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Official Committee Hansard

SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION
COMMITTEE

ESTIMATES

(Budget Estimates)

FRIDAY, 29 MAY 2009

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE FINANCE AND PUBLIC ADMINISTRATION**LEGISLATION COMMITTEE****Friday, 29 May 2009**

Members: Senator Polley (*Chair*), Senator Bernardi (*Deputy Chair*), Senators Cameron, Jacinta Collins, Ryan and Siewert

Participating members: Senators Abetz, Adams, Barnett, Bilyk, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cash, Colbeck, Coonan, Cormann, Crossin, Eggleston, Farrell, Feeney, Ferguson, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Furner, Hanson-Young, Heffernan, Humphries, Hurley, Hutchins, Johnston, Joyce, Kroger, Ludlam, Lundy, Ian Macdonald, McEwen, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Moore, Nash, O'Brien, Payne, Pratt, Ronaldson, Scullion, Sterle, Troeth, Trood, Williams, Wortley and Xenophon

Senators in attendance: Senators Abetz, Bernardi, Boswell, Bob Brown, Cameron, Cash, Jacinta Collins, Fielding, Fisher, Ian Macdonald, Moore, Polley, Pratt, Ryan, Sterle and Xenophon

Committee met at 10.33 am

PRIME MINISTER AND CABINET PORTFOLIO

Consideration resumed from 26 May 2009.

In Attendance

Senator Wong, Minister for Climate Change and Water

Department of Climate Change**Executive**

Dr Martin Parkinson, Secretary

Mr Blair Comley, Deputy Secretary

Response to climate change**Outcome 1**

Mr Ian Carruthers, First Assistant Secretary, Adaptation and Land Management Division

Mr David Rossiter, First Assistant Secretary, Greenhouse and Energy Data Office Division

Mr Barry Sterland, First Assistant Secretary, Emissions Trading Division

Ms Shayleen Thompson, First Assistant Secretary, Strategies and Coordination Division

Mr Robert Twomey, Chief Financial Officer

Ms Helen Grinbergs, Assistant Secretary, Coordination and Frameworks Branch

Dr Steve Hatfield-Dodds, Assistant Secretary, Analysis and Projections Branch

Ms Harinder Sidhu, Assistant Secretary, Strategic Policy and Partnerships Branch

Mr Russ Campbell, Assistant Secretary, Electricity Sector Branch

Ms Jenny Wilkinson, Assistant Secretary, Household and Industry Assistance Branch

Ms Anthea Harris, Assistant Secretary, Carbon Market Linkages Branch

Mr Tas Sakellaris, Assistant Secretary, Legislation and Governance Branch

Ms Bernadette Welch, Assistant Secretary, Carbon Pollution Reduction Scheme Implementation Branch

Office of the Renewable Energy Regulator

Mr Amarjot Singh, Acting Renewable Energy Regulator

CHAIR (Senator Polley)—Welcome. I declare open this public hearing of the Senate Standing Committee on Finance and Public Administration Legislation. The Senate has referred to the committee the particulars of proposed expenditure for 2009-10 and related documents for the parliamentary departments and the Prime Minister and Cabinet, Finance and Deregulation and Human Services portfolios. The committee must report to the Senate on 23 June 2009 and it has set Friday 10 July 2009 as the date by which answers to questions on notice are to be returned.

Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance, the secretariat has copies of the rules. I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised, which I now incorporate into *Hansard*.

The statement read as follow—

That the Senate—

- (a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;
- (b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;
- (c) orders that the following operate as an order of continuing effect:
 - (1) If:
 - (a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and
 - (b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.
 - (2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.
 - (3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.
 - (4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result,

equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

- (5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.
 - (6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.
 - (7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).
 - (8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).
- (d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

The committee will begin today's proceedings with the Department of Climate Change and will not be following the order of the program. I welcome the Minister for Climate Change and Water, Senator the Hon. Penny Wong, the Secretary, Dr Martin Parkinson and other officers of the Department of Climate Change. Senator Wong, do you have an opening statement?

Senator Wong—No, thank you.

CHAIR—Dr Parkinson?

Dr Parkinson—No, thank you.

Senator ABETZ—Minister, possibly you can give us a brief indication as to why we are meeting today and not Tuesday, when it was originally scheduled? And you can indicate to us about your trip to Paris.

Senator Wong—As I think Senator Faulkner advised you, and as I understand the committee was advised, the second round of President Obama's process for international discussions about the Copenhagen conference and negotiations on climate change action took place earlier this week. I thank the committee for their assistance in scheduling this hearing today to enable me to attend what is a very significant and important international process.

Senator ABETZ—How many staff did you take with you?

Senator Wong—I took one staff member.

Senator ABETZ—Just one staff member. And departmental?

Senator Wong—The Ambassador for Climate Change attended and I think is still there, because she and the deputy secretary, Mr Bamsey are continuing on from that meeting to the next negotiations under the UNFCCC negotiations, which are occurring in Bonn. I will just check with Ms Sidhu if that is correct.

Ms Sidhu—Yes, that is correct. They were also conducting some consultations in the United Kingdom between the Major Economies Forum on Climate Change meeting and the Bonn negotiations, which start this weekend.

Senator ABETZ—Thank you for that. I am just trying to get a handle as to how many staff you took with you as compared to Minister Garrett for the whaling issues. Have any briefings been sought by the Governor-General in relation to climate change?

Senator Wong—I can check.

Senator ABETZ—Or the department would know whether they have provided briefings or not, I would imagine?

Dr Parkinson—I had a conversation with the Governor-General just after she was appointed to her position, which was about what the department does. That is the only conversation that I or departmental officials have had with her. I am not aware that we have provided her with any briefing.

Senator ABETZ—So no actual incoming briefing, if you like.

Dr Parkinson—Other than the standard meet-and-greet, which she did with all secretaries, with ‘explain your department’. That is the sum total.

Senator ABETZ—How long would that have been, just roughly.—five minutes? Ten minutes?

Dr Parkinson—Roughly half an hour.

Senator ABETZ—Roughly half an hour.

Dr Parkinson—Yes.

Senator ABETZ—Minister, just a general question: what is the government’s climate change policies set on? Are they based on the imaginings of what might happen in the future?

Senator Wong—I am not quite sure what the question means, but the government is of the view that the overwhelming evidence is that climate change is real, that the consequences of climate change for this nation are significant and severe and the scientific and expert evidence confirms this. For example, we know what the consequences of climate change are projected to be for the southern part of Australia and Australia’s agricultural industries. There is a great—

Senator ABETZ—So we know—it is not just imaginings.

Senator Wong—Unlike in your party room, Senator, the government does believe climate change is real. And we do not try and diminish the danger and the risk to this nation from it; we seek to respond. What I was going to go on to say is that there is a great deal of scientific evidence of the existence of climate change and of its impact on Australia—ranging from the IPCC report, which I think we have previously discussed, to CSIRO reports and the Garnaut review. All of which confirm, very clearly, to the government, and may I suggest to the majority of the Australian people, that climate change is real and poses real and substantial risks to this country.

For example, a particularly concerning piece of work is the CSIRO's Murray-Darling Basin Sustainable Yields Project, which considers the effect of climate change on the catchments of the Murray-Darling Basin. It projects substantial loss of inflow, loss of rainfall and also continued reduction in inflow into the Murray-Darling Basin catchments in the years to come, as a result of climate change. I would also hasten to add that, unfortunately, what we see at the moment in many of the catchments, particularly of the southern basin, are inflows into the rivers which are equal to or worse than the worst case climate change scenarios for 2030.

So the government is taking the view that this is something that needs to be acted on. And there are two primary issues that need to be confronted. The first is domestic action to respond by ensuring that we move to a low-pollution economy. The second is to continue to engage in international negotiations to try and contribute to an international agreement that is in Australia's national interest. We are very clear about the importance of that. In terms of the first, we have a number of policy measures in place. They include investments in renewable energy, investments in energy efficiency and research into soil carbon, but the centre of our mitigations efforts is the Carbon Pollution Reduction Scheme. And in this we agree with your advisor—the opposition's advisor, Mr Pearce, I think—who said very clearly that a price on carbon was a key mechanism in ensuring that we made this transition; echoing, as I might recall, the comments of your current leader, Mr Turnbull.

Senator ABETZ—And the question was: are the government's policies based on the imaginings of what might happen in the future, or is it somewhat more robust than that?

Senator Wong—And I think I have answered that in detail. It is based on the consensus science and the best advice that the government is able to obtain.

Senator ABETZ—Would you accept that the description 'imaginings of what might happen in the future' is an appropriate description as to what your policies are based on?

Senator Wong—This is an interesting discussion, Senator Abetz. That might be a rhetorical phrase that someone may use. As minister, I would say that our policy is based on the consensus science, the recognition of what is in Australia's national interest and the best advice we are able to obtain.

Senator ABETZ—Let's try and move on. In regards to the school competition that has been established, did you approve that, Minister?

Senator Wong—Yes, I did.

Senator ABETZ—And you vetted it?

Senator Wong—Vetted? What does—

Senator ABETZ—To ensure that the things that are on the website, et cetera, are to your agreement and approval? Or was it a 'Ros Kelly'—where she only read the cover and then launched something; and when she was told what was inside it, she said that she had only read the cover.

Senator CAMERON—It could have been a John Howard. We know what he did. Splashing money everywhere.

Senator ABETZ—What? Splashing money everywhere? Please!

Senator CAMERON—Every budget—

Senator ABETZ—You have got to give it to Senator Cameron. He accuses the Howard government, with surpluses galore, of splashing money and you have got \$188 billion of deficit.

Senator CAMERON—What a joke. What a bunch of incompetents over there!

Senator Abetz—Senator Wong, tell us about it.

CHAIR—Can we please have some decorum in this process, senators! The interjections going across this room are unhelpful both to me as chair and to Hansard in trying to record the proceedings. The process of estimates is very clear, and I should not need to remind anyone around this table of the standing orders. You put questions to the witnesses; they are then given the courtesy of being able to respond. If you continue in this vein where you constantly interject and waste time that is up to you as members of the committee but, from the chair's point of view and from the point of view of Hansard, it is highly unprofessional.

Senator Wong—I approved the brief, Senator Abetz.

Senator ABETZ—All right, you approved the brief. Thank you.

Senator Wong—If I could finish the answer, I signed off on the brief in relation to this competition and announced it publicly. I do not recall—and perhaps I will need to refer to officers—whether I was asked to look at the content of the website. Perhaps someone else can assist?

Senator ABETZ—If you cannot remember whether you looked at the website I think that says enough. I do not seek to pursue that any further.

Senator Wong—Just hang on.

Senator ABETZ—When was the idea of the competition put to you? Or was it your idea?

Dr Parkinson—It was a proposal from the department.

Senator ABETZ—And when was that put to the minister?

Dr Parkinson—Off the top of my head I cannot exactly recall, but I am thinking it was probably April.

Senator Wong—Can I just indicate that I am sure that that is when the first formal proposal came to me. There is generally quite a lot of correspondence from school students and there may have been a discussion with the department, certainly in my office, about how many schoolchildren were interested in it.

Dr Parkinson—That is correct, Minister. There had been a lot of ideas. We get a lot of letters from educators, Senator, and from schoolchildren, and this was just—

Senator ABETZ—Thank you, but that is not responsive with respect to what I was asking.

Senator Wong—Chair, I think Dr Parkinson is—

Senator ABETZ—We are under a very strict time limit today. I know it is good of officers to volunteer extra information but sometimes, given the time constraints, it is not that helpful.

CHAIR—Can I remind committee members that questions are put to the witnesses and that they have the opportunity to be able to respond. I cannot direct witnesses on how to respond to your answers. I think you know that very clearly, Senator Abetz. You have put a question. If Dr Parkinson is responding, please allow him to continue with his answer and then you can continue the line of questioning.

Senator ABETZ—With great respect, Chair, I think one of your roles is to help the flow in the Senate estimates process. There is a requirement that answers are, in fact, relevant to the questions asked. I can understand that especially in estimates we do stretch the limits further than at other times but given the time constraints it would be helpful if relatively directly relevant answers could be provided.

CHAIR—Dr Parkinson?

Dr Parkinson—I am fine.

Senator ABETZ—Thank you. Who determined what the prizes would be for this competition?

Dr Parkinson—The department.

Senator ABETZ—What is the value of the prizes? Could you take that on notice, and could you allocate out the value of each prize?

Senator Wong—Can I make a point on that, Senator? My recollection is that the first prize is a trip to Canberra. Is that correct?

Senator ABETZ—It is not only a trip; it is an airfare. It is a bit like the biggest loser getting the first prize of one month's free Kentucky Fried. Given that four per cent of our emissions come from airfares and that for dollars spent and CO2 emissions you could not get much better than airfares, I am just wondering who the genius was that thought of this as a first prize in the fight against climate change?

CHAIR—The minister was trying to respond.

Senator Wong—Thank you, Senator. I look forward to you catching a boat and then walking from Melbourne to Canberra for the next parliamentary sittings, given your concern about the carbon footprint. The second point I make is this: you asked for how much it would cost. Obviously it will depend on who wins because a trip to Canberra is going to cost a different amount depending on where the winner comes from. But we will do our best. I make the point that, whilst there is a carbon footprint associated with it, I personally think it is a good thing to recognise the work and ability of schoolchildren in this way—to give them an opportunity to go to Parliament House, to Questacon and to meet with the Prime Minister and myself to discuss their ideas on climate change.

Senator ABETZ—And Ms Gillard, I understand. The big promise was Ms Gillard in there. But you kindly wrote to me, Minister, in a letter I received 28 April telling me that Australian children understand the need to take action now. After you wrote that letter to me, I am just wondering whether we are going to delay this competition for 12 months as well as the legislation.

Senator Wong—The competition has been announced.

Senator ABETZ—So no changes to the date?

Senator Wong—If I could finish—as you know, the government is putting legislation into the parliament. The call for delay, I think, comes from your side of the table.

Senator ABETZ—Sorry, I thought you announced on 4 May that the legislation was going to be delayed or its operation was going to be delayed for 12 months, but I might have that wrong. Can I ask, in relation to this competition, if a child were to write in excellent rap lyrics that climate change is causing division in scientific communities, would they be potentially allowed to win the prize or not?

Dr Parkinson—It is a matter for the independent judges.

Senator ABETZ—You are the executives of the Department of Climate Change? Is that right?

Dr Parkinson—That is a statement, is it, Senator?

Senator ABETZ—No, I am asking.

Dr Parkinson—No, that is not correct.

Senator ABETZ—Oh, it's not? Can I take you to the website, 'Think Climate Change Think Change Competition Terms and Conditions of Entry', which says in paragraph 12, 'Department of Climate Change Executive will determine the winning entries.' Is that wrong?

Dr Parkinson—We were doing that to make clear to staff that it was not appropriate to enter.

Senator ABETZ—Sorry?

Dr Parkinson—The finalist judging panel will comprise one expert with predominantly secondary education experience, one with predominantly primary education experience and one Department of Climate Change representative for probity reasons. I understand that I have that job.

Senator ABETZ—Thank you. Can you just explain to me how paragraph 12, which I just read out, tells your departmental people that they are not allowed to be involved, when it says, 'Department of Climate Change executive will determine the winning entries'. That is clearly not correct, is it?

Dr Parkinson—I do not have it in front of me. That was not the intention. I made it very clear to my staff when we started this that this was to be judged by an independent panel. It was appropriate to have a departmental representative and I am going to take on that role myself. Can I just add to this, if I might? This exercise has been phenomenally successful. As of 19 May—

Senator ABETZ—Chair, I have a point of order. With great respect to the witness, whether this competition is successful or not successful has not been the issue of the question.

CHAIR—There is no point of order, Senator Abetz. As I explained before—

Senator ABETZ—Can I finish my point of order, or do you know what I am going to say?

Senator CAMERON—Yes, we do.

Senator ABETZ—Can I finish my point of order?

CHAIR—Yes, Senator Abetz.

Senator ABETZ—Thank you. My question was clearly related to paragraph 12 which said:

Department of Climate Change executive will determine the winning entries.

Dr Parkinson told us that that was somehow put in there to advise departmental staff that they or their children could not be involved. I wanted clarification as to that and he has now moved on to how successful the competition has been. With great respect, that is not in any way, shape or form relevant to the issue.

CHAIR—As I said earlier, I cannot direct the witnesses on how to respond. Dr Parkinson had not completed his answer. If we allow him to complete his answer then you may well be satisfied with it. Dr Parkinson has the call.

Senator ABETZ—Can I raise another point of order, Chair? Clearly you cannot direct somebody how to answer. If they are not being responsive to the question asked, however, you can ask them to desist so that we can move on. But to allow people to talk about issues that are very much at a tangent to the issue raised does not help the running of this committee.

CHAIR—Dr Parkinson, you were in the process of answering the question. You have the call.

Dr Parkinson—Thank you, Chair. I was simply going to say that this has turned out to be a phenomenally successful exercise to date. We have had so many requests for the school resource packs and the poster packs that we have run out of the—

Senator BOSWELL—I have a point of order, Chair. Senator Abetz asked a question and he was very specific in what he wanted. At no stage did he ask about the success or otherwise of the competition. I am sure if Senator Abetz had wanted to know he would have asked that question. I ask you not to let this committee turn into something it should not turn into. That is not the question, Dr Parkinson. You know it is not the question and I ask you to respond to the question, or ask you through—

Senator CAMERON—You are not chairing the meeting, Senator Boswell.

CHAIR—Dr Parkinson, I remind you of the question that Senator Abetz put to you. Could you please continue with your response.

Dr Parkinson—I am fully cognizant, Chair, of what Senator Abetz asked. I was simply making the comment that this has been very successful. That is very important to us. I think we have an approach in terms of judging that is appropriate in terms of its integrity. If what is on our website has caused confusion and has failed to deliver what I intended then I apologise to Senator Abetz and to anybody else who may have been misled. But I would go back to what I said earlier: there will be three judges in the finalists' judging panel. There will be two educators—one predominantly with experience at primary level and one at secondary level—and I will be the third member.

Senator ABETZ—Thank you for that, because anyone looking at it on the website would read:

Department of Climate Change executive will determine the winning entries.

The very next paragraph says:

The Judges' decision will be made on Friday 17 July 2009 at the Department of Climate Change in Canberra.

But if you could correct the website that would be very good.

Dr Parkinson—I am happy to correct the website. It is entirely unintentional.

Senator ABETZ—That's fine. So you can assure us that if somebody were to make a submission that was, in fact, in opposition to government policy in this area, they would be judged equally, and could potentially be the winner?

Senator CAMERON—Barnaby is too old!

Dr Parkinson—If they were responding to the terms of reference of the competition—and it is basically asking them what climate change means to them—that is completely open. That will be a matter for the three judges.

Senator ABETZ—Thank you. Can I take you to some questions on notice that I asked to the department at the Senate Standing Committee—

Senator CAMERON—Before we go on, I would like to ask a question on this point of the website competition. Dr Parkinson, could you explain briefly how successful this competition has been, please?

Senator ABETZ—You already answered it.

Senator CASH—Three times.

Senator ABETZ—That was not a question.

Senator CAMERON—You have been disruptive.

Senator ABETZ—Get more self-respect, Douglas.

Dr Parkinson—To date, as I said, there have been so many requests for the packs that we have run out and we have to reprint the poster packs. There have been 422 requests for materials as of 19 May, 566 requests for school packs, 722 poster packs and we are told by the consultants who we have been working with on this that this is, at this stage, one of the most successful competitions that they have ever seen.

Senator CAMERON—Congratulations.

Dr Parkinson—I think it essentially goes to the children and others who wrote in or have spoken to the minister and urged us to do this.

