



504/830

Minister for Climate Change and Energy Efficiency

The Hon John Murphy MP
Chair
Standing Committee on Petitions
PO Box 6021
Parliament House
CANBERRA ACT 2600

C11/7972

8 AUG 2011

10 AUG 2011



Dear Mr Murphy

Thank you for your letter of 7 July 2011 concerning a petition received by the Standing Committee on Petitions regarding carbon pricing and replacement of coal-fired power stations with clean energy.

Scientists advise that the world is warming and high levels of carbon pollution risk environmental and economic damage. No responsible government can ignore this advice.

The Australian Government has developed a comprehensive plan to move to a clean energy future. This plan includes introducing a carbon price, promoting innovation and investment in renewable energy, encouraging energy efficiency, and creating opportunities in the land sector.

Central to that plan is the introduction of a carbon price that will cut pollution in the cheapest and most effective way and drive investment in clean energy sources such as solar, wind and gas.

A carbon price is not a tax on households – around 500 of the biggest polluters in Australia will be required to pay for their pollution, and every dollar raised will be used to support households, jobs, and to invest in clean energy and climate change programs.

Putting a price on carbon is the most environmentally effective and cheapest way to cut pollution. This is a fact that is well recognised by economists from around the world and respected institutions such as the OECD and the Productivity Commission.

Currently, releasing carbon pollution is free despite the fact that it is harming our environment. A carbon price changes this. It puts a price on the carbon pollution that Australia's largest polluters produce. This creates a powerful incentive for all businesses to cut their pollution by investing in clean technology or finding more efficient ways of operating.

It encourages businesses across all industries to find the cheapest and most effective way of reducing carbon pollution rather than relying on more costly approaches, such as government regulation.

To assist households with price impacts, there will be tax cuts and increases in pensions, allowances and benefits. A significant tax reform will mean that over one million individuals will no longer need to file a tax return.

Using the revenue from carbon pricing to help families in this way does not cancel out incentives to reduce pollution. Households will still face changes in relative prices. By choosing less carbon emission intensive goods and services, and taking simple actions to improve energy efficiency in their daily lives, households can save money. These savings will come on top of the increased tax cuts and payments that households will continue to receive.

The Government is also committed to supporting jobs and competitiveness as Australia moves to a clean energy future and has designed a range of measures for this purpose. In particular, \$9.2 billion will be provided over the first three years of the carbon price through the Jobs and Competitiveness Program to support jobs in industries that create a lot of carbon pollution. This program is ongoing.

In terms of replacing coal-fired power stations with clean energy, the Government is establishing an Energy Security Fund that includes potential payments for the closure of around 2,000 megawatts (MW) of very highly emissions-intensive coal-fired electricity generation capacity before 2020. The Government will invite expressions of interest from owners of coal-fired generation capacity with emissions intensity above 1.2 tCO₂-e/MWh of electricity (on an 'as generated' basis) and will negotiate with the owners of very highly emissions-intensive generators during 2011 and 2012.

The Government's plan for a clean energy future will cut pollution and drive investment in new clean energy sources, such as solar, gas and wind. By acting now, Australians can look forward to long term prosperity while protecting our environment for ourselves and for our future generations.

Thank you for bringing the petition to my attention.

Yours sincerely

GREG COMBET