

Scrutiny of New Taxes Committee

Inquiry into a Carbon Tax
Response to Question on Notice

9 June 2011

Question No: 2

Topic: Structure of a price on carbon

Question:

CHAIR: Before we close, I point you to 9.1 of the report:

The key rationales for providing assistance to emissions-intensive trade-exposed (EITE) industries would be to:

... ..

support production and investment decisions that would be consistent with a global carbon constraint.

That is the bit that disappeared after the green paper. If you do go ahead with a price on carbon that is quite relevant in how you structure it to prevent carbon leakage and opportunity costs. In that context, could you take on notice to provide us some advice as to what is planned around that at present?

Ms Wilkinson: That is quite a clear articulation of the sort of policy that Professor Garnaut has proposed.

CHAIR: But it had been removed by the government from its framework, including the Carbon Pollution Reduction Scheme legislation that went to the parliament. Given that is the benchmark we start with, I am keen to understand what the government's thinking is on that point now.

Dr Kennedy: Okay, we will take that on notice.

Answer:

The *Carbon Pollution Reduction Scheme: Green Paper* (the Green Paper) released in July 2008, discussed assistance to emissions-intensive trade-exposed (EITE) industries. The Green Paper identified issues related to reducing carbon leakage, provision of transitional support to the most heavily affected industries, and supporting production and investment decisions that would be consistent with a global carbon constraint.

In recognition of submissions received in response to the Green Paper, the EITE assistance package introduced into the Parliament was significantly more generous than the package discussed in the Green Paper. For example, the final Carbon Pollution Reduction Scheme design of the EITE policy incorporated a lower EITE threshold for moderately emissions intensive EITE activities, higher rates of assistance both initially and over time and a substantially lower decay rate of 1.3 per cent per year, which was lower than what would be expected to be required to keep EITE sector assistance broadly constant over time as first proposed in the Green Paper.

The Australian Government is currently working through the Multi-Party Climate Change Committee to agree future carbon pricing arrangements, including assistance measures.