Senator ABETZ—Can I ask about the Carbon Pollution Reduction Scheme Bill 2009 exposure draft commentary on page 14?

Dr Parkinson—Sorry—you said you wanted to go to questions on notice? Or do you want to go to the draft exposure document.

Senator ABETZ—That is what the question on notice was about.

Dr Parkinson—All right—sorry.

Senator ABETZ—We are on the same wavelength there. I asked some questions on notice at the Senate Standing Committee on Economics. I asked for certain definitions, because on the bottom of page 14 we have a statement: ‘a commitment to reduce emissions by up to 15 per cent below 2000 levels by 2020 in the context of a global agreement under which all major economies commit’. I asked for a definition of ‘all major economies’. I got a nice full page of type but no answer to the question of what is meant by ‘all major economies’. So I am going to try here, because if we are to vote on legislation which is based on a premise of ‘all major economies’ I think senators are entitled to know the list of all those major economies and which ones the department considers to be major and which ones the department considers not to be major.

Senator Wong—I will ask Deputy Secretary Comley or First Assistant Secretary Sterland to respond. In terms of context for you, Madam Chair, I want to remind senators of two legal and policy points that I think are relevant to this. The first is that this refers to a discretion in relation to the setting of a target and scheme caps and gateways consistent with that target.

Senator ABETZ—Yes, we know that.

Senator Wong—The government’s policy, as Senator Abetz may or may not have recalled, is that those caps and gateways consistent with the target be set post Copenhagen. That was an explicit policy decision so as to be able to take into account the shape and nature of the international agreement at the time the minister with the discretion to set the caps and gateways exercises that discretion. That is the legal and policy context that this provision operates in. But I will go to Mr Comley.

Mr Comley—If you are referring to the commentary, I assume that is the commentary to the exposure draft legislation?

Senator ABETZ—That is right—bottom left page 14. I have got the document here.

Mr Comley—That is right. Firstly, the point to note is that document is not now the most recent document because the bill is now in parliament and therefore it is the explanatory memorandum that is the most relevant document. Secondly, that was released before the 4 May announcement by the government which clarified the target-setting process and put more specificity around the economies. The Prime Minister’s press release with the Treasurer and the Minister for Climate Change and Water of 4 May indicated that the conditions hooked off advanced economies and major developing economies and that the:

... ‘major developing economies’ refers to non-Annex 1 members of the Major Economies Forum.

Ms Sidhu can provide a full list of the members of the Major Economies Forum, which provides that complete list.

Senator ABETZ—Thank you very much for that.

Senator Wong—Perhaps we can go to Ms Sidhu, who will provide that list.

Senator ABETZ—If that could be tabled rather than read out, that would be helpful for timing.

Senator Wong—It is not very many.

Senator ABETZ—I am just wondering why it not provided when I asked for it. Why was I not referred to this annex in the answer?

Senator Wong—The annex exists.

Senator ABETZ—It was a very specific question: ‘What are the major economies in question? Please list’. And I got this gobbledegook that stepped around the issue and did not provide the list. We now find, face to face, that there is such a list. It would be very helpful if that could be provided to the secretariat.

CHAIR—Could it be tabled, please?

Mr Sterland—The definition that Mr Comley read out was announced and elaborated after the document to which you are referring. The government had responded to general feedback of that sort in the announcement on 4 May and elaborated the conditions. They are there on the public record and in the new explanatory memorandum.

Senator ABETZ—Basically, the government wrote ‘all major economies’ having no idea what it meant. A senator, like myself, comes along to the Standing Committee on Economics and asks that question. Nobody can provide an answer, so the government goes away and it has now provided us with a list. It is good that we are getting that sort of information now, but I would have thought that list would have been available and the government would have known what it had in mind when it wrote the document.

Senator Wong—If I could respond to the assertion—as always, a bit more hyperbole from Senator Abetz—about the government not knowing: that is not correct. We have, in fact, spelled out in detail the conditions associated with the 25 per cent target issue. The point I would make is that there is an international negotiation on foot and this legislation needed to reflect that fact. Some of the issues to which you refer are issues that are relevant to these international negotiations in terms of what commitments are taken by which countries. There are a number of issues. For example, an issue that has come up in the public arena is that there are non annex 1 countries who are members of the OECD. The United Nations Framework Convention on Climate Change framework and the Kyoto protocol framework arguably do not reflect the economic status of some countries given the way the world has moved on since those two international agreements were in place. I do make the point that this is something that we are very aware of.

We all know climate change is a global issue and we want to do all we are able to as a government, on behalf of the nation, to help build an agreement that is in Australia’s national interest. That means that we want as many countries as possible taking on appropriate levels of commitment. That is precisely the issue which is taking up so much time in the international negotiations. Some of the comments in your question, if I may suggest, are political points which are inaccurate. This government is acutely aware of the need to try and help craft a global agreement that is as widespread and as inclusive as possible because that is the best response to climate change. That is why we are placing so many resources into the international negotiations.

Senator ABETZ—The question was about the list of the major economies that could not previously be supplied, not about all the other fanfare. If we have a defined list of what the government means by ‘major economies’, that is good. Is ‘advanced economies’ to be read as

meaning the same as 'major economies' or is there a subtle, nuanced difference? If so, can we be told the difference between a 'major economy' and an 'advanced economy', and could we please have a list of the 'advanced economies'?

Mr Comley—In the same press release of 4 May, it indicates that 'advanced economies' refers to the Annex 1 parties to the UNFCCC 'and at least some other high/middle income economies'. The press release also makes it clear that the precise nature of which high and middle income economies are not part of the Annex 1 would be a matter for negotiation.

Senator ABETZ—Was this known to the government when the document that I was referring to was prepared?

Senator Wong—If you had taken the time to read the explanatory memorandum to the bill that is now before the parliament, you would have seen that the answers given today are reflected at page 16:

For the purposes of the above, 'advanced economies' refers to Annex 1 parties to the United Nations Framework Convention on Climate change and at least some other high/middle income economies; 'major developing economies' refers to non-Annex 1 members of the Major Economies Forum.

Senator ABETZ—I am still wondering why, when you ask a written question on notice, you are not provided with that sort of detail. That is the difficulty that we have. But, then, in relation to countries taking on reductions comparable to Australia, what is our definition of comparable? What are the parameters that are going to be allowed to be considered?

Ms Sidhu—There is no clear or single formula for comparable effort defined at the moment, and that goes to the fact that each country brings with it a different set of national circumstances that need to be taken into account. There are a number of factors under discussion in the international negotiations which could go into a definition of comparable effort. These include: economic cost, capacity to pay, per capita emissions and other factors. What comes into a judgment of comparable effort will end up being a matter for negotiation between countries and an assessment made at the time when countries make their commitments in the negotiations.

Senator ABETZ—I thought Australia was going to take certain action if other countries took action which is described as comparable to Australia. I would have thought that Australia itself would be making that decision then if their actions are comparable to ours.

Senator Wong—Hang on, Senator. I would just make a point before we go to some of the ways in which we are ensuring that we are looking at ratifying the process by which we consider trading. But I want to say this: if the opposition is of the view that an international agreement is necessary—and it seems from the tenor of your question that you are essentially going to, 'Well, what are other people doing?'—then frankly you would pass the legislation because that will give Australia its best capacity to craft—

Senator ABETZ—Point of order, Chair!

Senator Wong—No, Senator, you cannot make political points in questions and then not expect a response from the minister at the table.

Senator ABETZ—No, no.

Senator Wong—If I could finish, Chair—

Senator ABETZ—Chair—

CHAIR—The minister is in the process of responding, Senator Abetz. The minister has the call.

Senator Wong—Then you would act in the national interest, Senator Abetz, and pass the legislation so as to ensure Australia is in the best position possible to be able to elicit—

Senator ABETZ—Can we take a coffee break during this political speech?

Senator Wong—To be able to elicit and negotiate comparable commitments from other nations. The fact is these two processes, these two policy issues, are intertwined—what you do domestically and what you do internationally. The government is absolutely of the view that we want the best agreement possible and the reason is that it is in Australia's national interest to get the best agreement possible because we are a nation very vulnerable to climate change.

Senator BERNARDI—That's wrong.

Senator Wong—I take your interjection, Senator Bernardi, saying that is wrong. I know you do not believe in climate change. You are entitled to your view.

Senator BERNARDI—Point of order!

Senator Wong—I know that you think it is a left-wing conspiracy but the reality is that the consensus science—

CHAIR—Order! There is a point of order, Senator Wong.

Senator BERNARDI—Senator Wong cannot verbal me and say I do not believe in climate change. There is not a single statement on the record that says I do not believe in climate change. I have always acknowledged climate change exists. You can retract that, Senator Wong, or you are going to continue to mislead this committee.

CHAIR—Can I just remind committee members that if there is continual interjection then you have to expect that at some time that is going to be responded to.

Senator BERNARDI—You should tell the truth.

CHAIR—Can I remind all committee members that interjections are not helpful to getting through these estimates efficiently. The minister has the call.

Senator Wong—In response to Senator Bernardi, it may be that I have misrepresented his position. It may be that he believes in climate change but does not believe that carbon dioxide or any other greenhouse gases—that is, human activity—contributes to it. I would say on that point that he runs counter to the consensus science. I believe that is backed up by what he has written publicly.

Senator BERNARDI—That is different to what you said before.

Senator Wong—Thank you for acknowledging that you do not believe human activity contributes to climate change.

Senator BERNARDI—It is a revelation, isn't it?

Senator Wong—Which probably reflects why Mr Turnbull cannot get a reasonable position through your party room.

Senator ABETZ—Just answer the questions, please!

CHAIR—Minister, please continue with your answer to the question.

Senator Wong—The point I was making is that there are a great many things which we are seeking to negotiate internationally. I do make the point that Australia's domestic legislation has a bearing on those negotiations. I suggest that the government, however, was very conscious of the importance of having a sound and transparent process for consideration of the nature of any international agreement. You will see that one of the announcements that the Prime Minister made on the date to which you referred included different processes for consideration of those international arrangements, which are reflected in the legislation and explanatory memorandum. I would ask Mr Comley to explain to you how we anticipate the Ratification Review to operate.

Senator ABETZ—No, ratification—

Senator Wong—Because it is directly relevant—

Senator ABETZ—No it is not.

Senator Wong—It is directly relevant to your question about comparability. Mr Comley can explain how the government proposes to have a process to consider that. And he should be entitled to answer the question.

Senator ABETZ—That is fair enough, but not on ratification.

Senator Wong—That is the context of it.

Senator ABETZ—What?

Mr Comley—I think the issue is that until you ratify the treaty you are not actually committed to fulfil the conditions of the treaty. We covered this in a Senate committee last week. The issue of comparable effort will ultimately come down to a discussion about a range of metrics that will be used, but ultimately you do not have a mechanical process of deciding exactly what is comparable effort because there are different elements in different countries. That is a conversation we had with Senator Milne last week. That is why page 16 of the explanatory memorandum sets out the process by which an assessment is made as to whether the conditions that were prespecified by the government are made, including comparable effort. Page 16 of the explanatory memorandum says:

For the Ratification Review,—

which is the thing which will effectively lead to having the force of law—

... an independent review panel (with broad membership but including appropriate economic and scientific expertise) will be established and will conduct public hearings as to whether the conditionality set out by the Government is met.

which includes the comparable reductions criteria.

The Review will report its findings to Government, which is required to table its response along with the Review report in Parliament within 90 days. Consideration of a new international agreement is likely to follow the steps below:

- Australia participates in negotiation and finalisation of a new international agreement
- A Ratification Review is conducted prior to Government decision regarding ratification, in addition to consideration by Joint Standing Committee on Treaties
- the Government makes final decision regarding ratification
- assuming Australia proceeds to ratify the new agreement and it enters into force for Australia, subsequent scheme caps and gateways, which are made in regulations under the bill, would reflect Australia's new targets ...

So before you get to the point where the targets come into domestic law, which gives them effect in Australia, you have to have had that independent review and public report to determine whether the comparability conditions are met.

Senator ABETZ—The answers that I was provided with on notice came in after 4 May, didn't they? Why was this information not provided in the written answers? Please take that on notice because, quite frankly, I think that things could have been done a lot better.

Time is slipping by. In another written question, reference CC3, I asked for some commentary on Dr Richard Denniss's claims, which I note were criticised in a five-page document. One of his theses was that voluntary action would in fact made no real difference to the climate change challenge before us. This was disputed in the answer provided, but of course since then the government has now changed its policy to have, I forget the term, but a carbon trust where people can offset and make money available through their savings to have emission units revoked. To make it clear, if I do not use my air conditioner this summer and I do not log on to the 'donate to Kevin' website, will the government do anything to reduce the scheme caps?

Senator Wong—There is no donate to Kevin website.

Senator ABETZ—You know the website I am referring to. Here we go: the Australian Carbon Trust. I have found it in the notes. So if I do not use my air conditioner this summer but I do not log on to make a donation to the Australian Carbon Trust, will the government to anything to reduce the scheme caps?

Mr Comley—As was in the exposure draft legislation and also picked up in the final bill, the legislation says that in setting the scheme caps the government will take into account the extent of voluntary action and the evolution of emissions in the economy. That is actually spelled out in greater detail in the explanatory memorandum, which is on page 80, beginning with paragraph 2.26. This paragraph starts:

The fifth factor to which the Minister may have regard is the extent of actions voluntarily taken to reduce Australia's greenhouse gas emissions ... Voluntary action, including by Australian households, to reduce greenhouse gas emissions can help ameliorate the economic implications ...

So the minister will take this into account in setting caps.

Senator ABETZ—If we get one per cent reduction through voluntary household action, does that mean the scheme cap can raise one per cent above that?

Mr Comley—It will be a factor that is taken into account in terms of the reduced pressure on the rest of the cap, when the minister sets the caps.

Senator ABETZ—So it may do.

Mr Comley—Yes.

Senator ABETZ—Right. If I wanted to understand everything that you have just told us or I was a member of the public that just wanted a political account of how individual efforts to save energy fit into the CPRS, what would I read? What page on the website what I go to? What is the name of the document that spells it all that succinctly for the public to read?

Mr Comley—For the public, they would go to the explanatory memorandum. I have to check whether it is available on our website. It is certainly available on the Parliament House website. You would look at page 80 from para 26. You could also go to the department's website and look at a fact sheet on voluntary action. Going forward, because we know there has been a lot of interest in this, the department is about to undertake a process of further consultation on the way to give effect to the commitment of considering the extent of voluntary action in the cap setting process.

Senator ABETZ—We should have had an advertising campaign saying refer to the explanatory memorandum rather than all the money that was splashed around on an advertising campaign.

Senator Wong—Senator, as someone who signed off on the Work Choices campaign, I do not think you can talk about splashing around advertising money with any integrity whatsoever.

Senator CAMERON—Absolutely. That has pulled him up a bit. He is speechless.

Senator ABETZ—Chair, you have a role to play.

Senator Wong—You are very sensitive.

Senator ABETZ—You have asked us not to respond to interjections. Then you allow the offending Labor senator to keep on with his interjection rather than calling him to order.

Dr Parkinson—Senator, could we add to which Mr Comley said? We told you there were fact sheets available on the website. We can table one for the benefit of the committee now, if you wish.

Senator ABETZ—Thank you very much. Can we go to the climate change advertising campaign. I have asked some questions about this previously. What was meant when I was told in the written answers that the advertisements were unlikely to be enhanced by further advertising at that time?

Dr Parkinson—Senator, are you in CC5?

Senator ABETZ—That is the one.

Dr Parkinson—If you wanted to read out the rest of that answer before you got to that line, we took the decision that the advertisements had already received substantial market coverage and penetration and the campaign objectives of raising awareness so that people could have their say had been met. We did not think it was necessary to go any further.

Senator ABETZ—Did you have a consultant's report at that stage to tell you how effective the campaign had been, or was it just the hunch of the department?

Dr Parkinson—Hunch is an interesting word. It could be professional judgement—

Senator ABETZ—All right, I withdraw it if we are going to spend time on the word ‘hunch’.

Senator Wong—Senator, if you are going to phrase questions in that way, which is clearly provocative and making a political point, then you would anticipate that Dr Parkinson is going to defend his honour.

Senator ABETZ—All right. Was there a consultant’s report and a professional evaluation of the campaign undertaken prior to it being pulled off air?

Ms Thompson—The department agrees completely with your point about the need for evaluation of processes like an advertising campaign, and indeed work is currently in train to develop an evaluation report of the campaign.

Senator ABETZ—So the report on the evaluation of the campaign is still underway, because it was underway during the last estimates. It is still underway. Did you have an evaluation report of the campaign available to you from professional consultants?

Dr Parkinson—You are exactly correct. We did not have an evaluation report at that time. We took a decision at the outset about how long it made sense for us to run the advertising campaigns. Our assessment—and this will be borne out to be either correct or incorrect, with finalisation of the evaluation—was that by the time we got to the end of October it made sense to pull any additional placements. We thought we had achieved what we had set out to achieve. And now we are conducting the formal evaluation process to see how effective the campaign was, including how much the messaging resonates.

Senator ABETZ—I turn to the call centre. I note that I was provided with a written answer CC6, which says in part:

Please note that this updates information originally provided.

Would it be fair to say that the word ‘updates’ could be replaced with the word ‘corrects’?

Dr Parkinson—I think I may have said to you at the additional estimates that I was not quite sure about the veracity of what I was saying, which is why we took the question on notice. You could say updates, because it is updating the information I provided to you, or you could say corrects, if you wish to.

Senator ABETZ—All right. How many days did the call centre operate last year?

Dr Parkinson—It says in answer B that it operated from 21 July to 31 October.

Senator ABETZ—Yes, but that does not tell me the number of days, does it, Dr Parkinson?

Dr Parkinson—Would you like me to count up the number of days from 21 July to 31 October?

Senator ABETZ—Did it operate over the weekends, for example? Come on, Dr Parkinson, did it operate over the weekends?

Dr Parkinson—I will have to ask the question, Senator.

Senator ABETZ—If you do not know the answer, Dr Parkinson. With great respect, if I had done the mathematical exercise of just adding up all the dates, I would have got 102 days of operation.

Dr Parkinson—That is true.

Senator ABETZ—If it did not operate on the weekends and public holidays, it may have only operated for 74 working days.

Senator Wong—Senator, I am very pleased to concede your arithmetic, but I am not sure what the point is. If you want to know if it operated on the weekends, we will take that question on notice.

Senator ABETZ—Thank you. I want to know how many days it operated. I must say that I was responded to in a manner—

Dr Parkinson—Senator, you actually asked in CC6:

Would you also tell us the dates between which it was actually operational?

The answer says: 21 July to 31 October.

Senator ABETZ—That is right.

Dr Parkinson—You did not say at that time: ‘How many days, hours or minutes?’

Senator ABETZ—That is right. I asked a fresh question.

Dr Parkinson—Okay, and I am saying to you that we will take it on notice.

Senator ABETZ—That is what you are saying now. With great respect, that is what you should have said earlier, Dr Parkinson. So you cannot tell us how many days—

Senator Wong—Senator, I think Dr Parkinson said that he would have to ask the question—that is, of his department.

Senator ABETZ—That is right; and he is taking it on notice.

Dr Parkinson—I am happy to do so, Senator.

Senator ABETZ—Good. Thank you very much. I am just saying that the response before inviting him to undertake the mathematical exercise of how many days was not a very good way to respond given that you were not even able to tell me if it was operational of a weekend. I think we might concede that.

Dr Parkinson—I am sorry, Senator, but the ‘we’ in that case may be the royal ‘we’; it is not you and I together.

