the results of the core policy scenario in the SGLP report. Further information on that modelling will be available once it is completed.

Yours sincerely

WAYNE SWAN