

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates

29 May – 31 May 2012

**Question: BET 83**

**Topic: Gap Between Australia's Carbon Tax & European Carbon Price**

**Hansard Page: Wednesday 30 May 2012, page 16**

**Senator CORMANN asked:**

Senator CORMANN:...That is my question: what is the government's assumption about the gap between Australia's carbon tax—the fixed price period; that is what I kept talking about—and the European carbon price on 1 July 2012?

Mr Campbell: I will have to check those figures. My recollection at the time was that the fixed price period was set broadly comparable to the international price that came from the modelling exercise itself. And there is a second jump in 2015-16.

Dr Gruen: So the global price will be lower, I think, than the fixed price period. It will be marginally lower.

Senator CORMANN: It will be or you expect it to be?

Dr Gruen: As I am happy to point out many times, I cannot predict the future.

Senator CORMANN: No. But you are modelling.

Dr Gruen: We are talking about modelling.

Senator CORMANN: Did your modelling assume that the international carbon price was going to be lower or higher than or the same as the Australian carbon price?

Mr Campbell: As I said, I will check that. My understanding is that it was broadly comparable to what the fixed price was set at.

**Answer:**

Box 3.2 of the *Strong growth, low pollution* (SGLP) report indicates that the starting price for the carbon pricing mechanism was broadly comparable to prevailing international prices at that time.