Senator ABETZ—Whatever! Is it right that 1,616 calls were taken by this call centre?

Dr Parkinson—That is in part (a) to CC6.

Senator ABETZ—Yes, thank you. That would have done. How much does that make the cost per call, given that we were told that the cost was \$83,000 to run the centre?

Dr Parkinson—We will do the mathematics for you, Senator.

Senator ABETZ—Thank you for that. And if you could tell us what hours the call centre was open and what actual days and also the hours worked per person that would be very

helpful. In relation to the \$149,000 spent on market research, can you tell us who carried out the research, how were they selected and what did they conclude?

Dr Parkinson—Sorry, Senator, have you moved back to CC5?

Senator ABETZ—I am just asking about the climate change advertising campaign.

Dr Parkinson—The \$149,000 in (a)?

Senator ABETZ—Yes; the \$148,935.

Senator Wong—Chair, I think it is fair to the witnesses, if Senator Abetz could refer witnesses to the number of the answer to which he is referring when he is asking a question.

CHAIR—It would expedite things, Senator Abetz.

Senator ABETZ—When the figures are not in dispute, and I talk about the market research—

Senator Wong—It is so that you can get an accurate answer. I think it is fair for departmental people to know which document, because there have been a number of documents—

Senator ABETZ—Can we wind down the clock a bit quicker?

Senator Wong—It is fair for departmental people to know to which document you are referring when answering a question. I think that is fair.

CHAIR—Senator Abetz, it would expedite things if you could identify the document.

Dr Parkinson—Senator, I was not trying to obfuscate; I was simply trying to find which number you were referring to. I am happy to take the question on notice.

Senator ABETZ—Can I also be told how many consultants overall the department has engaged in relation to its activities—be it with the school competition, for example, with its advertising campaign, with its call centre or any other activities? Could you let us know about the consultants, the costs of each and the basis on which they were engaged? If you can take that on notice, that would be very helpful.

Dr Parkinson—They are in the annual report.

Senator ABETZ—In the annual report we were told, if I am correct, that in 2007-08 there was \$2.4 million spent on consultants but in 2008-09 it was estimated to be \$7.39 million. That seems a substantial increase and hence my interest as to what the basis is for that increase.

Dr Parkinson—We would be happy to provide that.

Senator ABETZ—Thank you very much.

Dr Parkinson—As I said we are happy to provide that, but just so there is not any confusion: I am guessing the bulk of that is related to the design of the Carbon Pollution Reduction Scheme; it is not related to advertising or media issues.

Senator ABETZ—Hopefully the list will tell us in general terms what that consultancy was for and that will then distinguish that.

Dr Parkinson—Absolutely happy to do that.

Senator ABETZ—That will be very helpful. Is the Solar Flagships program here or in the renewable energy section?

Dr Parkinson—That will be within resources, energy and tourism.

Senator ABETZ—Resources and energy.

Senator Wong—It is renewable energy.

Senator ABETZ—Minister, were you or your department part of the decision to provide the \$1.4 million for biochar experimentation to the CSIRO? I know Mr Tony Burke made the announcement, but I am wondering if the climate change department was part of the considerations.

Senator Wong—I will throw to Mr Carruthers on this issue. It is, as you said, a grant in the agricultural portfolio. There is, from memory, some \$20-odd million—but Mr Carruthers might recall better than I—for research into soil carbon and other matters in that department. I will go to Mr Carruthers on this.

Mr Carruthers—Thank you, Minister. Senator, you are correct: the announcement was made by the Minister for Agriculture, Fisheries and Forestry, Minister Burke, on the advice of his department, DAFF. The funding on biochar is under the program administered by that department, Australia's Farming Future. They provided advice to Minister Burke. They did consult us at a working officer level in relation to that advice.

Senator ABETZ—Thank you for that. Is it true that the Department of Climate Change has been asking individual industries and industry organisations whether they would support the ETS if they got 100 per cent free permits for EITE?

Dr Parkinson—Absolutely it is not correct.

Senator ABETZ—Why is coal not considered an emissions-intensive trade-exposed industry?

Mr Comley—The first point to make is that it is often colloquially referred to 'assistance for industries in emissions-intensive trade-exposed program' but, in practise, assistance is not provided on an industry basis; assistance is provided for an activity which is emissions intensive and trade exposed. There are two principal reasons why certain coal activities were not considered part of the EITE regime. The first is the dispersion of emissions in coal production. If you look at the emissions intensity of producing a tonne of saleable coal, it varies across different mines by a factor of around 1,000. So the most emissions-intensive mine is around 1,000 times the emissions intensity of the least emissions-intensive mine. Therefore, if coal were to qualify under the EITE program and you applied the standard EITE rules, you would be providing significantly more permits than the actual emissions of a large number of mines. That was the principal reason. That led to the use of the coal sector adjustment scheme, which targets emissions of the gassiest mines directly rather than using the EITE principles.

The second question that would also have to be addressed is the question of, to put it bluntly, whether coal is coal. As you would be aware, Senator, different qualities of coal are actually quite different. They command very different prices in both domestic and

international markets. So often when people talk about the 'coal industry', you would have to ask the question: is thermal coal and coking coal et cetera the same thing?

Senator ABETZ—That is where the activity definitions are going to play a very important role.

Mr Comley—That is right.

Senator ABETZ—Can you tell us how you are progressing with those?

Mr Comley—Certainly.

Senator ABETZ—When do we intend to have the first 10 of them finalised for public consideration?

Mr Comley—A number of the activity definitions have been put on the website, following the process of—

Senator ABETZ—How many?

Mr Comley—Mr Sterland might have that. I think it is 18. Eighteen have been put on—

Senator ABETZ—Are they finalised now?

Mr Comley—When you say 'finalised', Senator, obviously at the end of the day these have to go into regulations and the regulations cannot be formally made until the legislation has been passed.

Senator ABETZ—Minister, is the government open to consider changes to those 18 activity definitions that are on the website? Because they are not set in concrete—if I can use that term—until they are actually regulated, as Mr Comley has told us, I am just wondering are they there as a statement of certainty or as a statement of intention?

Senator Wong—I have signed off on the definitions. I think the point Mr Comley was making is that implementation of that in a legal form would have to await the passage of legislation because this is delegated legislation. I do want to make a point here, Senator Abetz. You have made some comments about this process. We are actually far further advanced in the development of this delegated legislation and/or regulation process than you would anticipate, and certainly in comparison with comparable reforms such as WorkChoices or the GST.

We are actually already putting into the public arena definitions for regulation prior to the bill in fact being passed, because we are keen to provide industry with as much certainty as possible around their activity definitions. I think that is important in the context of this debate because there have been some comments made perhaps in ignorance of the process. The note in front of me says that we had finalised 14 activity definitions by 1 May. I am sure the department will tell me if that is incorrect. We are going through that process before the legislation is in place, which was not the case with WorkChoices and certainly in the case of the GST there were no regulations available, on my advice, at the time the legislation was passed. We have a process of detailed consultation with industry and then the activity definition goes to a committee headed by Mr Warburton—and I think him and other members of that committee for their work—to provide advice to me about whether the process has been

appropriately followed and whether the definition complies with the government's announced policy.

CHAIR—Senator Abetz, after your next question, I plan to go to Senator Brown.

Senator ABETZ—When was the department informed of the changes announced on 4 May?

Dr Parkinson—Could I seek clarification, Senator? What do you mean by 'informed'?

Senator ABETZ—This was going to be the government's version of legislation that it was going to be introducing.

Senator Wong—The department was involved in preparing the announcement for the Prime Minister, the Treasurer and me.

Senator ABETZ—Of course they were. When was the department advised that the legislation that Mr Combet introduced into the parliament was it—that this was the package that was going to be introduced? I understand there would have—

Dr Parkinson—I suppose at one level you could say the department is only formally advised upon a cabinet decision. Is that the question you are asking? I am not obfuscating. We were involved in the iterative process.

Senator Wong—There was a process prior to cabinet determining this. Is the question: when was Dr Parkinson first aware of this being considered?

Senator ABETZ—Yes, the proposed changes that are now reflected in the legislation.

Dr Parkinson—I think there are two issues: (1) I do not think I could actually put a date on this, because it is an iterative process, and (2) I think—and I defer to the chair on this—it would be inappropriate for me to answer the question even if I knew, as it is a matter of policy decision of government. What I think I can say without causing problems is that it was an iterative process that had gone on for some time and the department was involved in providing the sorts of policy advice that you would expect departments of states to provide to their ministers.

Senator ABETZ—We had been told that there would not be a delay because of the global financial crisis and now we are told that the delay is partly due to the global financial crisis, so I was just wondering about the departmental involvement in this iterative process.

Senator BOB BROWN—Minister, your joint press release with the Treasurer and the Prime Minister on 4 May began:

The Rudd Government has today committed to reduce Australia's carbon pollution by 25 per cent below 2000 levels by 2020 if the world agrees to an ambitious global deal to stabilise levels of CO2 equivalent at 450 parts per million or lower by mid century.

Do you stick by that?

Senator Wong—I am advised by Dr Parkinson that the phrase 'by midcentury' should have been conditioned in terms of how long it would take to get to 450 parts per million. Leaving that technical issue to one side, I think the government has consistently been of the view that 450 parts per million is in the national interest. You will recall that that was one of the matters the Prime Minister articulated in his speech to the National Press Club and was

one of the objectives mentioned in the white paper, so this has been a consistent position from the government.

Senator BOB BROWN—Are you aware that the current concentration of greenhouse gases in the atmosphere is actually 455 parts per million?

Senator Wong—I have been advised on various occasions by different people about figures even higher than that.

Senator BOB BROWN—What is your figure?

Senator Wong—I would have to defer to Mr Carruthers on that issue, but I can tell you that, in terms of discussions with counterparts internationally, a number of figures have been put to me.

Dr Parkinson—We should not have been definitive by saying midcentury, because clearly there is a risk of overshooting. The way in which we described it in the table, which was ‘capable of stabilising ... at 450ppm CO₂-e or lower’ did not have that ‘by midcentury’. That was a mistake.

Senator BOB BROWN—It is a pretty major mistake for the first sentence in a prime ministerial statement on a very, very important statement on climate change.

Dr Parkinson—As you rightly note, getting to 450 parts per million by midcentury without overshoot is quite difficult.

Senator BOB BROWN—When should it have said?

Dr Parkinson—I do not think I am in a position to say. I think the language which we used in the conditions document, which simply said 450 parts per million or lower—that is, it did not put an end date on it—was the appropriate one for us to have used.

Senator BOB BROWN—It is quite important, because the Prime Minister has told the nation that the aim, if the world agrees, of the new government policy, which the Senate is going to be dealing with in two or three weeks, is:

... an ambitious global deal to stabilise levels of CO₂ equivalent at 450 parts per million or lower by mid century.

You are now telling me—

Dr Parkinson—No, Senator. Sorry, but if—

Senator Wong—Senator, 450 parts per million is the goal for stabilisation. I acknowledge and take responsibility, as the Minister for Climate Change and Water, for the error in the press release. We should have corrected that, because this is an atmospheric stabilisation goal and it was incorrect to place that phrase in the press release.

Senator BOB BROWN—When did you realise that mistake had been made?

Senator Wong—I understand my office has been aware of it. I do not know the precise date.

Senator BOB BROWN—Could you find out the precise date for the committee?

Senator Wong—I will take that question on notice. But I say, again: there was no intention to create any false impression here—nor has it been an issue that has been raised publicly

with me. We were clear about a 450 ppm stabilisation goal. If you look back over the government statements on this issue—as I said—the Prime Minister’s speech to the National Press Club the white paper all articulated the goal of 450 ppm as the stabilisation goal. You will see also that there is reference to this in the explanatory memorandum.

Senator BOB BROWN—Yes, but there are other references to this mid-century goal and I put it to you that in fact, under the government’s proposals, 450 parts per million is more likely to be an achievable target by mid next century not this century.

Senator Wong—That is an issue primarily determined by the extent with which other nations’ emissions alter their current trajectories. As you know, we do not take the previous government’s perspective nor the opposition’s perspective of us being less than two per cent of global emissions and thereby avoiding responsibility. I simply make the point that the wait, in terms of atmospheric stabilisation at a particular parts per million amount, is in large part dependent on how quickly the world acts. We are of the view that it is in Australia’s national interest to try to encourage the world to act as quickly as possible which is why we are doing what we are doing against some significant political opposition within the parliament and why we are engaged very strongly in the international negotiations.

Senator BOB BROWN—It was nationally reported that the government’s new target if followed by the rest of the world would rein in greenhouse gas pollution to 450 parts per million by mid century. Now you are telling the committee that that was a mistake and it has not been corrected. Surely, as soon as this mistake was recognised the nation had a right to be informed that in fact that target would not be achieved by mid century.

Senator Wong—With a goal such as this what I think was erroneous was to put such a hard date on it, given that that is so dependent on international action. I want to remind you, Senator, that we were not asserting that our 25 per cent target would achieve this. What we were asserting was that we would be prepared to go for 25 per cent if the world agreed to go for what is colloquially known as a 450 parts per million agreement. That is the context of it. We were not making an assertion about what Australia would achieve, we were saying this is what we are prepared to do if the rest of the world is also prepared to act. I have acknowledged that those words ought not have been used in that specificity.

Senator BOB BROWN—But you have acknowledged that now. Why has the Prime Minister not made public that mistake when it was understood to have been made. This completely changes the projected outcomes and successful outcome that the Prime Minister flagged when he made that statement on 4 May.

Senator Wong—No, it does not completely change it. You can choose to make politics over one press release and an error in it. The government’s position consistently, over a number of significant announcements and prime ministerial and ministerial speeches, has been that a 450 parts per million agreement is in Australia’s national interest. As you would know, the extent to which the world achieves that and the speed with which the world can achieve that are entirely dependent on the level of ambition in a global agreement, how quickly other countries move to cut as well and how quickly we deviate from business as usual in major developing economies. That is the major driver of when the world could achieve such an agreement. I again say that the press release that was drafted is making

reference to a global agreement and when a global agreement would achieve this and indicating that, if the world made such an agreement, Australia would be prepared to go to 25 per cent.

Senator BOB BROWN—Yes, but the Prime Minister has said this new target of 25 per cent is predicated on a global agreement which, if implemented, would stabilise levels of CO₂ equivalent at 450 parts per million or lower by mid-century.

Senator Wong—I have explained that. I have taken responsibility for it.

Senator BOB BROWN—But it is a—

Senator Wong—I have taken responsibility for that mistake.

Senator BOB BROWN—You have not told the committee why the Prime Minister or you have not informed the nation that that was a monumental mistake. This is at the core of the government's projected new arrangement, both to the Senate and to the nation, and it is out by one century.

Senator Wong—That is entirely dependent on the extent of the global agreement, but I would say again that my understanding of the advice just provided to you by Mr Comley is that the explanatory memorandum does not repeat that error. That is what is before the parliament and that is what should have been in the press release.

Senator BOB BROWN—But it has taken me today to put this into the public arena—that the Prime Minister made that mistake.

Senator Wong—No, the public arena is the explanatory memorandum of the bill before the Parliament of Australia. We made it clear what the position was in that.

Senator BOB BROWN—Is it a fact that the modelling by Professor Ross Garnaut of a 25 per cent reduction, if implemented globally, would end with a 520 parts per million greenhouse gas saturation by 2050?

Senator Wong—Five hundred and twenty?

Senator BOB BROWN—Yes. Actually, 530; I am sorry.

Senator Wong—Yes, I think it is 530.

Mr Carruthers—Senator, I could not give you an exact figure without the documents in front of me, but to get 450 parts per million does involve peaking above current levels and then coming down during the middle and later decades of the century, so a figure such as you quote would be about right.

Senator BOB BROWN—Clearly, because we are already above 450.

Mr Carruthers—Yes.

Senator BOB BROWN—Peaking at what level?

Senator Wong—Is this the Garnaut modelling question?

Senator BOB BROWN—No, this is on the government's modelling.

Senator Wong—Again, the trajectory of global emissions will depend on the extent and ambition of a global agreement, and I think you are aware of that.

Senator BOB BROWN—Have you modelled your 25 per cent proposal?

Senator Wong—We have undertaken the largest modelling exercise in Australia's history. That was released in October last year and it modelled, from memory, five, 15, 25 and 10.

Senator BOB BROWN—Have you modelled the 450 parts per million scenario that you are now saying is the government's target?

Senator Wong—Senator, there is a misconception in your question. The scenario would be a global scenario of what other countries will do. Various scenarios were modelled under the Treasury exercise that was released in October last year, but obviously the actuality of a global agreement is what we are currently engaged in helping craft, and that will be the primary determinant of a global trajectory.

Senator BOB BROWN—You have put conditions on the achievement of 450 parts per million and, indeed, the 25 per cent reduction. Can you tell the committee what the economic modelling shows that the impact on the Australian economy will be?

Dr Parkinson—The modelling that was released by Treasury in October last year included the Garnaut 25 per cent reduction scenario. Those are the ballpark estimates that are available. But, if I could, I would—

Senator BOB BROWN—Can I just make it clear, though: you do not have modelling on the 450 parts per million scenario that the government is now aiming at in an unspecified way?

Dr Parkinson—There is the modelling that was released. Senator, I think there is a fundamental threshold issue in the way you are framing the question.

Senator BOB BROWN—Yes, there is.

Dr Parkinson—What the government said was that it was prepared to do five per cent unconditionally and up to 15 per cent. Then, if you recall the white paper, it was very clear in saying that the government recognised that an outcome of 450 parts per million or lower was in Australia's national interest. It did not think that that was likely, but were it to eventuate then the government would play its full part. That was, as you know, also the position that Professor Garnaut took. Subsequently the government, in light of the commitments by President Obama and of public discussion and consultation, said, 'Look, we don't want to be seen to be other than doing everything we can to encourage a good outcome at Copenhagen,' and so the government took a position: 'If the world is prepared to sign up to 450, we will do 25.' It was not 'if individual countries do anything' or 'if it's at a certain economic cost to Australia'.

Senator BOB BROWN—My question, though, has been predicated on the Prime Minister's statement that the global conditionality was based on CO2 equivalent levels of 450 parts per million or lower by mid-century. I just ask the minister this question on this: when was the Prime Minister informed of this mistake?

Senator Wong—I will take that question on notice.

Senator BOB BROWN—Has the Prime Minister been informed of this mistake?

Senator Wong—I said I would take that question on notice.

Senator BOB BROWN—Do you know, without notice, whether the Prime Minister has been informed of this mistake?

Senator Wong—I want to take that question on notice.

Senator BOB BROWN—It is a very serious mistake, isn't it?

Senator Wong—With respect, Senator, I think you are seeking to play some politics with it, as you are allowed to. I have said I take responsibility for the three words, which should not have been included. They are not repeated in the explanatory memorandum which is before the parliament. They are not the way in which we have described this on previous occasions, both in speeches and in the white paper. It is clear also in some of the formal conditions that will form part of the announcement; we did not reuse those words in the conditions table. It was an error. There was no intention to give any false impression. I again remind you, Senator, that it was in reference to describing the type of agreement for which Australia would then move to 25 per cent; it is not suggesting that Australia moving to 25 per cent of itself could achieve such an outcome. The reality is that, as you know, whether or not the world achieves stabilisation at a particular point is dependent on what all countries, including Australia, do and when they do it by. That is why we are working so hard in the international negotiations to try and get an ambitious global agreement.

CHAIR—Senator Brown, this is your final question before we move on to another committee member.

Senator BOB BROWN—Have any business or environment groups been informed that the three words 'by mid-century' were an error? Have any business or environment groups that have welcomed the announcement come back to you and informed you of the error?

Senator Wong—No stakeholder has raised this with me. It may be that this has been discussed with members of the department, and I will take that question on notice to determine if that is the case.

Mr Comley—Certainly no stakeholder has raised that issue with me.

Senator BOB BROWN—So the Climate Institute did not raise it with you?

Dr Parkinson—No, not with me personally, and Mr Comley says not with him. We will have to take on notice whether it has been raised with someone else in the department.

Senator BOB BROWN—Quite extraordinary!

Senator CAMERON—Dr Parkinson, on 26 May the Leader of the Opposition, Malcolm Turnbull, issued a press release promoting a voluntary carbon market in Australia. I understand that the US voluntary carbon market is not really working effectively. Do you have any views on a voluntary carbon market in Australia?

Dr Parkinson—I am not in a position to make a comment on the voluntary carbon market in the United States, although I did note—I think it may have been in yesterday's press—that the managing director of CO2 Australia made some comments about the appropriateness of bringing such a market to Australia. I think it depends on what you are trying to achieve. If you want to deliver significant reductions in emissions over time then a voluntary carbon market will not do that for you. We have had a voluntary carbon market in Australia, in

various forms, for a number of years and, while I do not wish to downplay the commitment of the people who have participated in that market, it has actually done very little to ameliorate the growth in emissions. As you know, emissions in Australia have grown very strongly and continue to grow strongly. On a trend basis they will hit 120 per cent of 1990 levels by 2020. The government's commitment, which the opposition appears to have endorsed, is that we need to reduce our emissions by five to 15 or 25 per cent below 1990 levels. The five to 15 is between 135 and about 198 million tonnes a year by 2020. It is inconceivable that a voluntary market is going to have any substantive effect in closing that gap.

Mr Comley—To put that in context, the estimates that are around the size of the current voluntary market in Australia have abatement per year of less than two million tonnes of emissions. So, in terms of Dr Parkinson's answer, to hit the minus five per cent target, which is the lowest target, you have to reduce emissions by around 135 million tonnes a year. Our current voluntary market has less than two million tonnes of abatement per year, so you would have to do roughly 70 times what is currently being done if you were to meet the five per cent target—and, obviously, correspondingly more if you were to hit the 15 per cent target or the 25 per cent target.

Senator CAMERON—To move onto another issue, there have been assertions that the US Waxman-Markey bill is more generous to trade-exposed industries than the CPRS is. What are your comments on that?

Dr Parkinson—I might just make an observation about Waxman-Markey and then invite Mr Comley to talk about the specifics, if I may. I think it is really interesting that Waxman-Markey has at its heart so many of the features of the CPRS. We are told often that Australia is too small to be relevant to addressing the global problem. We have asserted all along that we can help shape the way in which others act by acting ourselves, and Waxman-Markey as a document builds very heavily on the work that was released in the green paper and the subsequent white paper. That was borne out by the comments that were made to the minister and me by members of Congress while we were in the United States in late March-early April. Mr Comley can go into the detail of Waxman-Markey.

Mr Comley—The first observation to make is that no firm or industry in the US at the moment would know precisely what allocations they would receive over the next decade, and that actually goes to the architecture of the way the Waxman-Markey bill is set up. I will just explain how you get into Waxman-Markey's assistance regime and compare that with the government's policy, because there are a number of elements. The first thing to note is that the eligibility threshold to be eligible for emissions-intensive trade-exposed is tighter than the eligibility criteria for the government's policy. They have an eligibility criteria which is essentially an emissions intensity threshold which is roughly equal to the highest level threshold in the government's policy, and there is no assistance if you are below that. So it is roughly equivalent to the 2,000 tonnes per million dollars of revenue. All industries below that threshold do not receive assistance.

The second point to make is that the Waxman-Markey bill picks up the idea of using emissions as a proportion of revenue. It does not have an eligibility criteria based on value add, which is the approach that is taken in Australia. You can either qualify under revenue or value add, so those that would not qualify in Australia except for value add would not qualify

under the Waxman-Markey approach. It is also explicitly restricted to the manufacturing sector, whereas the approach in the Australian policy is to look at any activity that is both trade-exposed and emissions-intensive.

The next point to note is that the Waxman-Markey bill requires you to have a trade share of above 15 per cent, and there is no other qualitative test that would lead to trade exposure. In the Australian system there is a trade share but there is also the capacity for a firm to demonstrate that they are effectively trade exposed. So, in principle, some industries which may be eligible in Australia may not be eligible on the basis of the trade exposure test. That is getting into the assistance regime in the first place.

The next question is: what is the rate of assistance? A number of people have reported there being a 100 per cent level of assistance in the Waxman-Markey bill. That is actually very misleading, and the reason for it this: Dr Parkinson commented on the similarities between the Australian approach and the US approach and, in this respect, they seem to have picked up the green paper approach rather than the white paper approach. That is that they fix the proportion of permits that can be allocated to the emissions-intensive trade-exposed rigidly. In fact, they go further than the green paper, because what the green paper proposed was to set the eligibility criteria and to estimate how many permits that requires. Then firms have certainty about the rates of assistance over the next 10 years.

What the Waxman-Markey bill says is that initially there will be 15 per cent of permits available for the emissions-intensive trade-exposed, and that is fixed. It then falls in 2016 to 13.4 per cent of permits that can be allocated to the emission-intensive trade-exposed. In contrast, what the Australian system does is start with an estimate of around 25 per cent of permits, and that will rise with the growth in output of the EITE sector. I will just dwell on that because it is quite important—

Senator CAMERON—I do not want you to dwell too long on it, Mr Comley, because I have got other things I need to ask.

Mr Comley—Okay. What that means in practice is that the rate of assistance to an emissions-intensive trade-exposed activity in the US declines at the rate of which the emissions cap falls plus the rate at which the emissions-intensive trading sectors grow. For example, if the cap were declining at one per cent and they were growing at three per cent per year, there would a four per cent reduction in the rate of assistance each year that would apply to firms.

The other thing that is important about that is that in the Australian system there is a schedule so that the firm knows exactly what the rate of assistance is. In the Waxman-Markey approach, if you have one sector that grows very fast, effectively that has the impact of reducing the rate of assistance to other sectors because it takes up a greater proportion of the fixed cap. They are the key elements of the emissions-intensive trade-exposed assistance. I think the precise impact on firms will depend on the growth rates of those sectors. That will not be known to firms until it rolls out, but I suppose at a headline level they start with 15 per cent of permits allocated to emissions-intensive trade exposed in the Australian context. You start with 25 per cent. That 15 per cent declines in the Waxman-Markey approach. In the

Australian approach it increases with the growth in the emissions-intensive trade-exposed sector.

Senator CAMERON—Thanks, Mr Comley. Could you provide the committee with a comparison like you have just gone through so we can understand it in more detail.

Mr Comley—Certainly.

Senator CAMERON—Thanks.

Senator ABETZ—Could I ask a follow-up question on notice. Could you provide a similar comparison of the Waxman and the CPRS in relation to how it will deal with the electricity sector and electricity generators.

Mr Comley—Yes, we can do that. Do you want to take the time now? It is a very important point—

Senator ABETZ—In fairness to Senator Cameron, I do not want to take up his time.

Dr Parkinson—It is a very important point, because there are a number of things about which you can see people who have not understood this have looked at the bill, reached conclusions and made very strong public pronouncements based on their interpretation of Waxman-Markey which, unfortunately, have turned out to be incorrect. So, subject to the committee's indulgence, maybe Mr Comley might—

Mr Comley—Perhaps just briefly—

Senator ABETZ—All I want is the comparison.

Senator BOSWELL—Senator Cameron asked you to put something on notice. We are struggling for time, so can you just respond to the—

Senator CAMERON—It is my time, so I am happy to hear this and then—

Senator BOSWELL—Yes, but I yielded to you so that you could have my time.

Senator CAMERON—You are very generous!

CHAIR—Senator Boswell, Senator Cameron had the call and then Senator Abetz asked a follow-up question. The witnesses want to put that on the record now, and Senator Cameron has said he is happy for that to happen. Mr Comley, you have the call.

Mr Comley—Just briefly, the point to make is that in the Waxman-Markey bill I think 40 per cent of permits are allocated to be provided to the electricity sector. Many people have looked at that and interpreted that—and that is partly because they are thinking of an Australian institutional context—as a payment to generators. In fact, it is not; it is a 40 per cent payment which is intended to insulate households and some electricity consuming businesses from the price rise of electricity.

Senator ABETZ—I did not raise 40 per cent or anything. All I asked for was if you could provide in that comparison that you are providing on notice the difference for the electricity sector and electricity generators. Nobody has mentioned 40 per cent. You are responding to something I think you are anticipating.

Senator Wong—Isn't the issue here—

Senator ABETZ—If you want to run down Senator Cameron's time, I am happy for that to occur, but it is not responsive to what I was asking.

Senator Wong—I do not know to whom you are making that accusation, Senator. I was just going to make this point, though—

Senator ABETZ—I did not ask. It is not an accusation; it is a fact.

Senator Wong—to be helpful.

Senator ABETZ—I did not ask about 40 per cent.

Senator Wong—We will provide the committee with an analysis as per the request. I would make this point: that I hope, given that the opposition has predicated some of its policy on an incorrect understanding of that bill, that the opposition might use the opportunity when we do provide the answers to remedy that.

CHAIR—Senator Cameron has the call. He is going to continue with his questions. I think we have clarified that your question will be taken on notice, Senator Abetz. Senator Cameron.

Senator CAMERON—I would like to move on to an opinion piece in the *Australian* by the Chief Executive of the Minerals Council of Australia, Mitch Hooke, on 22 May 2009. That article is headed 'Carbon plan will cause jobs carnage' and states:

The CPRS scheme will shed 23,510 jobs in the minerals sector by 2020 and more than 66,000 by 2030.

Arising from that article and a Concept Economics report, a number of articles appeared in regional press around the country with various headings, such as 'Report claims scheme to slash jobs', 'Carbon trading costly for Central Queensland' and 'ETS will cost 23,500 jobs'. The last was a Western Australian report. Could you explain to me how many jobs will be lost in the minerals industry by 2030 relative to today?

Mr Comley—Based on the Concept Economics report, the answer is that you cannot say. The Concept Economics report actually does not cover that question. What the Concept Economics report does is quote figures as a deviation from what would have otherwise occurred. But it does not publish the reference case of what would have otherwise occurred. So no-one can look at that report and form a judgment about the level of jobs that are in that industry in absolute terms, because they have not provided that information. They have provided no information on the reference case. What they are asserting is that there is a loss of jobs compared with a reference case which is not documented or made public.

Dr Parkinson—I might add that I think that we are in a position where different groups keep rolling out their studies. In most cases, including this report, the reports are not transparent and do not provide a clear explanation of how they have been conducted. This stands in sharp contrast to the Treasury modelling exercise, which was released last October, is the most comprehensive and detailed modelling project ever undertaken in Australia, is comprehensively documented and has been subject to considerable public scrutiny.

Mr Comley—On that point, the Concept Economics report is puzzling in that for pretty well every other sector than the mining sector the results look like the Treasury modelling result. The document states that it has made an out-of-model adjustment to the mining sector but it does not specify the way in which it has been done that generates the results.

Dr Parkinson—To be clear, it emulates the Treasury modelling exercise but for an out-of-model adjustment—that is, something we presume they have imposed on the model themselves. Interestingly, that just happens to be the 23,000 job losses that they claim, which, as Mr Comley said, it is not possible to discern from the report itself.

Senator CAMERON—I also want some clarification. We talk about these as jobs lost. They are not jobs lost in terms of current mining industry jobs.

Dr Parkinson—Absolutely. Even were the Concept numbers to be correct—which, as we have just said, we find very hard to make a judgment on—they are forgone job opportunities, not job losses. If they are deviations from some growth scenario into the future, we do not know what that is. They are not modelling today's jobs. We do not have any evidence that any person who is currently in a job is going to lose it.

Senator CAMERON—You have had a look at this report. Can I take you to the supposed job losses in the Mackay area and ask for some comment. In Mackay, this so-called job loss is set at 5,060. Yet, only last week, Clive Palmer, who is investing \$6.55 billion into a new coal mine called China First, which will purportedly produce 1.4 billion tonnes a year, said, 'I don't think the CPRS is going to enough of an impact to present insurmountable problems'. This is a coal mining magnate investing in the Mackay region, where this report says that thousands of jobs will be lost, and he is saying that there will 45,000 jobs and an increase in the Australian economy because of this one investment. How does the Concept Economics argument line up against this reality of these investors? Can you explain that to me?

Mr Comley—The Concept Economics modelling would not be trying to take into account specific announcements like that. Because they have not published a reference scenario and it is difficult to say because they say they have adjusted the mining sector modelling but they have not told us how they have adjusted it, it is very difficult for us to make a comment, because they have not specified how they have actually conducted the modelling. One of the questions that will obviously enter into any investment decision is how material a particular cost impact is. If you look at an open-cut coal mine or one of the less gassy coal mines, broadly speaking, at a \$25 carbon price you are probably talking about an impost per ton of saleable coal in the \$1 per ton region. If you compare that, for example, with royalty regimes in the same states, they can be \$10 to \$15 a ton. Then if you look at the actual value of saleable coal, which has fluctuated in recent times, depending on the type of coal, by up to \$100 a ton in price, it gives you a sense of the scale of the impact of the CPRS compared with other drivers of those investment decisions.

Senator CAMERON—Could I ask you to take that on notice and give me some further analysis on these issues that I have raised. Can I also ask you about the issue of free permits. Mr Hooke, in his opinion piece, said the following:

Allocating permits without charge will not make a scheme less environmentally rigorous than if all permits are sold.

It seems to me that this turns the argument that I have been given on its head—the market does not work. Is there any validity in this argument that if you hand permits out for no cost then there will be a price signal and the market will work? What is the basis of Mr Hooke's argument?

Mr Comley—It is a little bit difficult because I think at times Mr Hooke may have made different comments about the impacts of different approaches, so it is hard to know which version of his scheme we are talking about. It is true that, if you provide permits to people, and you do it in such a way that they are fully tradeable after you give them to them and they are not conditional on the amount of output that they continue to produce, in some circumstances you can have incentives to reduce emissions. But, as far as I am aware, that is not the proposal that the Minerals Council have been putting forward. They tie the amount of permits to the amount of production, and in that case you significantly reduce the incentives to undertake emissions reductions to achieve an environmental outcome. So, in terms of the actual proposal that the MCA has been talking about, there is a significant blunting of the environmental incentives compared with the Carbon Pollution Reduction Scheme.

Senator CAMERON—Could the department provide on notice a detailed analysis of the Concept Economics modelling and the arguments and outcomes in that modelling so that I can understand it better?

Mr Comley—Yes.

Proceedings suspended from 12.29 pm to 1.31 pm

Senator BOSWELL—Dr Parkinson, earlier today you said that the Waxman-Markey bill had many features of the CPRS. In the US legislation, the Waxman-Markey bill part 2 is called ‘Climate Change Worker Adjustment Assistance’. Have you had a look at that?

Dr Parkinson—Which part?

Senator BOSWELL—‘Climate Change Worker Adjustment Assistance’.

Mr Comley—We are broadly familiar with it.

Dr Parkinson—This is the bit that is to be auctioned for households?

Mr Comley—No, there is a separate part of the Waxman-Markey bill.

Senator BOSWELL—Let me quote it to you, and we will cut to the chase. I will quote to you from the US House of Representatives Committee on Energy and Commerce memorandum on 16 May 2009, which says that part 2:

Establishes a program to entitle any worker displaced as a result of the Title VII of the Clean Air Act to be entitled to 156 weeks of income supplement, 80 percent of their monthly health care premium, up to \$1,500 for job search assistance, up to \$1,500 for moving assistance, and additional employment services for skills assessment, job counseling, training, and other services.

Has the government or your department—maybe Senator Wong can reply—considered something similar for Australia for the tens of thousands who will lose their jobs as a result of the ETS?

Senator Wong—First, we do not accept the premise of the question in relation to jobs.

Senator BOSWELL—So you think the ETS bill will be different from the American bill in its effect on loss of jobs?

Senator Wong—What I am saying is that the government has put in place a great deal of assistance in its proposed legislation and policy to support jobs and to support industry through the transition from where we are now to a lower-carbon economy. We have spent a lot

of time engaging in detail with industry to provide what we believe to be an appropriate level and design of assistance. I am happy to go to Mr Comley to talk about some elements of the Climate Change Action Fund which may be relevant to the aspect you are asking about. I also want to make the point that, in fact, some 50 per cent of the revenue from the scheme under what the government has put forward will go back to Australian households as assistance for the impact of a carbon price.

Senator BOSWELL—Thank you for that.

Senator Wong—But I will ask Mr Comley to respond directly on the Waxman-Markey bill and the Australian legislation.

Mr Comley—My understanding is that the scheme you are referring to within the Waxman-Markey bill is a limited pool of permit revenue which, from memory, is around 1½ per cent of the permit pool that can be used if it were acquired for the scheme you have just described. In terms of the Australian scheme, if there were structural adjustment challenges that resulted from the scheme—and the Treasury modelling puts the likelihood of that into context as not that high—then the third stream of CCAF has been set up specifically as a structural adjustment funding scheme with a \$200 million allocation, which is around two per cent of permits. The way in which it has been done in the US is to have it in one bill and to allocate permits rather than cash, but effectively they will be auctioned so as to make a funding source. That is really a reflection of the US political system, in which there is not the same tendency to have the money flow into consolidated revenue and then be appropriated out by separate instruments.

Senator BOSWELL—Thank you. Given the wide-ranging concerns from many industries and we have heard about the coal industry, the cheese industry—

Dr Parkinson—Sorry, Senator, I am having trouble hearing.

Senator BOSWELL—Given the wide-ranging concerns from many industries about loss of jobs, has the Australian government looked at providing any assistance for workers displaced as a result of the emissions trading scheme? You did explain what could happen. You think it is unlikely that jobs will be lost. That is completely different from the big end of town which has told us for three weeks that there are going to be thousands, probably hundreds of thousands of jobs lost. Why are you not prepared to specifically state how many weeks of income supplement you are prepared to give people who lose their jobs and what benefits, say, health care premium, job search assistance, relocation and all those sorts of subsidies. Would it not be better to spell it out so that people would know when they lose their jobs what is available to them?

CHAIR—Can I remind people for those who have not been with us all week that we have been advised by Hansard that you really have to speak directly into these microphones. If we wander a foot or so away from them, it is difficult for Hansard to pick up our voices.

Mr Comley—I think it is important when you look at a bill in the US system, in fact if you look at a draft bill in any system, to understand the context in which those provisions are being made. Putting aside for the moment whether there would be a need for funding for workers to the extent that they are displaced, because there is a question of the magnitude of that, it is important to understand that, in the US for example, they do not have a universal

health care system and so the sort of provisions you might contemplate in the US are quite different from what you would contemplate in Australia. Similarly, the nature of unemployment coverage in the US is much more in terms of the unemployment insurance model, a contributory scheme, which is actually quite common to a range of European countries as well. I think there are elements of the key architecture, this is a point Dr Parkinson was making, of the Waxman-Markey bill that relate to emissions trading that have a lot of similarities with the Australian scheme. When you move into the realms of what we would think of as outlay programs or other things that have to mesh with their social security system, tax system and welfare system that is not the area that you would expect to find direct parallels between a US treatment and an Australian treatment because you have such fundamentally different systems.

Senator BOSWELL—The Climate Institute said it had found green jobs and released a list of them but there were virtually no jobs for miners in central Queensland, for example, and no green investment dollars going there either. What is the government going to do for those people in the communities in Queensland? Why hasn't the government included assistance for working families who lose their jobs because of emission trading schemes?

Mr Comley—The first point to make is that, in the Treasury modelling that covers this, all major employment sectors grow. As we have discussed before, these studies are in a situation where they are—and sometimes it is not specified how they are modelled—deviations from a base case or a reference case. It does not necessary imply that the absolute number of jobs in those sectors is declining.

Senator BOSWELL—When you did your modelling, a couple of assumptions were left out. You modelled on the assumption that places like Canada, the European Union, the former Soviet Union and all its satellites, Japan, United States and New Zealand were in, and then, in 2015, Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Saudi Arabia, United Arab Emirates and Venezuela would come in. And some other countries would come in later. That was the assumption you put in your modelling. You also modelled this when the economy was flat out. I suggest your modelling is not going to be terribly accurate. Does the Waxman-Markey bill impose a liability on open-cut coalmines for methane emissions or fugitive gases?

Mr Comley—The Waxman-Markey bill treats fugitives as a whole and says that the administrator, in general, can impose a liability on fugitives where there is a direct capacity to measure. However, it also states that the coal sector is not a covered sector. The combination of those two is that, at least on our reading of the bill, the Waxman-Markey bill does not impose a liability on methane emissions from coalmines.

Senator BOSWELL—Has the EU bill carved out mining?

Mr Comley—It is important to put this in context. It is clear in the European case because they have ratified Kyoto. Fugitive emissions from coalmines are included in the calculation of the emissions for the European Union's international obligations under Kyoto, so they are recorded and counted, and that impacts on their capacity to meet the cap. Fugitive emissions from coalmines are not included within the European emissions trading scheme, but that is not to say that there are not measures related to methane emissions in those sectors. I am happy to take on notice to see whether there are other measures that seek to mitigate methane

from those mines. It is quite important to understand that the European system covers broadly 40 per cent of emissions through their emissions trading scheme. They use a range of other regulatory mechanisms. We would have to have a look to see whether there is a regulatory mechanism that applies.

Senator BOSWELL—We have been told quite regularly that the coal industry in Europe is carved out of their ETS.

Senator Wong—I think what Mr Comley is explaining is that there are a number of ways in which you can achieve reduction in emissions. We think that the most effective way is to use a market mechanism to price pollution, to price carbon and to enable Australian firms, Australian businesses, to innovate, to reduce their emissions at the lowest cost and to take the economic opportunities that come from a drive to a lower carbon economy. Mr Comley is making the point that other countries or other nations may use different mechanisms to reduce emissions. The European Union have a narrower emissions trading scheme than we are proposing in the CPRS, but they have, in the sectors which are not covered, far more significant regulatory action than in a number of those areas in Australia. In fact, regulation of itself can also be understood as imposing a shadow price on carbon—it is simply a different means of achieving the outcome. We think a market mechanism is more efficient but other countries have taken a different approach, including regulation, which does impose a cost in a different way.

Senator BOSWELL—I would like to ask some questions on renewable energy. Do you have anyone at the table who can talk to me?

Mr Comley—If it is related to the renewable energy target then we can answer those questions.

Senator BOSWELL—I know I can ask them, but is there someone there who can answer them?

Mr Comley—Yes, we hope.

Senator Wong—The reason we are being a little bit reticent, Senator, is that some aspects of renewable energy policy and program delivery lie within Mr Ferguson's portfolio. I have responsibility for renewable energy target legislation.

Senator BOSWELL—If you think the answer is complicated, wait until you get to this. I understand the target ramps up from 12,000 gigawatt hours in 2010 to 45,000 gigawatt hours in 2020. Does this mean that in 2010, 12½ million renewable energy certificates will have to be created by generators and then purchased and acquitted by retailers? Is that how it works?

Mr Comley—Not necessarily, Senator. Let me just explain why that may not be the case. The general design of the scheme is that someone who generates an eligible megawatt hour of renewable energy can create a renewable energy certificate. That renewable energy certificate is tradable and someone who is a liable party, which is generally electricity retailers and some large users of electricity, has an obligation to purchase a pre-specified amount of renewable energy certificates. The reason that it may not be the case that you actually generate that precise number of megawatt hours or gigawatt hours in that year is that renewable energy certificates are bankable—that is, you create them in one year and they can be used in any

subsequent year. What that means is that the target you are referring to is the number of renewable energy certificates that must be acquitted in that year—that is, there will be a liability but it is not necessary precisely the number of renewable energy certificates that must be generated in that year.

Senator BOSWELL—Can I ask, is this how it works? Is one certificate equal to one megawatt hour?

Mr Comley—With the exception, Senator, that there is a transitional measure in which for small-scale photovoltaic generation the initial rate of creation of a REC is five RECs for every megawatt hour but aside from that exception the general rule is one megawatt hour is equivalent to one renewable energy certificate.

Senator BOSWELL—So in 2020 I calculate there will be 45 million certificates that will have to be created. Is that roughly within the ballpark?

Mr Comley—There will have to be 45 million certificates that are acquitted—that is, surrendered by liable parties. It may not be precisely that amount of renewable generation in that year because there may have been earlier generation that would be banked. In fact, the modelling that has been prepared for us indicates that there will be some banking of renewable energy certificates through the earlier period. In the renewable energy market at the moment there are currently a stock of banked certificates. My recollection is that there is about 8,000 gigawatt hours of banked certificates at the moment but I can check that.

Senator BOSWELL—We have all been allocated half an hour, so I am trying to get through this as fast as I can. If you multiply the estimated price of certificates by the annual target, does this give you a total annual cost to the economy of subsidising renewable energy generation? Is that a formula we can use?

Mr Comley—No, Senator. The issue here is, if you multiply the number of renewable energy certificates by the price of renewable energy certificates, you are calculating the amount that is paid to generators of renewable energy, but that is not the same thing as a cost to the economy because there is an element of that that is a transfer.

Senator BOSWELL—Okay. What would your best estimates of renewable energy certificates be from, say, 2010 to 2020? You have obviously modelled those.

Mr Comley—Yes. The modelling report has been released earlier this year. It is available on the department's website.

Senator BOSWELL—I could not find it, so I will look again.

Mr Comley—We are happy to provide that on notice.

Senator BOSWELL—What kind of additions to Australia's electricity distribution and infrastructure will be needed to support the entry of large amounts of intermittent renewable energy to Australia's electricity grids?

Mr Comley—Again, that has been modelled in terms of additional distribution infrastructure. That depends to a large extent on which renewable energies are taken up because that will depend on where they are distributed. I would also note that the Ministerial

Council on Energy commissioned the Australian Energy Market Commission to do a study including precisely that question.

Senator BOSWELL—What would happen if the energy industry failed to bring forward the kind of investment in generation and network infrastructure needed to deliver the mandated amounts of renewable energy? Would you invoke the shortfall penalty—in other words, if you set a target and the industry does not meet the target because of investments and it cannot produce?

Mr Comley—Yes. What happens is that you would move towards the shortfall charge. If there was an insufficient number of renewable energy certificates available in the renewable energy certificate market then liable parties would not be able to meet their obligations and they would pay the shortfall charge to the regulator to discharge their obligation.

Senator BOSWELL—If the shortfall penalty was breached, what would this mean for the price of renewable energy certificates?

Mr Comley—The price of renewable energy certificates we would anticipate would go to the shortfall charge. The shortfall charge has been set at \$65 per megawatt hour.

Senator BOSWELL—So you would pay \$65 and the \$40 that you normally pay for your normal electricity per kilowatt hour?

Mr Comley—You would be paying whatever the price of electricity at that point in time plus the shortfall charge but—and it is important to say this—not for all electricity but the proportion of electricity that would have been required to have been purchased under a renewable energy certificate.

Senator BOSWELL—What is the cheapest form of renewable energy generation? I believe it is wind. On the basis of the current wholesale electricity prices, what level of subsidy is required to make this form of renewable energy generation cost competitive?

Mr Comley—At the moment—and it is very important in these things to put the caveat ‘at the moment’ because the price of various technologies can change over time, and the renewable energy target runs for another 20 years, so there is quite a lot of time—wind is at the lower end of the cost production. If you observe the current renewable energy market that has stimulated a range of wind powered generators, the current renewable energy certificate price is around \$40 a REC. So that is clearly high enough to make a range of wind powered generators viable at that price.

Senator BOSWELL—So the certificate is \$40. Okay. Why would anyone use photovoltaic cells or any other form of renewable electricity if wind power is the cheapest?

Mr Comley—One reason is that the cost of photovoltaic may change. The second reason is that so far wind has proved to be the most cost-effective way of producing renewable power. But obviously wind relies on a range of things, including having appropriate sites. Those sites are subject to, typically, planning regulation et cetera and they have to be considered in regard to a combination of factors, including how intense the wind is and how close it is to the distribution system because when you generate electricity you lose some power when it is transmitted. At the moment, wind has been the most cost-effective renewable, but as you increase the renewable energy target you have to be mindful of what is likely to happen to the

availability of sites and how the cost comparison of that with others. What we have done is to model the likely roll out of renewable energy. It may turn out that other forms of renewable energy become more cost efficient. For example, the modelling of geothermal plays a significant role renewable energy generation past 2015.

Senator BOSWELL—Let me cut to the chase. If I have to buy electricity because I am a retailer, what would make me go and buy anything other than wind?

Mr Comley—Because it may be the case that other technologies are relatively cheaper than the wind that you would have to put on—that currently does not exist. It may be in less favourable sites.

Senator BOSWELL—Then why would anyone invest in an alternative other than wind when wind is the cheapest? Why would anyone invest in another means of renewable energy if wind is the cheapest?

Mr Comley—I think this is a very important point. It is probably not correct to say that wind is the cheapest with the view that you can increase the amount of wind without limit and pay exactly the same cost for each incremental unit of wind. For example, if you happen to have a wind farm that is on land that was very inexpensive, that is very close to a distribution system and very close to where the electricity is used it might cost you a certain amount per megawatt hour. If the next available site requires you to build a transmission line another 30 kilometres from the main trunk line, and if you also go to a site that is not as optimal in terms of the amount of the wind resource—it literally does not blow as much—the cost goes up.

Senator BOSWELL—Thank you, I understand that. But wind is \$100, photovoltaic cells are roughly \$200 and I cannot see why anyone would invest in photovoltaic cells when you can get wind. But let me—

Mr Comley—Sorry, Senator—between those technologies you also have things like geothermal, for which the estimates of costs are significantly below that photovoltaic number. To induce the amount of renewable energy certificates over time—

Senator BOSWELL—I cannot find a cost on geothermal. I can find one on coal, I can find one on wind, I can find one on photovoltaic cells but I am not able to access—

Senator Wong—The policy point of the renewable energy target is to bring on investment into renewable technologies earlier than would otherwise have been. It is the case that there are a number of technologies that have not yet been commercially deployed. There are technologies which are already being utilised. This is a substantial ramp-up in the target, in part to provide a market incentive for the private sector to invest in renewable energies. It is not the only thing the government is doing. This is in addition to the carbon price through the Carbon Pollution Reduction Scheme, which will build the cost of carbon into your energy choices. Another tranche of things we are doing is of course directly through the budget, and you might recall that the budget announcement included a very substantial investment into solar technology of about \$1.5 billion for the Solar Flagships program, which is in Minister Ferguson's portfolio.

I do not think anybody who is at the table is saying that all of this work is already being done. The point is we have not done this work. The previous government did not increase the

renewable energy target that was put into place and we are providing that incentive by increasing the target, because we want Australia in the years to come to have the choice as to what its energy options are—recognising that we have to reform our energy sector if we are to tackle climate change.

Senator BOSWELL—I have listened to you very carefully and I still cannot understand why people—

CHAIR—Can you wrap up please, Senator?

Senator BOSWELL—I will. You mentioned that the government will spend \$1.5 billion, which was announced last week, on a solar power initiative. Does that not suggest that solar power is so expensive that it must be subsidised? It has already got to be subsidised once, but now you are going to subsidise it again in an already heavily subsidised renewable energy market.

Dr Parkinson—I have a couple of observations. You said you could not find cost estimates. They are in the back of the previous government's Switkowski report—*Uranium mining, processing and nuclear energy—opportunities for Australia?*—and in the previous government's taskgroup on emissions trading report. They are in the MMA modelling that was done for the current government and they are in the Treasury modelling. I think they may even be in the Garnaut report as well. They are around, and we can always point them to you.

The other issue, though, is you are right that at the moment renewables are more expensive than fossil fuel based ways of producing electricity. There are two reasons for that. One is that fossil fuel based approaches do not take account of the damage being done to the environment by the emission of CO₂ and its equivalents. The very act of imposing a price through the CPRS will actually provide an incentive for greater use of renewables. The second thing to note is that your colleagues are sitting there with laptop computers. My guess is they cost around about \$3,000 each. If you go back to the first computers that were used in the Apollo 13 spaceship, they had an equivalent speed of about 6.4 megahertz. You are looking at machines that are many, many thousands of multiples of that, but they are broadly in the same sort of price range for commercial goods. Basically, it is a learning by doing issue. The more you do it, the more you are able to drive it. That is the experience of technology, whether it is computers, motor vehicles or renewables.

Mr Comley—We have a table from the MMA report which has the estimated costs of the various renewable technologies—wind, biomass, biomass steam, biomass gasification, concentrated solar thermal, geothermal, concentrated PV and hydro. We are happy to provide that to the Senator.

CHAIR—The committee will receive it as a tabled document. Thank you.

Senator BOSWELL—I will put the rest of my questions on notice.

Senator XENOPHON—Minister, in the Productivity Commission's annual report on government assistance to industry, they were quite critical of the permits that would be handed out. They warned that it would shift the burden of adjustment to other industries. The commission said:

... policies that counteract carbon leakage will most likely transfer the abatement task to other sectors. This will impose additional costs on other firms that must buy permits to emit greenhouse gases.

Essentially the commission is saying that the current approach would be too expensive and wasteful and make other firms bear the emissions. What is your response to that?

Senator Wong—I preface this by saying I have not read in detail the Productivity Commission's report, but I am somewhat familiar with the proposition you are putting. As the government, in the face of very significant calls for increased assistance to different sectors, we have made the point that this is a policy area where policy decisions have consequences. Our job as the government has been to try and determine what is in the national interest and to balance the different and competing perspectives and interests of different sectors of the economy and the environmental outcome that we all seek. It is the case that, if you allocate free permits, you are also making a decision that has the consequence of putting some additional work on the non-assisted sectors. I have been upfront about that. I refer you to a speech to an AiG forum last year where I made this point very clearly. Having said that, we also have to balance the argument—and I think it is a reasonable argument—that we are imposing a carbon price in Australia ahead of some of our competitor economies and that we want to avoid or minimise the likelihood of carbon leakage. We have to continue to support jobs in those industries that will face this carbon price at the same time as giving the incentive for investment in renewables, in the clean technologies of the future.

We have put in place the emissions-intensive trade-exposed sector's transitional assistance that reflects what we regard as a reasonable assessment of that balance. Different people, different firms have different views about where that balance is drawn. For example, our political opponents think that we have not given enough assistance, but we believe that this is an appropriate amount of assistance, given the policy objectives of the scheme. Again, I make the point this is not forever; this is assistance which recognises that, as a result of the introduction of the scheme, some firms will face a carbon price when their competitors, as yet, do not face one.

Senator XENOPHON—As I understand the commission's criticism, it was a question of whether it is the most efficient way of doing things in terms of the way the permits are to be allocated. There was an efficiency issue. Further to that, the commission has recommended or urged the government to establish a regular review mechanism to ensure that commitments are being kept, that targets are being met, as well as keeping the whole issue of permits under review. Is that something the government will be doing?

Senator Wong—We have already done that. That is in the legislation. We have included a five yearly review or a review, when commissioned by the minister for climate change. In fact, more clarity and detail is provided in the legislation than was in the exposure draft about how that review will operate.

Senator XENOPHON—I understand that but, as I understand the recommendations from the Productivity Commission, there was to be a more regular review mechanism than that or there was to be monitoring to ensure that commitments were being kept and that targets were being met as part of an ongoing monitoring of the scheme, unless I misunderstood the commission's recommendation.

Senator Wong—Perhaps I will ask one of the officers to assist.

Mr Comley—In the press release or in the fact sheet that was released at the same time as the 4 May package there was an inclusion in the scheme review that actually referred to the Productivity Commission, which said, essentially, ‘The expert committee will consider the following issues:

- whether broadly comparable carbon constraints (whether imposed through an explicit carbon price ...

It went on:

... this assessment will draw on analysis by an independent expert body (initially the Productivity Commission) of quantitative measures of carbon prices or shadow carbon prices in major economies.

So there is in fact a work program that has commenced within the department. We have had preliminary discussions with the Productivity Commission about how we might go about doing that. I think everyone who has looked at this question realises that this is something that will take a little time to do for exactly the same reasons we have talked about before: calculating the effective carbon constraint in another economy is actually quite a difficult thing to do on a comprehensive basis. But the Productivity Commission has explicitly linked in to that review process.

Senator XENOPHON—So their advice will be sought as part of the monitoring in terms of the commitments and the like?

Mr Comley—Yes, that is right.

Dr Parkinson—Absolutely. The other thing that was picked up in the PC review also focused on the plethora of complementary measures, pointing out that these are regulatory interventions that are imposed by a range of different jurisdictions and that there would be great merit in having a national approach to reviewing these and eliminating unnecessary interventions. That was the rationale for the Wilkins review. You will recall that the Wilkins review was conducted at the Commonwealth level, the results of which were announced in the budget. It was designed to strip out unnecessary interventions at the Commonwealth level. In the COAG process we sought and gained agreement of the states to do similar things. The PC is saying, ‘That is great but, better still, we need to keep pushing on that’—that is, we need to be continually observant on it.

Senator XENOPHON—Finally, insofar as the Productivity Commission has identified additional cost imposts on other firms, to what extent does the modelling and the analysis take that into account? Plenty of analysis has been done on that.

Mr Comley—The Treasury modelling actually incorporates that effect.

Senator XENOPHON—Yes, including the firms that do not get—

Senator Wong—One of the changes made in the announcement in early May—first was the delay in the commencement of the scheme by a year for the reasons outlined—was recognising that one of the key exposures, particularly for the firms who do not get free permits under the government’s model, is energy costs. That is the thinking behind the additional funding and early assistance for energy efficiency measures. In other words, if you are a business—either an SME or in a sector where your activity is not going to receive a free

permit—one of the ways you can prepare for the introduction of a carbon price is to become more energy efficient, thereby reducing your energy costs. You may recall there was additional funding and additional policy put in place—additional funding of \$300 million—and the commencement of the Climate Change Action Fund prior to the commencement of the scheme to enable these firms to engage in that work and engage in those changes so that when the carbon price is introduced they are able to insulate themselves to some extent from the impact of the cost.

Senator XENOPHON—Is that a pun?

Senator Wong—Sorry?

Senator XENOPHON—‘Insulate’—sorry.

Senator Wong—It was not a pun. It was not a ‘pink batt’ comment, Senator.

Senator CASH—In the interests of time I will place a lot of questions on notice, but there are two areas that I would like to canvass. The first is: when will average firms covered by the Australian scheme—that is, those which received no EITE assistance—be required to buy all of their permits?

Senator Wong—‘Average’ firms? Who—

Senator CASH—Firms not receiving EITE assistance.

Mr Comley—The scheme starts on 1 July 2011. The end of the first compliance period is 30 June 2012. The first date at which they have to put in their report is October 2012, and they would have to submit their permits by, I think, 15 December 2012. That is the first time they would have to submit permits to cover their liability.

Senator ABETZ—For what year?

Mr Comley—That is for the previous year. The way it all works is that you have—

Senator CASH—In 2011 they will need to buy—

Mr Comley—The compliance year is 2011-12, but I took your question to be: when did they first have to surrender permits? The answer to that is 15 December 2012. You would anticipate that particularly in that year, because it is a fixed price period, they would go to the regulator and purchase a fixed price permit on the day they put in their return, so that they minimise the cost.

Senator CASH—But as of 2011 they will need to purchase their permits?

Mr Comley—No. This is an important point.

Senator Wong—The acquittal—I think that is the phrase that Mr Comley always uses—is at the conclusion of the financial year. So if you think of it like any other financial year liability—

Senator ABETZ—But they are accruing liability throughout the year. They have to pay it at a later date.

Senator Wong—They can pay it when they acquit it. When we move to a market based system, some firms may choose to hedge their risks or manage that liability in a different way, just as firms already do in relation to a whole range of inputs and liabilities.

Dr Parkinson—Just to be clear, we would not anticipate that in that fixed price year anybody would want to buy permits before they actually had to acquit, because they would just incur a cost that would be unnecessary for them.

Senator CASH—Accepted. Under the European scheme, when will those same firms have to start buying all of their permits?

Senator Wong—The European scheme? Which ‘same firms’?

Senator CASH—Firms not covered by the EITE assistance.

Senator Wong—But who are liable under the scheme. Of course you know that there is a threshold below which you are not liable.

Mr Comley—The answer essentially is the same. Someone who is liable under the scheme in the European system pays in a ‘lagged’ way following the year of compliance.

Senator Wong—But their scheme is operating already.

Dr Parkinson—And has been since 2005.

Senator CASH—How many permits will European firms designated as emissions-intensive and trade-exposed have to buy after 2013?

Dr Parkinson—This is a very good question, and I am not sure that anybody quite knows the answer.

Mr Sterland—That has not been resolved yet. They are still having a policy process in Europe to determine both eligibility and the basis of that eligibility.

Dr Parkinson—There are two parts to that. One is the allocated baseline for those firms and the other is the proportion of permits they would get for the allocated baseline. The baseline need not be—or at least from what we can see at the moment it does not appear intended to be—100 per cent of their emissions. So they may get, as an extreme, 100 per cent of a baseline, but the baseline may not be 100 per cent of emissions. Because all of that is in flux, nobody can be fully confident of where that will come out.

Mr Sterland—When looking at the European scheme, there are the same issues that we spoke about with the Waxman-Markey bill. People can have the same misunderstanding because they set pools for different industries in history and so they often talk about 100 per cent of that, but it is of an historical number and the industries have grown since and so it is representing a lower proportion of their current emissions they get allocated by free permits.

Senator CASH—In relation to the Waxman-Markey draft legislation, there was some discussion this morning in relation to how you would actually compare the various regimes. It has been put to me that the simplest and most accurate comparison of the relative burden that will be between existing and emerging ETS schemes is the overall level of auctioning. The proposed CPRS legislation in Australia proposes a 70 per cent auctioning of permits from the schemes start. The draft Waxman-Markey bill envisages an auction level of 15 per cent. In the first eight years of the EU scheme, the auction level was between two and three per cent. Can I get your comments on that proposition.

Mr Comley—That is just simply wrong. There are a number of ways you can calculate the effective cost impost for different players, but the level of auctioning is not a measure that

directly correlates with that. Just to illustrate that—which is probably the best thing—for example, we talked earlier with Senator Boswell about the support for workers assistance. In the Waxman-Markey bill that is permits allocated for that purpose. So you could say that is not auctioning. Effectively someone is immediately going to sell those to turn that into money to be able to fund that scheme. That clearly does not relate at all to whether liable parties are actually bearing a level of that cost because they are going to have to go and purchase some of those permits to meet their liability. In the same way, the 40 per cent that is allocated to the electricity sector in the US system is effectively a way of compensating primarily households. In the Australian system you auction the permits and then provide 50 per cent of the revenue to households. So the level of auctioning is not the right way to analyse what the overall impost on a particular sector is.

Mr Sterland—One of the key lessons from Europe that for some reason surprised people there was that the cost does not correlate to the free permit allocation. There was a carbon price and people received their free allocation. The carbon price had an impact on consumers and other industries. That gives much more of a sense of where the cost of the scheme comes from. So the role of permit allocation is often to do with the distribution of those costs rather than the aggregate overall cost of the economy. In Europe, households would have faced a significant proportion of the cost there but were not explicitly compensated. That is the difference, really, between the different approaches. In the Australian approach, the government made a decision to auction to provide free permits for particular policy purposes where that was appropriate—such as the coal-fired electricity generators—and auctioned the rest so that it could provide targeted support to those groups in the community that were impacted by the scheme. So really this issue is one of distribution and not aggregate cost.

Senator CASH—Thank you for that. I would like to turn now to an area which affects my home state of Western Australia: Griffin Energy. Have members of your department, or have you yourself, Minister, met with Griffin Energy in relation to the CPRS?

Mr Sterland—Yes.

Senator CASH—You have? And on how many occasions do you believe you have met with them?

Mr Sterland—I would have to take that on notice. It has been one of my staff who has been primarily involved with the energy sector and who may have met them in both bilateral meetings or in industry meetings at times, so it would be better to be accurate on that. But it would be, I think, a number of times.

Senator CASH—On that basis the questions are perhaps better directed to you, Mr Sterland. Has Griffin Energy raised concerns with you or the department regarding contractual impediments to carbon cost pass-through?

Senator Wong—Before Mr Sterland answers that, can I say that I have no difficulty in responding to propositions. I do have some difficulty giving you chapter and verse of what was said in a meeting in the absence of there being a clear understanding with particular stakeholders that details of conversations would be made public in an estimates hearing. So if you want our response to a proposition around X we will deal with that in the normal course,

but I am always uncomfortable with being asked to give details of everything a particular firm said to us in the absence of our having agreed that that be made public with a particular firm.

Senator CASH—I can accept that. I will phrase it in this way, then: Minister, are you aware that the WA electricity market is different to the eastern states electricity market in that WA has a high dependency on electricity generation from gas from the North West Shelf which is transported to the south-west through the Dampier to Bunbury pipeline, and this gas dependency will continue to be the case even if there is an attempt to replace coal?

Senator Wong—It has been raised with me by stakeholders from various states as to what they regard is the particular situation of their energy market, and the perspective you have just put to me has been among those put to me.

Senator CASH—Excellent. Could I ask what you understand to be the distinguishing features of a competitive spot market compared to a market based on bilateral contracts?

Mr Comley—I can provide you a general answer to that question but that would actually depend a little bit on the purpose of why you are asking the question. I do not mean to obfuscate; it is just that the particular element of the difference between spot and contract markets—

Senator CASH—In relation to carbon cost pass-through.

Mr Comley—Okay, that is useful. The broad answer to that question is that over the medium to long run you would expect that there would be very little difference in the overall price outcomes between a contract market and a spot market.

Senator CASH—Did you say medium to long term?

Mr Comley—Yes I am just going to finish. So in the short run—that is while you have a fixed contract in place—then obviously you do not have the same pass-through as you expect on a spot market because parties may be locked into those contracts in some way. So you have to be careful because the precise nature of the contracts will depend on how a new cost is dealt with. So if the contract, for example, foreshadowed something like the CPRS then you may have a conscious allocation of that cost between the two parties. So in the short run the precise nature of pass-through will be driven by the nature of the specific contracts which would be—

Senator CASH—On the basis that there is no ability to pass-through the costs and the contracts are locked in for, say, a period of 15 years, what is the effect of that?

Senator Wong—You are asking Mr Comley to make assumptions about what the contractual provisions are. This is not only an issue in the context in which you are raising it; it is an issue in relation to a number of long-term electricity contracts for specific firms not in WA. So this is not an issue specific only to Western Australia.

Senator CASH—No, I appreciate that.

Mr Comley—If I could just add to that, we have had instances where two parties to a contract—

Senator Wong—Both say the opposite thing about how the contract operates—

Mr Comley—Yes, they both say the opposite thing about how the contract deals with the pass-through. So the reason we have to be very cautious here is that we have not just one instance but a number where that has occurred where there is a different view about the nature of the contractual provisions.

Senator CASH—Could I move on to the Electricity Sector Adjustment Scheme, and ask how the allocation of this assistance was determined?

Senator Wong—It was a decision of the government. I can ask Mr Comley to explain the way in which we—

Senator CASH—Determined that the assistance would be—

Senator Wong—Determined the criteria, I suppose, for the assistance to be provided.

Senator CASH—Yes, thank you.

Mr Comley—There are really two key decision points in the assistance. One is the overall quantum of assistance and the second is the allocation of that assistance—the method you allocate them. If I go to the second point first, the way in which the assistance is allocated is to use an emissions intensity of a particular generator and the deviation of that emissions intensity from the average across Australia for fossil fuels. We commissioned three different modelling outfits to calculate the amount of impacts on profitability associated with the arrangements. Those models broadly have the same structure, which is that those that have the highest emissions intensity in general are going to be the least able to pass on the full amount of costs. That accords with your general understanding that you may bear a high cost but if your competitors do not bear as high a cost it is hard for you to pass that on. So the formula in the legislation allocates according to calculating the difference between your intensity and the average intensity, creating effectively that weighted by the amount of electricity that you generate and then distributing the pool among generators in that way. So if you are below the average intensity you receive no payment under the ESAS; if you are above you receive payments, and the further above you are the greater the extent of the payments. So that is the broad methodology applied to distribute the pool. The size of the actual pool was informed by the calculations from the models of the extent of the expected change in asset values that occur for generators. But it was also informed by the general need for the package to be funded and considerations that had to be taken into account in terms of those models implicitly assuming that this was a completely unforeseeable event. So you have to think about what is the case if it was not an unforeseeable thing, at least in some circumstances.

Senator CASH—It has been put to me that the Treasury modelling in relation to the ESAS assistance did not distinguish between the elements and assumptions that comprise a competitive spot market relating to the eastern states' electricity market and the market based on bilateral contracts used in WA when determining the amount of assistance that is actually going to be handed out and, on that basis, that WA is discriminated against in the amount of assistance allocated. Can you comment on that?

Senator Wong—I will ask Mr Comley or Dr Parkinson to respond on the detail of those assumptions. But I would like to make a macro point, Senator. Essentially the government is being asked by a number of different parts of the electricity industry for different things. So you put that view as a senator for Western Australia. I suspect you would get a very different

view from your colleagues from Queensland, Victoria, New South Wales and South Australia. The second point I would make is that if there is additional assistance that the opposition is seeking for ESAS, the question then becomes: where does that come from? The government is not going to be increasing payments out of the budget, given the fiscal situation and the importance of discipline around that. It either means a reduction in assistance to the emissions-intensive trade-exposed sector, which also is one of the criticisms your colleagues make, or it is a reduction in assistance to households—that is, Australian families. So I did want to make the point that this is a very significant set of assistance to the electricity sector. I understand there are differences in views. As I said, they are not unanimous or homogenous, and I do understand the perspective that is being put from Griffin and others in Western Australia.

I will ask Mr Comley to respond. You asked specific questions about the assumptions in the modelling.

Senator CASH—Thank you.

Mr Comley—It is not true to say that the Western Australian market was not modelled independently of the other markets. In fact, in chapter 13 of the white paper the government published a table that outlined the state by state breakdowns that were conducted for each of the three electricity market models. That table has estimated price changes for Western Australia, which is separately identified from the other states, as it is for all the other states. It is broken down to subperiods 2010-15 and 2015-20. That is all reported in the white paper.

Senator BERNARDI—There is a lot of interchange of terminology in this portfolio area. Can you explain to me, Dr Parkinson, the difference between what you mean by climate change and what is meant by global warming?

Dr Parkinson—We talk about climate change writ large, because there will be a range of different impacts on the environment. For example, some parts of the world will become significantly warmer and you will find, both there and in other parts where the temperature does not change anywhere near as markedly, significant changes in rainfall patterns. Those changes in rainfall patterns can be damaging if the frequency and severity of very severe weather increases, and even if there were no change in total rainfall but the pattern across the course of the year changed that would have significant impacts on, for example, agricultural productivity. We tend to refer to it as climate change.

Senator BERNARDI—Is climate change avoidable?

Dr Parkinson—There is some climate change that has already occurred, there is some climate change that is, on the basis of the scientific evidence, in train and not avoidable and there is a huge amount of risk here that, through early action, is avoidable and can be ameliorated, but that requires beginning to undertake action now. Indeed, had action been taken a decade ago, the odds would have changed.

Senator BERNARDI—I do not need that commentary. I am just interested in what—

Dr Parkinson—I am just making an observation. If it had happened 20 or 30 years ago it still would have been the same, but the longer you delay—

Senator BERNARDI—Thank you. What, then, is unavoidable climate change?

Dr Parkinson—I might invite Mr Carruthers to reflect on the science on this, but what you are dealing with is a risk management problem. People buy insurance against their house burning down. They do not do it because they are convinced their house is going to burn down. They do it because the risk for them, if it turns out to be right, is essentially catastrophic. So even somebody who is at the sceptical end in their attitude to climate change—not a climate change denier but a sceptic in the true sense of the word—should rationally expect that taking out insurance would make sense. But, as you move further away to taking account of the weight of scientific evidence, I think that, continuing to regard it as a risk management exercise, you would want to take more and more action.

Senator BERNARDI—I will ask my question again because you did not even touch on it. Tell me: what is unavoidable climate change?

Dr Parkinson—That a component of climate change that is underway at the moment and likely to occur because of the CO₂ concentrations that have already been put into the atmosphere as distinct from those that will be added to the atmosphere by continuing to wait, delay and defer action.

Senator BERNARDI—So unavoidable climate change is because of CO₂—I will accept this premise. But what are the consequences of the existing CO₂ in the atmosphere right now? If we emitted no more carbon dioxide, what is the unavoidable climate change we are going to suffer?

Dr Parkinson—I will ask Mr Carruthers to add to this, but if you stop emitting all greenhouse gases overnight then you would still face over the next two to three decades a rise in average global temperature and, with that, consequential changes to severity and frequency of extreme weather events, changes in rainfall pattern and the like. So there are implications for agricultural productivity, hence the concern about the future of the Murray-Darling Basin and all those things. Even if you could turn it off overnight, there is a pipeline of climate change to which we will have to adapt. The longer we wait, the bigger that problem will become.

Senator BERNARDI—I will accept for the purpose of my next question that that is correct. Would all of those effects be evident within a few decades—the unavoidable climate change?

Dr Parkinson—They are already—

Mr Carruthers—No, Senator. What we are dealing with here is that climate change is being caused by greenhouse gas emissions. If we take the principal greenhouse gas, carbon dioxide, it has an average life in the atmosphere of about a century. So each tonne of CO₂ that is being put into the atmosphere today will have an average life of 100 years. Day on day, it will be contributing to the warming and other climate change of the world. That is irreversible. At the same time, the earth is slow to respond. Some parts of the earth will respond more quickly to the change in the energy balance in the atmosphere; others will be slow. If we take the case of the warming of the oceans, whilst temperature may come to a new raised stable level after a matter of decades in the case of sea level rise, that will still be playing out over a couple of centuries. So we will not see the full repercussions of a tonne of CO₂ that we put into the atmosphere today for perhaps a couple of centuries.

Senator BERNARDI—The reason I am asking these questions is because you are conducting a report into unavoidable climate change and the impact on infrastructure until 2100. Is that correct?

Mr Carruthers—Correct.

Senator BERNARDI—Dr Parkinson suggested that there were several decades worth of impact. You are suggesting it could be two centuries worth of impact.

Mr Carruthers—It depends on the nature of the impact.

Senator BERNARDI—How big is the study going to be? Tell me about the study into unavoidable climate change.

Mr Carruthers—The department currently has two studies in progress in relation to climate change and infrastructure in Australia. One is an assessment of the vulnerability of different classes of infrastructure, such as electricity, transport and so on to the changing climate system caused by human effects. The second study, which will be commissioned shortly and which we have gone out to tender on, is looking at the economic cost to Australian infrastructure from climate change.

This is part of an expanding engagement that is going on with the Australian infrastructure sectors. For example, there will be a major meeting in Sydney next week with a whole range of infrastructure industries to continue examination of this and how we might respond to this very significant question of the implications of climate change for Australian infrastructure.

Senator BERNARDI—Given that you said earlier that the impact could go on for two centuries, why have you only chosen to study the economic impact on infrastructure up to 2100?

Mr Carruthers—In terms of beginning to consider how we might engage in infrastructure planning in Australia for the future based on the future climate condition, which will be different to the past climate condition, it is appropriate to think of it in terms of the economic life of infrastructure. So, if we are investing in new ports, new roads and so on, as the government is at the present time, the question is: how do we safeguard that infrastructure for the purposes of its economic life? That is typically, shall we say, 40, 50, 100 years. So, in terms of economic efficiency, it make sense to look at the coming decades, maybe through to the end of the century. It does not make a lot of sense to be trying to plan around the condition of infrastructure, say two centuries away.

Dr Parkinson—In addition to that, as Mr Carruthers says, you would have multiple capital cycles—turnover of capital goods infrastructure investments—in that time. It would be negligent of government today to not begin to take into account not today's weather and climate conditions but the potential. That is why, if you are looking at asset lives of 50 or 100 years, you need to basically be taking some of those decisions today. Unfortunately—we should all be open about this—there has not been as much work done on adaptation as there has been on mitigation, because historically you have had the odd situation where those people who believe you have to avoid any further increase in emissions do not want to talk about adaptation because it is an acknowledgement that we might not be able to stop all future increases in CO₂ concentrations, and those people who completely deny climate change do

not want to talk about adaptation, or have not wanted to talk about adaptation, because it is acknowledging that climate change is real. As a result, if you think of the three pillars of government policy—mitigation, adaptation and international engagement—adaptation is, in a sense, the one that is most undercooked.

Senator BERNARDI—Dr Parkinson, am I correct in presuming that in, all of the modelling you are doing, you are assuming an increase in global temperatures?

Dr Parkinson—That is the whole premise of the analysis here—what are the costs of action; what are the costs of inaction?

Senator BERNARDI—With regard to rising temperatures?

Dr Parkinson—With regard to climate change writ large. It is not just the fact that the temperature will get higher; it is: what are the indications of that? What are the implications of that for water security, because, frankly, significant proportions of the world's population, which already have difficulties with access to clean water, will have difficulty with access to water at all. We will see significant impacts on agricultural productivity and significant impacts on human health. To not do anything about these things is to consign your children, my children and the grandchildren of everyone here to a significant deterioration in—

Mr Carruthers—Could I just give a practical example here?

Senator BERNARDI—No, I just want to ask another question. Have you considered at any stage what happens if global temperatures do not rise and actually fall?

Dr Parkinson—If global temperatures fall in any particular year? Do you mean if it turns out that climate change is not real?

Senator BERNARDI—If they fall over future generations. This is the thing.

Dr Parkinson—No, I am asking the question.

Senator BERNARDI—It is not your job to ask questions, actually.

Dr Parkinson—Point taken. I was seeking clarification.

Senator BERNARDI—The issue is that if global temperatures do not rise—

CHAIR—I just draw it to the committee's attention that it is not helpful if we continue to have cross-dialogue. The process of estimates is to ask questions and then to have them answered.

Senator BERNARDI—We are. I thought we were having a very effective engagement then, quite frankly.

Senator JACINTA COLLINS—You are not reflecting on the chair, are you, Senator?

Senator BERNARDI—My question is: if all the models and presumptions are that global temperatures are going to rise, have you investigated or thought about at all the implications if global temperatures actually fall in coming decades? Are you modelling that? I would regard that as climate change, albeit it is a slightly different definition from the one you gave me before.

Mr Carruthers—The science is clear that the temperature of the earth has already risen over past decades, and the Intergovernmental Panel on Climate Change has concluded that a

large part of that warming is due to human interference with the climate system and not to climate variability. Looking to the future, as we continue to add more and more greenhouse gases to the atmosphere, there is a whole body of science in different disciplines, taking different approaches. When you assemble that as a whole picture, which the Intergovernmental Panel on Climate Change does, it leads to the clear conclusion that we can expect an underlying trend of continued warming so long as we continue to put more greenhouse gases into the atmosphere.

Senator BERNARDI—Is the answer no? You have not done any modelling on what happens if climate change actually results in cooler temperatures?

Senator Wong—The government accepts the consensus science around climate change. You may not, and that is your right.

Senator BERNARDI—I am simply asking questions.

Senator Wong—The government does accept the consensus science from the IPCC, the CSIRO, the Garnaut review and numerous other publications which confirm the reality of climate change; the risks to the globe, including Australia; and the fact that human activity has contributed to it.

Senator ABETZ—But wouldn't the answer be that you do not believe that that is going to occur and that is why you did not model it? Surely that is the answer, and it would have been a very brief, honest answer to Senator Bernardi.

Dr Parkinson—That is a fair summation.

Senator ABETZ—Yes, rather than having all this material that does not go to the direct answer.

Dr Parkinson—Sorry, Senator. I was saying that I think that what you said initially was a fair summation. The weight of the scientific evidence is pointing in one direction, in the same way that scientific evidence points to the fact that gravity exists so that balls fall when you drop them. We do not go and model whether a ball falls upwards when it gets dropped, because the weight of scientific evidence is not pointing us in that direction.

Senator BERNARDI—Wong's law of climate change!

Senator Wong—No, I think it is Bernardi's law of gravity, actually.

Senator BERNARDI—I cannot take credit for gravity, Senator Wong.

Senator Wong—Bernardi's goes the other way around, apparently.

Senator BERNARDI—You may give me any number of special talents, but gravity is not one of them.

Senator CAMERON—You shouldn't take credit for knocking Malcolm off the caucus!

Mr Carruthers—Senator Bernardi, I have taken your questions as relating to modelling in relation to climate change.

Senator BERNARDI—Yes, quite.

Mr Carruthers—Climate change is defined in the UN Framework Convention on Climate Change as relating to 'change of climate which is attributed directly or indirectly to human

activity' et cetera. Dr Parkinson stated very correctly that the science is pointing out very clearly that the trend is one way: it is a warming world and a changing climate in other ways in terms of ocean acidification and the occurrence of extreme events. Could there be circumstances in which the world could cool which are not part of climate change? The answer to that is yes. If the earth were hit by an asteroid, the earth would cool.

Senator Wong—We are not hoping for that scenario, Senator.

Senator BERNARDI—I am pleased to hear that.

Senator Wong—I hope you are not too.

Senator BERNARDI—I was not going to go down the asteroid path, let me tell you. At what point would the department consider that a warming trend had been reversed? How many years of nonincrease in temperature, of non-average increases in temperature, or indeed—

Dr Parkinson—Sorry?

Senator BERNARDI—You talked about trends before. At what point would you admit that the trend had ceased?

Dr Parkinson—It would not be up to the Department of Climate Change to reach that view independently. We would be guided by the weight of the scientific advice. As to that, were the IPCC to turn around and conclude that was indeed the case, we would respond to that.

Senator BERNARDI—So you simply respond to external inputs—

Dr Parkinson—No—

Senator Wong—Come on, Senator Bernardi.

Dr Parkinson—What I am saying is that we are responding to the weight of the scientific evidence.

Senator Wong—That is right.

Dr Parkinson—If the weight of the scientific evidence turned around tomorrow and said it was not the case then we would have to react to that. We would have to respond to that.

Senator ABETZ—Yes, but can I—

Dr Parkinson—Sorry, if I might finish that: this is not a matter of zealotry, Senator.

Senator BERNARDI—It sounds like it.

Senator Wong—I beg your pardon?

Senator BERNARDI—I said it sounds like it is.

Senator WONG—I think, actually, right back at you, Senator. I would respect the opposition's position more on this if they just came out and said, 'We don't believe that human activity causes climate change,' because—

Senator BERNARDI—We do not care if you respect the opposition's position, quite frankly.

Senator Wong—quite clearly you do not. Frankly, your party should just say that and say that is why you want to vote against the—

Senator BERNARDI—We are asking questions, Senator Wong, and we—

CHAIR—Can I have some order.

Senator BERNARDI—are getting sermons. I am not interested in sermons; I am interested in—

CHAIR—Order! I asked for some order!

Senator Wong—You are putting a position that is not supported by the consensus science. You should acknowledge that.

CHAIR—Minister, there is a point of order before the chair. Senator Sterle.

Senator STERLE—I was listening intently to the minister's answer, and all I could hear was Senator Bernardi shouting over her. I would ask that we hear the minister's answer.

CHAIR—On the point of order, I have reminded members of the committee that the process for estimates is one of asking questions of the witnesses and allowing the witnesses to respond, which will assist Hansard in recording the proceedings and me to be able to chair these estimates. The minister had the call.

Senator Wong—Thank you, Chair. I was responding to the accusation of zealotry from Senator Bernardi. Can I make the point that that is far more given from his side of the table than this side. The reason the government has the view that climate change is occurring and that human activities contributed to it is that the weight of consensus science across the globe backs that view. We think it would be irresponsible of a government not to act on that advice.

Senator BERNARDI—Minister, I have asked a number of questions, and it has been pointed out already by Senator Abetz that the answers could have been very straightforward and simple, but instead we get sermons from the mount about how this is meant to be, and I think—

Senator Wong—I really object to that use of religious language. I really do—

Senator BERNARDI—it is absolutely wrong.

Senator Wong—because that is not something that we have said.

Senator BERNARDI—The minister is interrupting me, Chair—on a point of order. You cannot have two rules.

CHAIR—Minister and Senator Bernardi—

Senator Wong—You have accused us of zealotry.

Senator BERNARDI—You cannot have two rules.

CHAIR—Minister, Senator Bernardi had the call, but I—

Senator BERNARDI—I have no further questions, Chair.

Senator ABETZ—Chair, if I may, I did have a supplementary, directly relevant—just briefly.

CHAIR—I call Senator Abetz, with a supplementary to that issue, and then we will be going to Senator Brown.

Senator ABETZ—I think there is an important element in Senator Bernardi's question, and it is this. Hopefully, if all this remedial action is going to have a beneficial impact, we will see temperatures fall and a decrease in global warming.

Dr Parkinson—No—

Senator Wong—What we will see is less dramatic climate change than is currently likely to occur if projections are correct. Through you, Madam Chair, I do want to just place on the record that I do not think it is appropriate for Senator Bernardi to suggest that we are behaving as zealots. He used the word zealotry. To suggest that the department and/or the minister are making sermons on the mount is unhelpful language. I do not think it is appropriate to the situation. Senator Bernardi has a right to disagree with—

Senator ABETZ—But you are allowed to call him a denier.

Senator Wong—Senator, he is a denier. He denies that climate change is caused by human activity.

Senator ABETZ—So it is all one way—

Senator BERNARDI—We clarified it earlier—

CHAIR—Thank you, senators; the minister has the call.

Senator STERLE—Can the denier quieten down? I can't hear.

Senator Wong—If I can finish: Senator Bernardi is entitled to a different point of view. He is not entitled to dismiss a view that is supported on very rational grounds as simply zealotry.

Senator BERNARDI—Sorry, I am—

CHAIR—Senator Brown has the call.

Senator ABETZ—On a point of order, Chair, can I just let it be noted that I was halfway through my question when the minister interrupted.

CHAIR—I am sorry, Senator Abetz; I thought you were finished.

Senator ABETZ—The *Hansard* will disclose that. Keep on with Senator Brown, because we are not going to get an answer anyway.

CHAIR—Senator Brown.

Senator BOB BROWN—This is from this morning, about the mistake in the joint press release of 4 May which the Prime Minister, you and the Treasurer issued. Part of the conditionality of the government's new targets was:

... an ambitious global deal to stabilise levels of CO2 equivalent at 450 parts per million or lower by mid century.

We have established that 'by mid century' was a mistake. I noticed in the press a pretty swingeing criticism of the Australian government's conditions from a highly placed Chinese commentator just two days ago. Has the government notified China and indeed the United States, New Zealand and other countries about the mistake in the press release and the

statement from the Prime Minister, given that this is what the reaction is based on, not the explanatory memorandum or some other piece of documentation that the government is forwarding in preparation for Copenhagen?

Senator Wong—We have provided formal submissions to the United Nations negotiations in relation to our revised targets. I know my officials have briefed a range of their counterparts in the international negotiations, and I have had a discussion with a range of my ministerial level counterparts both by telephone and also in person at the most recent major economies forum meeting. This issue has not been raised with me. As I said, the conditionality in the table that is attached was the subject of discussion, certainly at ministerial level. I outlined in my presentation to the MEF the rationale and detail of the conditions that the Australian government had put into place. Ms Sidhu could perhaps assist in terms of the formal submissions to the United Nations.

Ms Sidhu—We have put in one submission to the United Nations Framework Convention on Climate Change jointly with a number of other countries that have put out their mid-term targets—that is, their targets out to 2020, by and large. In that submission, we do spell out five to 15 and our 25 per cent target. We are in the process of preparing a submission at the moment that we will be submitting shortly to the United Nations that does spell out the full story around the 25 per cent target.

Dr Parkinson—I will just add to that. There has been extensive dialogue with international counterparts. It has been the attachment to the press release which set out the conditions, which makes no mention of ‘mid century’, which has been essentially the vehicle. It would have been better if it had not said ‘mid century’ in the text, but the conditions which lay out the circumstances under which the government will pursue 25 per cent do not have those words in them.

Senator BOB BROWN—But the point is that the Prime Minister’s statement not once but twice at least makes that mistake.

Senator Wong—The point is, Senator Brown, that you have raised this; I have put on record our position; you have put out your press release and you have made your point. I have acknowledged the error. We have made it clear to you that that is not what is contained in the explanatory memorandum to the bill and it is not the basis on which our international discussions have occurred.

Senator BOB BROWN—Would it be better if I wrote to the other governments involved or that you wrote, Minister, and explained the mistake?

Senator Wong—I suppose you could write to them and say that the Greens are proposing to oppose the legislation and see how they respond to that.

Senator BOB BROWN—Certainly—but to explain that the Prime Minister’s press release is wrong on conditionality. He is out by a century.

Senator Wong—We will ensure that the formal submissions to the United Nations reflect the position of the government in all the other documentation to which we have referred you, Senator.

Senator BOB BROWN—I want to raise the issue of the release of a paper this week at the global business summit on climate change by Tim Flannery, former Australian of the Year and Australian scientist and Chair of the Copenhagen Climate Council, which calls on the UN and, inter alia, says:

Because a significant proportion of the CO₂ reduction required by 2020 comes from the sequestration of carbon in forests and agriculture lands, an effective climate treaty must facilitate such sequestration. If emissions reductions targets are to be met, there is an immediate need to protect forests and enhance carbon sequestration.

Is the government contemplating protecting Australia's native forests and woodlands to enhance carbon sequestration and meet this call from that business council?

Mr Carruthers—I think it is very clear that in pursuit of ambitious international emissions reduction targets all avenues of emissions mitigation need to be pursued, whether that be in terms of energy or management of agriculture and land systems. In the case of what the government plans in management of native forests, the existing position of the government on management of native forests is on record. What future intentions the government might have in that space is a matter for the government to determine.

Senator BOB BROWN—Certainly. Can you tell the committee, then, what the volume of greenhouse gases emitted by deforestation and the loss of native woodlands in Australia is per annum?

Mr Carruthers—Yes. We publish deforestation emissions each year in the National Greenhouse Gas Inventory. I believe the minister will be releasing very shortly the next edition of the National Greenhouse Gas Inventory, and we show year-on-year those trends. I do not have the exact number for the last inventory at my fingertips, but it is on the public record.

Senator BOB BROWN—Is logging of forests which is replaced by regrowth or plantation forest counted as deforestation?

Mr Carruthers—Under the Kyoto accounting approach—

Senator BOB BROWN—Under your accounting which you are releasing.

Senator Wong—If he could finish—

Mr Carruthers—Australia publishes two inventories, one under the UN framework convention and one under the Kyoto protocol. In both cases, if there is not a land use change then it is not defined as being a deforestation event; rather, it is under continued forest management. I do appreciate there are broader considerations attached to that, but that is the accounting approach set out in the international rules.

Senator BOB BROWN—Do you or does anybody in government know what the emissions are from deforestation which is followed by regeneration burns in Victoria and Tasmania?

Mr Carruthers—We do not publish information in the inventory that is that specific.

Senator BOB BROWN—The question was: do you know?

Mr Carruthers—We publish inventory trends from the overall management of the forest estate.

Senator BOB BROWN—Do you know what that component is?

Mr Carruthers—No, Senator.

Senator BOB BROWN—Then how do you know what the overall output is?

Mr Carruthers—We produce an inventory account for the totality of the forestry estate, which is specific for each land unit area, but the total account is not broken down into a variety of subclasses in the detail that you indicate.

Senator BOB BROWN—How do you know the total if you do not know the component? Let me put this question specifically to you. It is established by other observers, presumably, that in Tasmania, for example, regeneration forest burns produce more greenhouse gases than the rest of the Tasmanian economy put together, including its transport system. Are you aware of those figures? If you are not, how do you measure the volume of greenhouse gases coming out of deforestation if you do not know what the figure is for deforestation followed by replantation or regrowth?

Senator Wong—I think you have referenced a particular study previously. Is this the same study?

Senator BOB BROWN—I am just asking for the government knowledge.

Senator Wong—I am just trying to clarify the basis of the question. Do you have the details of the study to which you are referring? I think you have previously raised this. I do not know if it is the same study.

Senator BOB BROWN—There is a study called *Green carbon*, from the Australian National University.

Senator Wong—I think it is the same one.

Senator BOB BROWN—Mr Carruthers has said you know the overall figure for emissions from forestry processes and woodlands processes in Australia. I am asking for the component which comes from the logging of forests where there is replacement with plantation or regrowth.

Senator Wong—Logging of forests where there is replacement with plantation or regrowth?

Senator BOB BROWN—Yes.

Mr Carruthers—The accounts are not broken down to that fine subcategorisation.

Senator BOB BROWN—How do you come to the total if you do not know what that component is? It must be measured, mustn't it?

Mr Carruthers—For the purposes of the general forest estate, it is done more in terms of a broad regional picture, if you like. In the case of the deforestation account, that is a highly detailed spatial representation, but at the present time it is not the same highly spatial representation for forest management—for example, the situation that you describe of the logging of a native forest and replanting with, say, an exotic species.

Senator BOB BROWN—Let us be clear about this. The government does not know what component of greenhouse gas emissions the logging of forests with a view to keeping the forest estate there—that is, by replacement with plantations—contributes in the national inventory?

Mr Carruthers—We do have that as an overall national picture, consistent with the accounting approaches that are called for by the UN and as applied in other countries, but we do not have that at a detailed local scale.

Senator BOB BROWN—I put it on notice that you provide the committee with the work and the information that you do have on that.

Mr Carruthers—Yes, I would be very happy to do that. I think Senator Milne raised that request in another Senate committee inquiry recently, and that is being provided.

Senator BOB BROWN—And I am aware that she has not got that information. Finally, I just want to ask about comments from Professor James Hansen. You have had reference to this before. He is the director of the NASA Goddard Institute for Space Studies and he is also a director of a unit at the Columbia University Earth Institute. I quoting here from an address he made to the House select committee in the United States, where he said:

CEOs of fossil energy companies know what they are doing and are aware of long-term consequences of continued business as usual. In my opinion, these CEOs should be tried for high crimes against humanity and nature.

He has also said that he has asked the Rudd government, here in Australia, to have a moratorium on new coal fired power plants, because, he says:

... coal is the single greatest threat to civilisation and all life on our planet.

He goes on to say:

The trains carrying coal to power plants are death trains. Coal-fired power plants are factories of death.

He also said that one plant in the United Kingdom ‘would be responsible for the extermination of about 400 species’, if its proportionate contribution to greenhouse gases and estimations of the loss of biodiversity were worked out, if carbon dioxide rose another 100 parts per million. And, finally:

The Australian government was elected on a platform of solving the climate problem, but then, with the help of industry, it—

and he is talking about the Rudd government—

set emission targets so high as to guarantee untold disasters for the young ... the unborn.

These governments are not green. They are black—coal black.

Does the government have a response to the strength of feeling this most eminent of global scientists has about Australia’s failure to perform?

Senator Wong—He is entitled to his opinion; we disagree with it. We are seeking to do what no previous government has done, in the face of significant political opposition in this parliament, and that is to put a price on carbon to start this economy turning from a high-carbon economy to a low-carbon economy. We have put a target on the table of 25 per cent in the context of a 450 ppm stabilisation agreement that is very significant and that has been

received as a constructive contribution to the Copenhagen talks. We are actively engaged in the lead-up to the Copenhagen negotiations because we think climate change is a risk that we have to confront and it is in Australia's interests to get an ambitious global agreement.

We have had criticism from both sides of this debate. People say we should not do this; people say we should do more. We have struck what we think is a policy that is in the national interest. I want to just comment on coal. I do understand your position on this, but I would make the point that, regardless of what Australia does on coal, the world will continue to use coal in the years and decades to come as a source of energy. There are many other countries in the world that produce coal. It will continue to be used as an energy source. If we are going to reduce emissions, if we are going to change the trajectory the world is currently on, we will need a lower emissions solution on coal, which is why we are putting substantial amounts of money into CCS research and development and into the Global Institute. I appreciate the Greens position on that; you do not agree with it. But that is why the government is doing this.

Senator BOB BROWN—The question I asked a moment ago—

CHAIR—Your final question, Senator Brown.

Senator BOB BROWN—was what response has the Prime Minister made to the request by Professor Hansen that a moratorium be placed on new coal-fired plants in Australia?

Dr Parkinson—If you have seen Professor Hansen's website you will know that I have written to him outlining the Australian government's policy on climate change. He has written an open letter, thanking us for our leadership on climate change issues and urging us to do more. But, as the minister said, that is his view.

Senator BOB BROWN—What is your response to the call for a moratorium on new coal-fired plants?

Dr Parkinson—The government has made very clear that, irrespective of what we do in Australia, there are around 55 countries in the world that have commercially exploitable coal reserves. They will be used, whether or not we like it, for energy security reasons, if nothing else. The technology is well known, it is cheap, it is easy to do and the resources are there. Countries will use it; hence the priority the government has placed not on a moratorium against coal-fired power stations but on trying to find a solution so that, no matter what we in Australia do, we can actually contribute to a global solution by helping find a way in which we can capture and store CO₂ emissions, including those from coal-fired power stations.

Senator BOB BROWN—I take it that that means no?

Dr Parkinson—I said that to you earlier.

Senator Wong—There is no moratorium imposed by the government. We are putting in place a price on carbon, investing massively in energy efficiency, solar technology, putting in place a renewable energy target and funding for CCS.

Senator BOB BROWN—And new coal export facilities and, potentially, new coal-fired power stations?

Senator Wong—I am not sure I can take it any further.

CHAIR—That can be your last question, Senator Brown.

Senator BOB BROWN—The minister said she is not sure whether she can answer it.

Senator Wong—I can answer it, but I think we would just traverse the same ground.

Senator ABETZ—As I understand it, the \$4 billion insulation program that was announced was estimated to reduce emissions by around 50 million tonnes. Is that correct?

Senator Wong—That is a program that is in fact administered by Minister Garrett's department.

Senator ABETZ—I am aware of that. I am asking not about the program but about the amount of reduced emissions.

Senator Wong—You asked questions about this yesterday, I think.

Senator ABETZ—No.

Senator Wong—If it was not you, it must have been another senator from the opposition.

Senator ABETZ—This is within the climate change—

Senator Wong—But questions about that program should be directed to the Department of the Environment, Water, Heritage and the Arts.

Senator ABETZ—So the Department of Climate Change cannot tell us—

Senator Wong—Senator, you have been a minister; you know that questions should be addressed to the portfolio responsible for the program.

Senator ABETZ—You do not even know what the question is. All I am seeking to deal with is the assertion about the cut in emissions as a result of this program. I do not want to know about the program at all other than the assertion that was made that it would reduce Australia's emissions by 50 million tonnes—because that is what the Prime Minister said. Did the department have any input into that announcement that all these insulation batts would produce a 50-million-tonne reduction in our greenhouse gas emissions?

Mr Comley—Yes, we did have an input into that announcement.

Senator ABETZ—Are you able to disclose to us that you agreed with that assertion?

Senator Wong—Senator, these are the government's figures. I am not quite sure what you are getting at here. These are figures which have been worked up across departments for an announcement. It is really not—

Senator ABETZ—Yes, but the difficulty is that, with climate change and a few other areas, when we ask, we are told, 'No, this is Treasury's advice, this is Treasury's modelling, this is what Treasury has told government, therefore this is what the government is saying.' I ask a pretty simple question. The government have asserted 50 million tonnes of savings in greenhouse gas emissions through the pink batts initiative. Now you are telling me that you are not going to tell us whether the departmental advice agrees with that. You are just going to say 'This is the government's figure.' I accept that. If the government do not want to disclose, that is fine, and it is up to the government, but I would indicate to you that, on many occasions, the government in fact do tell us what the advice is, and that is the basis of what they have asserted.

Dr Parkinson—I do not think there is any controversy about the estimate. We were involved in developing the estimate.

Senator ABETZ—And you do not have any difficulty with the estimate?

Dr Parkinson—No.

Mr Comley—I have a feeling that we have actually provided an answer to you on notice on this topic. I cannot remember which of the multiple committees we appear before it was for, but I do recall clearing that response, which went through in some detail.

Senator ABETZ—That is right. It was in relation to Richard Denniss's article—

Mr Comley—Yes, but there was also—

Senator ABETZ—that I asked you to comment on and which you have commented on. And you are quite right: it was a very lengthy discussion. You talked about 50 million tonnes of emissions being saved. That is what the Prime Minister said when he announced it: 'This will save 50 million tonnes of emissions.' Yet now we are being told this will save 50 million tonnes of emissions from households, which, as we know, can then be made up via industry and other pollutants.

Senator Wong—I will go to Mr Comley shortly, but I just want to make this point. The amount off business as usual that minus 15 at 2020 would require us to reduce our emissions by is about 195 million tonnes. The average voluntary market, I think, is two million tonnes a year. The energy efficiency package to which you refer was, I think, between 4½ and five million tonnes per year when fully rolled out. So let us just remember that—five million tonnes versus 195 million tonnes. So if one is serious about actually reducing emissions, one cannot rely only on voluntary action and household action because that frankly does not give enough incentive to polluting industries to reduce their emissions. To do that, you need a price on carbon. So I take issue with the assertion you made.

In relation to the household package, as Mr Comley has said, the estimate of that as fully rolled was 49.9 million tonnes per annum.

Mr Comley—No—total. 49.9 is the total by 2020.

Senator ABETZ—Clearly, like on so many others today, I will not be getting an answer to the question I asked. Let us move on, given the time. Can I have a quick answer to this question. Has the government lobbied the UN to include soil carbon in international agreements?

Mr Carruthers—Yes.

Senator ABETZ—Thank you. Let us move on.

Dr Parkinson—You do not lobby the UN. You put in your own submissions and your negotiating position.

Senator ABETZ—All right. I think we all know what was meant. How many industries and companies have told the government and the department that they will reconsider current or future investments if the scheme, as introduced, is brought into law?

Senator Wong—Sorry?

Senator ABETZ—I will read the question again. How many industries and companies have told the government and the department that they will reconsider current or future investments if this scheme is introduced and passed into law?

Mr Comley—We can take that on notice.

Dr Parkinson—I do not think we can take that on notice because we do not know the answer.

Senator ABETZ—So many have told you that you do not know the answer?

Dr Parkinson—No, quite the contrary. There are numerous companies that say, ‘If only the political process would bring matters to a head and reach a resolution so that we can have certainty and can move on and make investments.’ Others come saying, ‘Look, we are—

Senator ABETZ—I have a point of order, Chair. The question was not what companies said in relation to other aspects and other matters. It was a direct question about what industries and companies have told the government they will reconsider current or future investments if this scheme is introduced. Is it zero, one, 10 or ‘We don’t know and we will take it on notice’?

CHAIR—On the point of order, I will remind the witnesses of the question. Dr Parkinson, I believe you were in the process of answering the question.

Dr Parkinson—What I was trying to say was that we get people coming in and saying, ‘We want to do more investment if only the investment climate would allow us.’ Others come in and say, ‘Unless you give us more support, we will not go ahead with investments we would otherwise have made.’ We need to be very clear about this. What some of these firms are saying is that faced with 65c per tonne of CO2 emissions they are not happy to make investments. But this is going to change relative prices. It is only natural that a whole pile of firms would think they would increase their investments. The more emissions—

Senator ABETZ—Yes, I know.

CHAIR—Just continue, Dr Parkinson.

Dr Parkinson—intensive firms would need to reconsider what they do. That is the key reason why the emissions-intensive trade-exposed adjustment program gives more support than is required if all you were worried about was carbon leakage. If all you were concerned about was carbon leakage, you would not give the degree of support the government is proposing. It is giving more support than is warranted for carbon leakage alone to help firms ease the transition. In a negotiation process, people are clearly going to put positions most favourable to themselves, and we see that. It is a normal part of the policy deliberation development process when you engage with stakeholders. There is nothing new about this.

Senator ABETZ—And the number is what?

Dr Parkinson—I told you, Senator.

Senator ABETZ—No, I did not hear a number, I am sorry.

Dr Parkinson—As I told you, almost every firm either says, ‘We want to do more if the circumstances are right,’ or, ‘Unless you give us more support then we will not make future

investments or we will change the amount of investment we make, or we will change the way we invest.'

Senator ABETZ—Has any company or industry told the government or the department that they will reconsider current or future investments if this scheme is introduced?

Dr Parkinson—I have just answered the question. I have said many—

Senator ABETZ—Does it surprise you when people text me and email the office to say, 'How do you put up with these nonanswers hour after hour?' A simple question: how many, and I would like to have an answer. Is it one or none or 10?

Senator Wong—Senator, you may not like the answer but Dr Parkinson is giving the answer he believes is appropriate. You may not like it, but that is his answer. I can say to you in terms of impact on industry one of the reasons we have spent at departmental and ministerial level—

Senator ABETZ—I am not questioning about impact; I wanted to know the number, that is all.

Senator Wong—The question is about impact—

Senator ABETZ—It is not.

Senator Wong—Can I finish?

Senator ABETZ—The industries might be wrong. All I want to know is the number.

Senator Wong—I have met personally with—

Senator ABETZ—Point of order, Chair. Once again I have asked for a number, a very simple question, how many.

Senator Wong—If I could finish explaining—

Senator ABETZ—I am not going into the argument—

Senator Wong—Senator Abetz, you may have difficulty—

CHAIR—There is a point of order before the chair. Minister, can you wait so I can deal with the point of order, please.

Senator ABETZ—The question does not go into the rights and wrongs of these industries and companies making the assertion. That may be a follow-up question but I was not intending to. All I wanted to know was how many have made this assertion. That is a sum that must be known and if not can be taken on notice and reported back to us. All I want to know is how many.

CHAIR—There is no point of order. You have asked a question and the witnesses are responding. As we have said, you may not like the answer but the reality is that they have the right to respond according to the information that they are providing to you. There is no point of order.

Senator Wong—Can I respond—

Senator ABETZ—On another point of order, your ruling, with great respect, Madam Chair, is not correct. What it means is that I can ask if the sky is blue and these officials and

the minister can start telling me about the sea, that the sea is blue, and bear no relevance whatsoever to the actual question asked. If the answers are not relevant, you are quite right, you cannot force them to be relevant, but you can ask them to desist and we then move on.

Senator JACINTA COLLINS—On the point of order, Chair, the minister is entitled to provide an answer in the relevant context. If she believes these issues are relevant, she should continue to provide them.

Senator ABETZ—Not if she believes. The standing orders do not say that.

Senator JACINTA COLLINS—If you want to take a point of order on relevance, that is a different issue. But you have not done so.

Senator ABETZ—That is what I did.

Senator JACINTA COLLINS—No, you did not.

Senator ABETZ—I did. I said answers have to be relevant to the questions. I think you have spent too much time on a taxi rank.

CHAIR—We have less than 15 minutes remaining. Senator Fielding still has some questions. Senator Abetz, I cannot direct the witnesses on how to respond to the question.

Senator ABETZ—We should draw a line under this. I am not going to get an answer.

CHAIR—The minister has the right to respond.

Senator Wong—I have not finished my answer. What I was going to say was this, Senator Abetz. It is a case in the context of many of the very many discussions we have had and I have had at ministerial level firms put both propositions to me, that is, ‘We want a higher carbon price to be able to make more investments and if you do not give us a higher carbon price we can’t,’ and vice versa, that they need further assistance or they need assistance under the scheme in order to support existing investments. We have taken those views on board, and that is the important point. The assistance that the government has provided in the policy that is being put forward has been drawn in large part on that side of things from the detailed consultations at that level with industry. So my point about your question is that it misunderstands the policy process that has been gone through in order to get to the point of the levels and measures of assistance which are in the policy.

Senator ABETZ—The question just for the record was: how many. I was seeking a number. Those who will read the *Hansard* will be delighted.

CHAIR—Do you have a further question?

Senator ABETZ—How much more time do I have?

CHAIR—If we could go to Senator Fielding now and then we will come back to you, Senator Abetz.

Senator ABETZ—That is fine.

Senator FIELDING—I want to start with coal fired power stations. I come from Victoria and want to focus on some issues down in that region. Given we have to have security with our power supply, shouldn’t a much longer transition period be given to coal fired power stations so that things like carbon capture and storage can play their part rather than cutting

them off at the knees to start with? Investments will start to pull out if they do not think there is a long-term future down there. I think Europe has had a phase-in approach for some time which gives them a chance to look for some other alternatives. What are your thoughts on a phase-in approach and a longer transition period?

Mr Comley—Dr Parkinson might want to add to this answer. Probably the important point to make is that a lot of people have characterised the ESAS as being about a five-year transition. That is not actually the way that the ESAS was set up. Conceptually, the ESAS is a lump-sum payment to reflect unexpected change in asset values or change in part of the asset value. It happens to be delivered over five years. But what the scheme actually does is that from the first year—

Senator FIELDING—Is that 130 million?

Mr Comley—Yes, it is 130 million permits.

Dr Parkinson—About \$3.8 billion in total.

Mr Comley—Because it is done in such a way that each generator will face the full carbon price from the first year, the way it is allocated is not related to how it will drive energy market adjustment. The experience from Europe was an allocation to generators that led to a windfall because in practice they were able to pass on a large part of those costs to the consumers and actually made windfall profits out of the process.

Senator FIELDING—For example, over a five-year period, you have 130 million and each year currently we have emissions from electricity of about 200 million. Isn't that about 13 per cent with the other 87 per cent to be exposed to paying for permits?

Mr Comley—The important point is that—and I am not going to confirm the number precisely—

Senator FIELDING—Around that figure.

Mr Comley—those generators across the whole system who have relatively low-emissions intensities compared with the rest will, broadly speaking, be in a position to pass on the cost. That is why the scheme is designed to put a much higher level of assistance to those who are the most affected by the transition. I do not think it is really appropriate to look at the average payment across the average of the scheme because the assistance is not delivered in that way; it is targeted at the most affected generators.

Senator Wong—In other words, we have to recognise what this is paid for. Most generators will pass on the cost. It is the case that some may not be able to pass on the totality of the cost and this is a payment which recognises in part that fact.

Mr Sterland—Earlier you asked about transition. While the ESAS is for one-off asset change, there are a lot of other elements of the scheme that are designed to put downward pressure on costs—the open approach to international linking and various design elements. They are critical in the pace of transition.

The government invited the three energy market regulators. Your question, in the end, went to whether this is too fast and causing energy security risks. The government consulted with the three energy regulators before the white paper, and they all indicated that the various

elements of the scheme—this element, the ESAS and other elements—significantly mitigated the risk to energy security. So the government's approach was to road test, in a sense, with people close to the energy market.

Senator FIELDING—That could be from a regulator's perspective and not from industry's perspective, though.

Mr Sterland—But they are industry regulators.

Senator FIELDING—I know; that is what I am saying.

Senator Wong—That is true.

Mr Sterland—Some of those regulators are charged with looking over energy security.

Senator FIELDING—How does the CPRS compare with the phase-in approach of the European system?

Dr Parkinson—Could we clarify the comments made a moment ago? You said that might be true from a regulator's perspective but not from industry's perspective.

Senator FIELDING—From direct companies themselves.

Dr Parkinson—From an individual company's perspective—

Senator FIELDING—Yes.

Dr Parkinson—you are entirely right, but from the systemic security of the system as a whole the regulators are right.

Senator FIELDING—You mentioned before that you were coming back to the committee about comparisons with the proposed bill from the US. What about comparison with the European model? I ask so you can come back at the same time rather than coming back with pieces—

Mr Sterland—Particularly on the generators?

Senator FIELDING—Yes.

Mr Sterland—We would be happy to do that.

Dr Parkinson—We can do that.

Senator FIELDING—I wonder what, as a general principle, the department believes regarding what percentages of global carbon emissions are man-made, animal-made or made from natural sources. That would not leave out submerged volcanoes. We had Senator Brown in here before saying there were forests burning, and there is some move globally to count even bushfires in the emissions scheme. Does the department have a very firm view of the global proportions? You probably have it somewhere, but you probably do not have it top of mind. Could you table that for us at some stage?

Senator Wong—We can provide that. I do not know if this is helpful to you, but there are some quite good visual graphs which track a range of climate models against temperature and which, I think, really demonstrate how—

Senator FIELDING—I am not interested in that. I am interested in the carbon emissions very specifically. I am not worried about the temperature; I am not worried about the links to that. I very specifically want what the Australian government department—

Senator Wong—Can I finish? We are happy to provide that. My point was that what they show is that the explanation for what we are seeing has to be human activity. That is all.

Senator FIELDING—I am happy for you to provide two charts: one that I have asked for and one that you want to provide. I am happy to have both, if that makes sense.

Senator Wong—We will provide it.

Senator FIELDING—Separated, if you can—one Fielding chart, one Wong chart. Then we can see which one is—

Senator Wong—Only if you promise to read the Wong chart too!

Mr Carruthers—That is all laid out in the report of the Intergovernmental Panel on Climate Change.

Senator FIELDING—It is, but I want to make sure I have that, including—

Mr Carruthers—We would be happy to include that. The basic message is that there are large natural fluxes into and out of the atmosphere and then there are the human caused emissions. The basic message is that human activity is tipping the balance of the atmosphere.

Senator FIELDING—I just want to separate the two, if we can. I want a total of what you believe is in the various categories of global emissions. I certainly do not want to leave out things like submarine volcanoes. People are coming to me with other figures, so I think I had better look at it. I am happy for you to table that. Senator Wong, you can have yours if necessary.

Senator Wong—It is not to make me feel good. If you do not want to look at it, that is fine.

Senator FIELDING—I do. I am very keen to look at it. Thank you.

Senator ABETZ—Have we yet determined the number of activities that will need to be regulated?

Dr Parkinson—No, we have not. As we have discussed previously, we identified in the white paper a group that we thought a priori were likely to qualify, and we have started developing activity.

Senator ABETZ—Thank you. We still have not determined the list.

Dr Parkinson—Essentially it is up to business. Apart from that group we have identified, there was that opportunity for others to self-select in and go through a filtering process. Until that has been done, we do not know how many more of these will come.

Senator ABETZ—Are you getting more applications on a day-to-day basis?

Dr Parkinson—No, we are not.

Senator ABETZ—That has pretty well dried up now?

Dr Parkinson—Yes.

Senator ABETZ—But they are still in—if I can use the term—the sausage machine and have to come out the other end?

Dr Parkinson—They have to go through a filtering process themselves.

Mr Sterland—There is provision for new activities to come forward over time. There might be a new process setting up in Australia, and it allows for that.

Senator ABETZ—How many applications are we still working on?

Dr Parkinson—There are about 30 that we identified and there are another almost 30 that have come forward and said, ‘We wouldn’t mind having a look to see whether we qualify.’

Mr Comley—Many of those are not associated with a lot of emissions—just to get a sense of the totality of how many emissions are covered. The ones that were identified at the white paper stage generally are the ones that have a significant impact on the emissions.

Senator ABETZ—In relation to the permits: if I were to own a permit, would my name be on a register indicating that I own that permit? I want to canvass something, and I have got to be careful because I was the beneficiary of a private briefing and I raised the issue then. If I ask you directly, ‘Have we progressed that issue?’ you will know what I am hinting at.

Dr Parkinson—Yes. Yes, we have progressed that issue. I understand it is with the minister.

Senator ABETZ—It is still underway. That is the main thing. Thank you very much. Minister, I have two questions for you to finish off with, if I may. The *Australian* on 25 March 2009 suggested that Project Better Place, which is a business which Evan Thornley is associated with, had a meeting with you, or there had been discussions with you, regarding a launch of Better Place in Australia.

Senator Wong—I will have to take that on notice. I have to say it is not ringing any very loud bells.

Senator ABETZ—All right. It is on page 7 of the *Australian*, 25 March 2009:

The meeting, attended by Better Place and government officials, noted “there have been discussions with Parliamentary Secretary Evan Thorney (sic), the Federal Minister for Climate Change, Minister Wong; regarding a launch(s) in Australia”.

I want to know whether such a meeting took place and, if so, was Mr Thornley involved in that meeting et cetera? If it does not ring any bells, by all means take it on notice.

CHAIR—Final question, Senator Abetz.

Senator ABETZ—This is the final question, and you, Madam Chair, would be interested in this, I am sure.

CHAIR—I am interested in all the questions, Senator Abetz.

Senator ABETZ—Minister, there is a website called 1millionwomen, in relation to climate change and carbon reduction. I understand the Australian government is a sponsor of it. Is that correct? Are you aware of the website?

Senator Wong—I am aware of the website. I am aware of the project. I believe I have been told that there is some government sponsorship. I am not sure whether that is our department or others, but we can take that notice.

Senator ABETZ—That is what I was going to ask. If it is not your department, would you, through departmental officers, be as kind as to tell us which department it is and how much the sponsorship is for?

Senator Wong—Don't you like the website, Senator?

Senator ABETZ—You are being so defensive. I don't know what Paris did to you! I really don't know what Paris did.

Senator Wong—I am just wondering what you didn't like about the website.

Senator ABETZ—I thought you would have come home full of bonhomie.

CHAIR—I thank the minister and Dr Parkinson and his officers for appearing before us at this estimates. I would also like to place on record my appreciation to the secretariat, to Hansard and to my committee members.

Committee adjourned at 3.45 pm